

**POST MERGER STRATEGIES AMONG COMMERCIAL BANKS IN
KENYA**

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DECLARATION

This research project is my original work and has not been presented in any other University for the award of any degree or discipline.

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D61/70103/2008

This research project has been submitted for presentation with my approval as University Supervisor.

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DEDICATION

The research project is dedicated to my loving and caring husband and our children.

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ABSTRACT

In today's globalized economy, mergers and acquisitions are being increasingly used world over for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale. This study sought to establish post merger strategies commercial banks have used in Kenya. To achieve this, the study was guided by two objectives: identifying post merger strategies used by commercial banks in Kenya and determine the effectiveness of post merger strategies adopted in commercial banks in Kenya.

This study adopted a cross sectional survey design since it focused on 5 mergers and acquisitions that have been witnessed in Kenya since 1995. The study targeted the office of corporate communications managers because they are normally involved in new strategy development and implementation. Primary data was collected using a questionnaire. The questionnaire included open and closed ended questions for ease of administration. Collected data was analyzed using descriptive statistics.

The study concludes that the post merger strategies used by the commercial banks in Kenya include; employee training and development, system automation, product development, customer help lines, rebranding, advertising, innovation and system upgrade. The study concludes that implementation of post merger strategies is faced with barriers. The study further concludes that communication and regulations barriers affect the implementation process to great extent. This study recommends that intensive training programs should be adopted after the mergers so as to enhance employees' development as well as performance. The study recommends that the top management should come up with intensive consulting mechanism so as to intensively discuss the incompatible ideas and human factors which hinder the success of the merges. The study recommends that systematic and thorough attention should be paid to potential problems of post merger integration so as to facilitate finding of a solution.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's globalized economy, mergers and acquisitions are being increasingly used world over for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale among other (Kemal, 2011). The prospect of increasing profitability and market share by mergers and acquisitions continues to exercise a more seductive and immediate appeal to business leaders than a reliance on growth alone (Sudarsanam, 1995, Wullaerts, 2002).

There has always been a substratum of mergers, acquisitions and, indeed, divestments in all developed economies. However, the extent of this depends on the buoyancy of the economy. Mergers have a unique potential to transform firms, and to contribute to corporate renewal (Angwin, 2001). They can help a firm renew its market position at a speed not achievable through internal development (Harrison, 2002). There are various reasons behind firms going for mergers and acquisitions. The main corporate objectives are to gain greater market power, gain access to innovative capabilities, thus reducing the risks associated with the development of a new product or service, maximize efficiency through economies of scale and scope and finally in some cases, reshape a firm's competitive scope.

Kenya's banking sector witnessed failure of many banks in the eighties and the nineties. After this period, banks as a reactive or proactive measure embarked on restructuring and among the approaches they used is merging and acquiring horizontally. Among the recent

mergers/acquisitions are CFC/Stanbic Bank merger, EABS-Akiba Bank merger, EABS/ECOBANK merger and Equity/Uganda microfinance merger. The mergers have been aimed at strengthening the financial base of the resulting firm hence increasing its competitiveness. Given the environment of competition in the commercial banking industry, there is likely to be a diverse approach by each bank in its strategic goals and tactics. Success is likely for firms who are able to exploit each others potentials. The lack of systematic and thorough attention paid to potential problems of post- merger integration appears to reflect the difficulty of recognizing the process itself as part of the problem (Jemison & Sitkin, 1986). Therefore, the post-acquisition integration strategy should be planned from the very beginning stage of the overall acquisition management process, and should be managed incrementally. Post- merger integration may involve a complex and interactive mutual adjustment process between the two firms, but change is almost always one-sided, occurring primarily with the target firm (Shanley and Correa, 1992).

1.1.1 Concept of Strategy

What is strategy? Strategy is the unifying theme that gives coherence and direction to the decisions of an organization. Deriving from Porter's various works it is evident that the study of strategy involves how enterprises go about identifying, establishing, and sustaining competitive advantage. Porter, (1980), Porter simplifies the concept of strategy as the creation of a unique and valuable position, involving a different set of activities. The essence of strategy is choosing what not to do. Strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.

Strategy is the pattern of objectives, purposes or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. Chandler (1962) contends that strategy is the determination of the long run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Ansoff (1967) argued that a firm's mission should be to exploit an existing need in the market, rather than using the consumer as the common thread in business. According to Tyge (2008), strategy can help achieve success, but it doesn't guarantee it—certain features of strategy directly contribute to success, such goals must be simple, consistent, and long-term. Allocation of and objective appraisal of resources are critical to success of any strategic initiative. Effective implementation of strategy cannot be gain said. Strategic management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. Strategic management process is the full set of commitments, decisions, and actions required for a firm to create value and earn above-average returns.

1.1.2 Concept of Mergers

Although managing mergers is essentially a change management process, mergers differ from “normal” change processes in that their very nature requires that a new corporate identity and a methodology for cultural integration be established for the two organizations. According to Carleton (1997) the term merger refers to the combining of two or more entities into one, through a [purchase acquisition](#) or a [pooling of interests](#). It can also be used to refer to the [voluntary amalgamation](#) of two [firms](#) on roughly equal

[terms](#) into one new [legal entity](#). Merger is a tool used by companies for the purpose of expanding their operations often aiming at an increase of their long term profitability.

Usually, mergers occur in a friendly setting where executives from respective companies participate in a due diligence process to ensure a successful combination of all parts. On other occasions, acquisitions can happen through a hostile takeover by purchasing the majority of outstanding shares of a company in the open market (Seth *et al.*, 2000).

1.1.3 Post Mergers Strategies

Potential merger or acquisition partners are typically identified pursuant to some type of strategic fit. Strategic fit is broadly characterized by similarity between organizational strategies or complementary organizational strategies setting the stage for potential strategic synergy. While it seems intuitive to conclude that strategic fit plays an important role in the financial success of a merger or acquisition, some researchers suggest that there is no clear evidence supporting the value of strategic fit in mergers (Thompson, 2005).

Explicit guidance on integration fundamentals gives the workforce a collective sense of purpose and priorities. If people are left to figure things out on their own by inference or conjecture, they are more likely to delay decisions or make poor ones. It is imperative therefore that before the integration process begins, senior management should establish a set of post merger integration principles that will help direct employee actions.

1.1.4 The Banking Industry in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), govern the Banking industry in Kenya. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association annual Report, 2008).

The Kenya banking industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. The Kenya Bankers Association (KBA) serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

1.1.5 Commercial Banking in Kenya

The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association

annual Report, 2008). There are forty-three commercial banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned (CBK, 2007). The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking, insurance services and custodial services among others (Dikken and Hoeksema, 2001).

Commercial banks are custodians of depositor's funds and operate by receiving cash deposits from the general public and loaning them out to the needy at statutorily allowed interest rates. Loans are based on the credit policy of the bank that is tightly coupled with the central bank interest rate policy. These in effect determine the level of financial risk in a particular bank (Shambe, 2003).

1.2 Research Problem

The field and realm of post merger and acquisition strategies has been in business enterprises for a long time. However, not much study has been conducted in analyzing and addressing the post merger integration and management issues. This may seem to reflect the difficulty of recognizing the process itself as part of the problem (Jemison,

1986). Post merger management is the single most important determinant of a successful merger and integration process. Post merger integration may involve a complex and interactive mutual adjustment process between the two firms, but change is almost always one-sided, occurring primarily within the target firm (Shanley, 1992). However because of its specific characteristics, there is need for a set of tools and techniques for managing the post merger organization effectively.

In 2008, the then Finance Minister Amos Kimunya proposed to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply. Subsequently, Kenyan banks were set for consolidation to meet the deadline to boost minimum core capital. Two lenders, Equatorial Commercial Bank and Southern Credit Bank completed a merger in 2010, citing the need to enlarge their branch network and balance sheet. The local implications on banks of enhanced capital rules abroad following the 2008 global financial crisis may have also encouraged mergers and acquisitions in the sector.

Locally, studies on mergers and acquisition have been conducted. Chesang (2002) carried a survey on Merger restructuring and financial performance of commercial banks in Kenya. Ochieng (2002) studied Bank consolidations and competition in Kenya's many small banks. Marangu (2007) did a research on effects of mergers on financial performance of non listed banks in Kenya while, Kithitu *et al* (2012) conducted a study of the Role of Mergers and Acquisitions on performance of Kenya Commercial Banks. No known study has been conducted on post merger organization strategy among commercial banks in Kenya. This study therefore sought to fill the existing research gap

by answering one question: what post merger strategies had commercial banks used in Kenya?

1.3 Research Objective

The specific objectives of the study were:

- i. To identify post merger strategies used by commercial banks in Kenya.
- ii. To determine the effectiveness of post merger strategies adopted in commercial banks in Kenya.

1.4 Value of the Study

The study would provide invaluable propositions for the theory, policy and practice of post merger strategy implementation. Given the limited amount of research in the field of post merger integration, this study endeavors to add on to the knowledge and theory of strategy in the context of commercial banks in Kenya.

Secondly, this study would provide invaluable policy propositions in post merger integration and change management policies as well as practical management challenges facing administrators and practitioners in implementing strategic change in a case of post merger scenario.

This study would be important to policy makers in the banking industry regarding taxation and other regulatory requirements of mergers and acquisitions in the country. Further, the study would be important to bank managers as it would help them understand the effects of termination rates regulations on their operations and performance. This

would help widen the knowledge of the manager when making decisions on mergers and acquisitions.

The results of this study would also be important to researchers and scholars, as it would form a basis for further research. The study would also be a source of reference material for future researchers on other related topics; it would help other academicians who undertake the same topic in their studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter attempts to review the theoretical literature and academic research that has been done by researchers, practitioners and academicians in the arena of post merger management strategies. Specific interest will be in analyzing the concept of mergers, post merger strategies and finally post merger integration implementation strategies.

2.2 Concept of Mergers

Although managing mergers is essentially a change management process, mergers differ from “normal” change processes in that their very nature requires that a new corporate identity and a methodology for cultural integration be established for the two organizations. While these issues can be factors in any organizational change initiative, they are key organizational success factors and co-dependent in post merger environments. Consequently, any methodology or process must address these factors simultaneously from the very start of the change process (Scherer, 1998).

According to Carleton (1997) the term merger refers to the combining of two or more entities into one, through a [purchase acquisition](#) or a [pooling](#) of interests. It can also be used to refer to the [voluntary amalgamation](#) of two [firms](#) on roughly equal [terms](#) into one new [legal entity](#). Mergers are effected by [exchange](#) of the pre-merger [stock](#) (shares) for the stock of the new firm. [Owners](#) of each pre-merger firm continue as owners, and the [resources](#) of the merging [entities](#) are pooled [for the benefit of](#) the new entity. If the merged entities were [competitors](#), the merger is called [horizontal integration](#), if they were

[supplier](#) or [customer](#) of one another, it is called [vertical integration](#). Merger is a tool used by companies for the purpose of expanding their operations often aiming at an increase of their long term profitability (Lambrecht 2004).

Mergers and acquisitions are being increasingly used for improving competitiveness of companies through gaining greater market share, broadening business portfolio so as to reduce risk for entering new markets and geographies and capitalizing on economies of scale. Other reasons are efficiency-related gains, disciplining target management, spreading new technology, and changes in industry structure. Firms also merge to eliminate unfair competition that may have been discovered to lead to poor performance. The new identity is believed to acquire new managerial capabilities to improve on outcome (Hambrick & Cannella, 1999).

2.2.1 Post Merger Challenges and Risks

According to Kim, and Singal (2003) there are four distinct risks and challenges associated with post merger strategies. They can be broadly categorized as: synergy risks, structural risks, projects risks and people risks. Synergy risks comprise all factors stemming from inadequate synergy realization. They could arise from poor quality of financial figures especially when buying start-ups or carve-outs, as figures to validate and project the operational performance are often unavailable due to missing operational history. Integration hazards also increase with the complexity of implementing synergy goals. The third risk driver arises from inadequate implementation planning, which overlooks important integration steps such as employee training, alignment of incentives or IT systems, and involvement of line management sufficiently early in the process.

Structural risks arise from mismatched organizational structures and processes. These risks fall into two broad categories: those arising from differences in the organizational and management structures and those with their origins in dissimilar business processes. Structural incompatibility can exist, for example, because of conflicting degrees of centralization in decision making. Differences in core processes, however, ultimately reflect the disparities in companies' market and business requirements (Yunker, 1999).

Project risks, this category involve project-related obstacles to post merger integration. Whether an overall lack of expertise or, if experts do exist, their being too busy or unwilling to dedicate themselves to the integration efforts this can also hinder a project team in dealing with integration challenges. Most companies do not possess the right skill set for post merger integration, yet post merger strategy management know-how is critical for line managers as they will lead the implementation charge, and it is essential that managers are recruited from the companies being merged. External support can be invaluable, but it is not a substitute (Rhodes-Kropf, Robinson, and Viswanathan, 2006).

Even in cases where companies possess post merger integration know-how, these managers are usually not available to take on a post merger integration. This is because, typically, those with PMI skills are highly valued and likely to be put in charge of other initiatives and functions. Most companies are happy to delegate any available manager to the job, no matter what his or her skill set. Of course, project risks increase with less skilled management time dedicated to the post merger integration.

People risks refer to factors based on personnel resistance findings show that post merger integration projects face resistance at all levels, from regular workers to middle and top management. Perhaps counter intuitively, resistance is especially high at the top management level. This is likely because personnel risks in terms of layoffs are more pronounced at the management level as the new company will probably shy away from retaining two marketing heads or two finance managers on the organization chart (Rhodes-Kropf, Robinson, and Viswanathan, 2006).

The magnitude of people risks is influenced by the extent of redundancies: the larger the proportion of layoffs and thus the danger of losing one's job, the greater the hostility. However, there are other factors amplifying people risks, such as the delayed selection of The unbalanced distribution of downsizing between the merged organizations intensifies the scope of employee-related risks; the emergence of a winner-loser mentality inevitably leads to resistance among staff who believe that their units drew the short straw when jobs were sacrificed.

2.3 Post Merger Strategies

Thomas and Weston (1992) found that the greatest loss that most mergers encounter is not due to a poor match, but rather to poor post-merger change and integration implementation. This leads to staff disengagement, and possibly, even disintegration of the company. Most mergers focus on financial and business systems integration, which is operationally essential and key to creating a basis for success. At the outset, little attention is paid to the human factors, and communication is limited to "a need to know basis." By the time the "people" factors are addressed and employees are involved on a

broader scale, many employees have either left the organization or become emotionally disengaged.

Kim and Singal (2003) devised a framework from which they showed that effective post merger implementation strategies depended on. This framework addressed the risks outlined in the previous section. They include a clearly defined strategy highlighting a shared vision is key to effective post merger integration success. This entails expanding the vision from mine to ours and giving it life. In a word, the new organization should spell out its vision, mission and ideals as clearly and articulate the same to all stakeholders for their early buy-in (Thomas and Weston, 1992).

Secondly, unflinching customer focus strategy should be in place to ensure provision of uninterrupted services and support to customers must not be lost in the wilderness of implementation of the merger and integration. Maintenance of previous relationships, contracts and commitments should be safeguarded. At the end of the effort, a clear point of focus for all stakeholders should be outlined.

Thirdly, a risk mitigation strategy is essential. Every merger will have some negative synergies such as turnover of key talent, sales losses, incompatible systems, productivity declines, turf battles, cultural friction, or something else. Acquirers should think ahead, identify risks, determine their size and likelihood, and develop plans to eliminate or mitigate the major ones.

The fourth strategy is Integration Strategy. To what extent should the target company be integrated? Integration matters more in some types of mergers than others, and it matters more in some functions than others, depending on the rationale behind the deal. Before

a merger is closed, the integration strategy processes, and the responsibilities of the teams should be well defined (Maksimovic and Phillips, 2001). Clarity from a carefully crafted plan helps provide focus and direction, align expectations, and replace employee skepticism with optimism. Identify synergies. This would entail cost and revenue synergies, plans, accountabilities, targets. Program management processes to track and drive results. The greatest opportunities for additional improvement often lie in the functional interfaces, those points at which work is passed from one integrated department to another.

According to Pandey (1998), there must be clearly defined governance structures and the board and top executives must be appointed early enough and the same communicated to all stakeholders. The roles of the board and executives must be clearly defined and outlined. This would come with delineation of the organization structure as well as roles of line managers.

Communication strategy should be clear concise and must reach all stakeholders in time. The message must be clear, early, often and consistent at all times (Kim and Singal, 2003). In the tense environment of integration, it is easy for messages to be misinterpreted, twisted, or exaggerated. Communication requires much more planning and thought in a merger than it does during more stable, less stressful circumstances. Yet, most managers receive little education on what to say, and just as importantly, what not to say (Thomas and Weston, 1992).

Key employees need to be identified and targeted for retention, morale issues should also be focused on as well as incentive systems designed. A merger is no place for a learn-as-

you-go approach. Without proper training to give people a common frame of reference, they will typically pursue conflicting strategies, argue over the right moves to make, get in each other's way, and generally tangle things up miserably (Maksimovic and Phillips, 2001). However, a little bit of expert coaching on the front end can bring the alignment of effort necessary for a well-orchestrated integration.

Speed and decisiveness, this should be there so as to minimize uncertainties as well as developing synergies. Failure to prioritize can lead to a sense of chaos and confusion that frightens people and leaves them unsure of what to do next (Thomas and Weston, 1992). The key is to figure out the critical value drivers of your deal and stay focused during implementation on those "critical few" without allowing yourself to be distracted by the "screaming many."

2.4 Post Merger Implementations Strategies

Mergers often create winners and losers at both the corporate and individual staff levels. One culture unseats another. One employee outweighs another. Power struggles ensue the organization is in limbo and uncertainty reigns. This is hardly a satisfactory state it is imperative therefore, that careful planning and meticulous attention to detail on all aspects of post merger organizational strategies and objectives is achieved. Differences in management styles, threats of layoffs, initial inequities in compensation programs, authority superimposed on the target firm, and an increase in size of the acquiring firm are administrative factors that may hurt the anticipated benefits of acquisitions (Lubatkin, 1983).

The post-merger integration strategy should be planned from the pre merger stage and be embedded within the overall merger management process, and should be managed incrementally. Post merger integration may involve a complex and interactive mutual adjustment process between the two firms, but change is almost always one-sided, occurring primarily within the target firm (Lambrecht, 2004).

Manne (1998) posited that post-merger management is the single most important determinant of a successful merger and integration process. Evaluation of current reality in line with strategy is the first step in the implementation strategy for effective merger and acquisition integration. It is granted that there is an existing implementation plan that must be aligned with the reality. An analysis of the implementation plan may include quality of financial figures defined as the number of previous fiscal years for which Profit and Loss statements and balance sheets were available for the pre-merger companies. Secondly, operationalization of the implementation strategy by analyzing integration steps that are to be performed for instance retention of key personnel, retention of key projects, training by cascading the process and creating ownership therein. It is important that Organizational and management structural differences are addressed such as span of control, managers' remuneration schemes and the percentage of employees working in a profit or cost center.

The second strategy is for management to ensure adequate human resource and financial resources are committed to the implementation strategies for effectiveness. Planning timeframe and budget must be sufficient to actually complete the execution of essential integration measures such as integrating the IT systems (Maksimovic and Phillips, 2001).

Adequate change management expertise must be guaranteed. Members of the implementation and integration team must have enough experience with post merger situations. This is targeted at the entire organization for the steering committee, integration manager, team leader and project teams (Manne, 1998).

Action, map out synergy goals in enough detail. Here the scope of change in individual business areas are addressed vis a vis the capacity of the organization to carry out its day to day business. This should be done in a collaborative style so that managers and employees of either firms are involved and their committed locked in. The divergence of product, market orientation and overlaps should be addressed. The differences in core activities ought to form a good basis for sound synergy planning (Judson, 1995).

Restructure the new outfit. Taking into consideration the differences in terms of span of control and degree of centralization in decision making in either companies that are merging. Map out decision making leeway in terms of profit and cost centres among the two entities. Alongside this it will be crucial that harmonization of compensation and incentive structure. It is advisable that this be done at the earliest opportune moment (Thompson *et al*, 1999). Clear staffing strategy that addresses redundancies, redeployments and the manner of carrying out layoffs in a socially acceptable fashion. Funding for voluntary solutions should be sought well in advance. Early identification of top performers for retention should be sought. How the changes in employees and staffing affects ongoing projects must be a priority in the human resource management strategy. Decisions regarding who goes, who stays, and who is in charge help determine

the future direction of the business and the workforce's views on what the new organization values (Kim and Singal, 2003).

Focusing direction and energy to the new corporate identity by addressing culture issues/strategies and communication strategies, bridging the gap after identifying differences proactively Communication strategy. The change message must be clear, early, often and consistent at all times. In the tense environment of integration, it is easy for messages to be misinterpreted, twisted, or exaggerated. Communication requires much more planning and thought in a merger than it does during more stable, less stressful circumstances (Thomas and Weston, 1992).

Finally the implementation strategy must engrain a re-evaluation and re-creation tool, this would essentially entail having an effective monitoring and evaluation mechanism that enables the organization to take stock of its success and failures at the implementation of its strategies. Mechanisms of strategic direction change should be embedded so that the organization can re-create and renew itself with the changes in its environment.

2.5 Mergers in the Banking industry Kenya

Locally, studies on mergers and acquisition have been conducted. Muya (2006) did a survey of experiences of mergers. Chesang (2002) carried a survey on Merger restructuring and financial performance of commercial banks in Kenya. Ochieng (2002) studied Bank consolidations and competition in Kenya's many small banks. Marangu (2007) did a research on effects of mergers on financial performance of non listed banks in Kenya while, Kithitu et al (2012) conducted a study of the Role of Mergers and

Acquisitions on performance of Kenya Commercial Banks. No known study has focused on post merger strategies among Kenya commercial banks.

In 2008, Ministry of Finance to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply. Subsequently, Kenyan banks were set for consolidation to meet the deadline to boost minimum core capital. Two lenders, Equatorial Commercial Bank and Southern Credit Bank completed a merger in 2010, citing the need to enlarge their branch network and balance sheet. The local implications on banks of enhanced capital rules abroad following the 2008 global financial crisis may have also encouraged mergers and acquisitions in the sector.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology sets out various stages and phases that was be followed in completing the study. It involved a blueprint for the collection, measurement and analysis of data. The specific areas covered in this study include research design, population, sampling, data collection and data analysis.

3.2 Research Design

This study adopted a cross sectional survey design since it covers all the mergers that have taken place in Kenya. It also adopted descriptive research design since it seeks to build a profile about the phenomenon of post merger strategy implementation in commercial banking sector in Kenya.

Descriptive research design can be used when collecting information about peoples' attitudes, opinions, habits or any of the variety of education or social issues (Orodho, 2002). The study aimed at collecting information from commercial banks that had undergone mergers and acquisition within the last ten years.

3.3 Population of the study

The study focused on 5 mergers and acquisitions that have been witnessed in Kenya since 1995. The specific officers who participated in this study were those managers involved in strategy formulation and implementation. The study targeted the office of corporate communications managers because they are normally involved in new strategy

development and implementation. These were been selected upon because they were responsible for communicating on mergers and acquisition within their respective banks.

3.4 Data Collection

In this study, emphasis was put on primary data. Primary data was collected on post merger strategies among commercial banks in Kenya. Primary data was collected using a questionnaire. The questionnaire included open and closed ended questions for ease of administration. To enhance quality of data, Likert type questions were used whereby respondents were required to indicate the extent to which the statements representing variables applied to the respondent. A five point Likert scale was used. The structured questions were used in an effort to facilitate easier analysis while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

The specific officers to participate in this study were those managers involved in strategy formulation and implementation. These were selected upon because they were responsible for deciding on mergers and acquisition. The questionnaires were administered in person to ensure a high response rate. The questionnaire consisted of three parts. Part A collected general information about the commercial bank and respondents, part B was the data on the post merger strategies used by commercial banks in Kenya and the implementation of post merger strategies in commercial banks in Kenya.

3.4 Data Analysis

The completed questionnaires were first edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using Statistical Package for Social Sciences and presented through percentages, means, standard deviations and frequencies. The data was split down into different aspects of post merger strategy implementation. This offered a systematic and qualitative of the study objectives.

To help generalize the findings the collected data was grouped using percentages and measures of central tendency. Descriptive statistics including, cross-tabulation, frequencies and percentages, mean and standard deviation was used for comparison.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the analysis of the data on post merger organization strategies among commercial banks in Kenya. In order to demonstrate the relationship among the various variables, the data is presented in the form of tables, frequencies and percentages where applicable. The study targeted 5 respondents of which all of them filled in and returned the questionnaires making a response rate of 100%. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Respondents' Background Information

4.2.1 Period of Work

The study sought to find out the numbers of years the respondents had worked at their Banks. The findings are presented in the table below.

Table 4.1: Period of Work

	Frequency	Percent
3-7 years	1	20.0%
7-10 years	1	20.0%
Over 10 years	3	60.0%
Total	5	100.0%

From the findings of the study, majority (60.0%) of the respondents had worked in their banks for over 10 years. 20.0% of the respondents had worked in their banks for 7-10 years while 20.0%% of the respondents had worked in their banks for 3-7 years. This implies that most of the respondents of this study had worked in their banks for a long

time thus they were experienced and conversant of the information that the study sought from the Banks and that the information obtained was information is reliable

4.2.2 Position Held

The study inquired of the position held by the respondents in their banks. The findings are presented in the table below.

Table 4.2: Position Held

	Frequency	Percent
Middle level management	2	40.0%
Upper level management	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents indicated that they held the position of the upper level management while 40.0% of the respondents indicated that they held the position of middle level management. This is an implication that there was high reliability of the information obtained from the respondents as they were part of the management of the banks.

4.3 Reasons for Merging

The study sought to establish what prompted the banks to merge. The table below presents the data findings.

Table 4.3: Reasons for Merging

	Frequency	Percent
Restructuring strategy	1	20.0%
To increase asset/liquidity	2	40.0%
To move out of trouble	2	40.0%
Total	5	100.0%

From the data findings, 40.0% of the respondents indicated that their banks was prompted to merge so as to increase asset/liquidity, 40.0% of the respondents indicated that the aim was to move out of trouble while 20.0% indicated restructuring strategy. This is an implication that most banks merged aiming at increasing asset/liquidity as well as moving out of trouble.

4.4 Merging Decision

4.4.1 Restructuring

The study sought to find out the extent to which restructuring led to the decision of the banks to merge. The table below presents the data findings.

Table 4.4: Restructuring

	Frequency	Percent
Low extent	1	20.0%
Moderate extent	3	60.0%
Great extent	1	20.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed that that restructuring led to the decision of the banks to merge to a moderate extent, 20.0% agreed to a great extent while 20.0% agreed to a low extent. It can be deduced that the extent to which restructuring influenced the decision to merge was moderate.

4.4.2 Increase of Competitiveness

The study sought to establish the extent to which increasing competitiveness led to the decision of the banks to merge. The findings are presented in the table below.

Table 4.5: Increase of Competitiveness

	Frequency	Percent
Great extent	1	20.0%
Very great extent	4	80.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents agreed to a very great extent that increase of Competitiveness led to the decision of the banks to merge while 20.0% agreed to a great extent. This shows that Increase of Competitiveness was a key factor that influenced the decision of banks to merge.

4.4.3 Entering the Market

The study sought to find out the extent to which entering the market led to the decision of the banks to merge. The findings are presented in the table below.

Table 4.6: Entering the Market

	Frequency	Percent
Low extent	2	40.0%
Moderate extent	2	40.0%
Great extent	1	20.0%
Total	5	100.0%

From the data findings, majority (40.0%) of the respondents agreed that that aim of entering the market led to the decision of the banks to merge to a moderate extent, 40.0% agreed to a low extent while 20.0% agreed to a great extent. It can be deduced that the extent to which the desire to enter the market influenced the decision to merge was moderate as well as low.

4.4.4 Increase of Liquidity/Asset Base

The study sought to establish the extent to which Increase of Liquidity/Asset Base led to the decision of the banks to merge. The findings are presented in the table below.

Table 4.7: Increase of Liquidity/Asset Base

	Frequency	Percent
Great extent	3	60.0%
Very great extent	2	40.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed to a great extent that increase of liquidity/asset base led to the decision of the banks to merge while 40.0% agreed to a very great extent. It can be deduced that the extent to which liquidity/asset base influenced the decision to merge was great.

4.4.5 Geographical Expansion

The study sought to establish the extent to which the decision of merging of the banks was influenced by the aim of expanding geographically. The findings are presented in the table below.

Table 4.8: Geographical Expansion

	Frequency	Percent
Moderate extent	1	20.0%
Great extent	3	60.0%
Very great extent	1	20.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents agreed to a great extent that their decision of merging was influenced by the aim of expanding geographically, 20.0%

agreed to a moderate extent while 20.0% agreed to a very great extent. This is an implication that merging aimed at making the banks to expand geographically.

4.4.6 Moving Out of Trouble

The study sought to find out the extent to which the decision of merging of the banks was influenced by the banks aim of moving out of trouble. The findings are presented in the table below.

Table 4.9: Moving Out of Trouble

	Frequency	Percent
Great extent	1	20.0%
Very great extent	4	80.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents agreed to a very great extent that their decision of merging was influenced by the aim of moving out of trouble while 20.0% agreed to a great extent. It can therefore be deduced that one of the major reasons for merging of banks as indicated by the respondents was to move out of trouble.

4.4.7 Other Factors

The study sought to establish the extent to which the decision of merging of the banks was influenced by other factors. The findings are presented in the table below.

Table 4.10: Other Factors

	Frequency	Percent
Low extent	2	40.0%
Moderate extent	2	40.0%
Great extent	1	20.0%
Total	5	100.0%

From the data findings, majority (40.0%) of the respondents agreed to a low extent that their decision of merging was influenced by other factors, 40.0% agreed to a moderate

extent while 20.0% agreed to a great extent. This is an implication that there existed other factors that influenced the decision to merge other whose extent of influence was moderate.

4.5 Effectiveness of Post-Merger Strategies

4.5.1 Employee Training and Development

The study sought to find out the effectiveness of employee training and development as a post-merger strategy. The findings are presented in the table below.

Table 4.11: Employee Training and Development

	Frequency	Percent
Neutral	1	20.0%
Effective	3	60.0%
Very effective	1	20.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents rated the employee training and development as effective, 20.0% rated very effective while 20.0% rated as neutral. It can be deduced that employee training and development had been made more effective after post merging. This could be attributed to enhancing the performance of the merged banks as well as training employees on what is expected of them.

4.5.2 System Automation

The study sought to establish the effectiveness of system automation as a post-merger strategy. The table below presents the data findings.

Table 4.12: System Automation

	Frequency	Percent
Effective	4	80.0%
Very effective	1	20.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents rated the system automation as effective while 20.0% rated system automation as very effective. This is an implication that merging hand resulted to automation of systems in the banks.

4.5.3 System upgrade

The study sought to establish the effectiveness of System upgrade as a post-merger strategy. The table below presents the data findings.

Table 4.13: System upgrade

	Frequency	Percent
Effective	2	40.0%
Very effective	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents rated the system upgrade as very effective while 40.0% rated system upgrade as effective. It can be deduced that the merging of banks led to the upgrade of the systems in use.

4.5.4 Innovation

The study sought to find out the effectiveness of innovation as a post-merger strategy. The table below presents the data findings.

Table 4.14: Innovation

	Frequency	Percent
Effective	1	20.0%
Very effective	4	80.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents rated innovation as very effective while 20.0% rated system upgrade as effective. This implies that merging of banks resulted to the increased innovation.

4.5.5 Customer Help line

The study sought to find out the effectiveness of Customer Help line as a post-merger strategy. The table below presents the data findings.

Table 4.15: Customer Help line

	Frequency	Percent
Less effective	1	20.0%
Neutral	2	40.0%
Effective	2	40.0%
Total	5	100.0%

From the data findings, 40.0% of the respondents rated Customer help lines as effective, 40.0% rated Customer help lines as neutral while 20.0% rated customer help lines as less effective.

4.5.6 Rebranding

The study sought to find out the effectiveness of rebranding as a post-merger strategy. The table below presents the data findings.

Table 4.16: Rebranding

	Frequency	Percent
Effective	3	60.0%
Very effective	2	40.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents rated rebranding as effective while 40.0% rated rebranding as very effective. This implies that after merging rebranding had become effective.

4.5.7 Advertising

The study sought to find out the effectiveness of advertising as a post-merger strategy.

The table below presents the data findings.

Table 4.17: Advertising

	Frequency	Percent
Neutral	2	40.0%
Effective	3	60.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents rated advertising as effective, while 40.0% rated advertising strategy after merging as neutral. This was an implication that the post merger strategy of advertising had become efficient after merging.

4.5.8 Product Development

The study sought to find out the effectiveness of product development of advertising as a post-merger strategy. The table below presents the data findings.

Table 4.18: Product Development

	Frequency	Percent
Effective	1	20.0%
Very effective	4	80.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents rated product development as very effective while 20.0% rated product development as effective. This is an implication that merging resulted to development of products.

4.5.9 Employee Training and Development and performance of mergers

The study sought to establish whether employee training and development affected the performance of mergers. The findings are presented in the table below.

Table 4.19: Employee Training and Development and performance of mergers

	Frequency	Percent
Yes	5	100.0%
Total	5	100.0%

From the data findings, all (100.0%) the respondents indicated that employee training and development affected the performance of mergers. this shows that the performance of mergers was highly dependent on employees training and development.

4.5.10 Extent of Employee Training and Development on mergers' performance

The study further sought to find out the extent to which employee training and development affect the performance of mergers. The findings are presented in the table below.

Table 4.20: Extent of Employee Training and Development on mergers' performance

	Frequency	Percent
Great extent	2	40.0%
Very great extent	3	60.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents agreed to a very great extent that employee training and development affect the performance of mergers while 40.0% agreed to a great extent. It can be deduced that the performance of mergers was highly dependent on employee training and development.

4.5.11 Payment of Attention to Potential Problems

The study sought to establish the respondents' level of agreement on whether the lack of systematic and thorough attention paid to potential problems of post merger integration

appeared to reflect the difficulty of recognizing the process itself as part of the problem. The findings are presented in the table below.

Table 4.21: Payment of Attention to Potential Problems

	Frequency	Percent
Moderately Agree	1	20.0%
Agree	1	20.0%
Strongly Agree	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) strongly agreed that lack of systematic and thorough attention paid to potential problems of post merger integration appeared to reflect the difficulty of recognizing the process itself as part of the problem, 20.0% agreed while 20.0% moderately agreed.

4.6 Barriers to the Post-Merger Success

4.6.1 Culture Incompatibility

The study sought to find out the extent to which culture incompatibility was a barrier to post- merger success. The findings are presented in the table below.

Table 4.22: Culture Incompatibility

	Frequency	Percent
No extent	3	60.0%
Low extent	1	20.0%
Moderate extent	1	20.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents agreed to no extent that culture incompatibility was barrier to post- merger success, 20.0% agreed to low extent while 20.0% agreed to a moderate extent. It can be deduction that the effects culture incompatibility on post- merger success was minimal as evidenced by the findings.

4.6.2 Time frame

The study sought to establish the extent to which time frame was a barrier to post- merger success. The findings are presented in the table below.

Table 4.23: Time frame

	Frequency	Percent
Moderate extent	2	40.0%
Great extent	3	60.0%
Total	5	100.0%

From the data findings, 60.0% of the respondents agreed to a great extent that time frame was a barrier to post-merger success, while 40.0% agreed to a moderate extent. This implies that time frame was one of the barriers that affected the success of the mergers to a great extent.

4.6.3 Human factor

The study sought to find out the extent to which human factor was a barrier to post-merger success. The findings are presented in the table below.

Table 4.24: Human factor

	Frequency	Percent
Moderate extent	1	20.0%
Great extent	1	20.0%
Very great extent	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed to a very great extent that human factor was a barrier to post-merger success, 20.0% agreed to a great extent, while 20.0% agreed to a moderate extent. As per the findings, it can be deduces that human constrain was a major barrier to the success of the mergers.

4.6.4 Communication

The study sought to establish the extent to which communication was a barrier to post-merger success. The findings are presented in the table below.

Table 4.25: Communication

	Frequency	Percent
Moderate extent	1	20.0%
Great extent	4	80.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents agreed to a great extent that communication was a barrier to post-merger success while 20.0% agreed to a moderate extent. This implies that communication was a barrier to the post-merger success.

4.6.5 Ambiguity

The study sought to find out the extent to which ambiguity was a barrier to post-merger success. The findings are presented in the table below.

Table 4.26: Ambiguity

	Frequency	Percent
No extent	1	20.0%
Low extent	2	40.0%
Moderate extent	2	40.0%
Total	5	100.0%

From the data findings, 40.0% of the respondents agreed to a low extent that ambiguity was a barrier to post-merger success, 40.0% agreed to a moderate extent while 20.0% agreed to no extent. It can be deduced as a barrier, the effects of ambiguity on post-merger success was minimal.

4.6.6 Financial Resources

The study sought to find out the extent to which financial resources were a barrier to post- merger success. The findings are presented in the table below.

Table 4.27: Financial Resources

	Frequency	Percent
No extent	1	20.0%
Low extent	3	60.0%
Moderate extent	1	20.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed to a low extent that financial resources were a barrier to post-merger success, 20.0% agreed to no extent while 20.0% of the respondents agreed to a moderate extent. Based on the findings, it can be deduced that the effects of financial resources as a barrier on post-merger success was minimal.

4.6.7 Regulations

The study sought to find out the extent to which regulations were a barrier to post-merger success. The findings are presented in the table below.

Table 4.28: Regulations

	Frequency	Percent
Great extent	4	80.0%
Very great extent	1	20.0%
Total	5	100.0%

From the data findings, 80.0% of the respondents agreed to a great extent that regulations were a barrier to post-merger success while 20.0% agreed to a very great extent. This is an implication that the extent to which regulations affected the success of the post-mergers was great.

4.7.8 Incompatible Ideas

The study sought to establish the extent to which Incompatible ideas were a barrier to post- merger success. The findings are presented in the table below.

Table 4.29: Incompatible Ideas

	Frequency	Percent
Great extent	2	40.0%
Very great extent	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed to a very great extent that incompatible ideas were a barrier to post-merger success while 40.0% agreed to a great extent. As per the findings, incompatible ideas were major barriers to post- merger success.

4.8.9 Gains of Post-Merger Strategies

The study sought to find out the respondents own view on whether the post-merger strategies had any gains. The table below presents the study findings.

Table 4.30: Gains of Post-Merger Strategies

	Frequency	Percent
Yes	4	80.0%
No	1	20.0%
Total	5	100.0%

From the data findings, majority (80.0%) of the respondents indicated that post-merger strategies had gains while 20.0% indicated that post-merger strategies had no gains. This indicates that there were gains arising from the post-mergers.

4.9.10 Extent of the post-merger strategies on gains

The study further sought to find out the extent to which the post-merger strategies had gains affected the performance of mergers. The table below presents the study findings.

Table 4.31: Extent of the post-merger strategies on gains

	Frequency	Percent
Great extent	2	40.0%
Very great extent	3	60.0%
Total	5	100.0%

From the data findings, majority (60.0%) of the respondents agreed to a very great extent that post-merger strategies had gains that affected the performance of mergers while 40.0% of the respondents agreed to a great extent.

4.7 Discussion of Findings

The study established that majority of the respondents had worked with the banks for over ten years hence were more conversant with the issues raised in the study. As such the data collected is more representative of the post merger management strategies. The study established that different banks have different reasons for merging. Key among these were need to restructure their operations, increase liquidity and to get themselves out of trouble. These findings are consistent with those of Chesang (2002) who established that merger restructuring improved financial performance of commercial banks in Kenya. The study established that the banking regulations in Kenya have been tightened over time requiring that commercial banks increase their capital and reserves at the Central Bank. These findings are consistent with those of Gerds (2009) that post merger profitability is normally higher than the profitability of each organization

separately. In order to survive and comply with the regulations, it was necessary that these commercial banks either merge or are acquired.

However, need to increase liquidity as well as geographical expansion ranked among the common reasons for organizing mergers and acquisitions. In most cases, the respondents indicated that the mergers were effective as they moved the institutions involved in the merger to greater heights. In order to ensure effective post merger operations, the study established that banks made use of several strategies. These findings agree with those of Kim and Singal (2003) who established that mergers improve market power of organizations. Findings show that the institutions used employee training and development as one of the strategies to equip employees from the two merging institutions the way they are supposed to conduct their business. The two organizations that are involved in a merger have their own organization culture which influences the way things are done. As organizations merge, it becomes important to train the staff on the intended culture to promote the attainment of organizational objectives.

In order to ensure efficient and effective delivery of banking services, the study established that commercial banks that merged applied system automation strategy. Through system automation, the operations are run in an efficient and effective manner. This reduces customer complaints and increases customer satisfaction. Other respondents indicated that they used system upgrades, innovation, establishing helplines where customer issues are dealt with, rebranding, advertising and product development. These findings are consistent with those of Marangu (2007) who argued that in order for organizations to manage post merger operations, it is important that they apply a variety of strategies.

The study also established several barriers to post merger success. The findings show that cultural incompatibility was a great challenge in managing post merger institutions. As employees from the two merged organizations struggle to retain their positions, there develops some sort of competition which may negatively affect service delivery to customers. Sudarsanam (1995) indicates that managing post mergers is never an easy task. The respondents also indicated that the timeframe for implementing the changes was small as operations did not stop following the merger but customers of the two institutions continued receiving services at times from two parallel informational systems. Communication and human factors also affected service delivery. In some cases, there were limited finances to oversee all post merger strategy implementation. Rules and regulations also limited the success rate of mergers as they did not consider the effects of mergers on operations. The regulators expect smooth transition which was not always the case.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, the conclusions and recommendations of the study in regard to the objectives of the study. The study aimed at investigating the post merger organization strategies among commercial banks in Kenya.

5.2 Summary

With regard to post merger strategies, the study findings established that most banks were prompted to merge so as to increase asset/liquidity and move out of trouble as indicated by 40.0% of the respondents. Regarding the merging decisions, the extent to which aim of restructuring led to the decision of the banks to merge was moderate as agreed upon by 60.0% of the respondents. 80.0% of the respondents agreed to a very great extent that Increase of Competitiveness led to the decision of the banks to merge, 40.0% agreed to a moderate extent that they were prompted by aim of entering the market, 60.0% agreed to a great extent that they were prompted need to increase of liquidity/asset base as well as influenced by the aim of expanding geographically. The study findings further established that to very great extent, the decision of merging was influenced by the need of moving out of trouble as indicated by 80.0% of the respondents.

With regard to implementation of post merger strategies, the study findings established that employee training and development as well as the system automation was effective as rated by 60.0% and 80.0% of the respondents respectively. 80.0% and 60.0% of the respondents rated innovation and system upgrade as very effective. 40.0% of the respondents rated customer help lines as effective, 60.0% rated rebranding and

advertising as effective while 80.0% of the respondents rated product development as very effective. The study further established that employee training and development affected the performance of mergers agreed upon by all respondents. 60.0% of the respondents agreed to a very great extent that employee training and development affect the performance of mergers. The study found out that lack of systematic and thorough attention paid to potential problems of post merger integration appeared to reflect the difficulty of recognizing the process itself as part of the problem as indicated. 60.0% of the respondents strongly agreed.

Still on implementation of post merger strategies, study finding established that the process is encountered by several barriers. Culture incompatibility was barrier to post-merger success as indicated by 60.0% of the respondents who agreed to no extent. 60.0% of the respondents agreed to a very great extent that human factor was a barrier to post-merger success. 80.0% of the respondents agreed to a great extent that communication was a barrier to post-merger success. Ambiguity and financial resources were barriers to post-merger success to a low extent as agreed by 40.0% and 60.0% of the respondents respectively. 80.0% of the respondents agreed to a great extent that regulations were a barrier to post-merger success, 60.0% of the respondents agreed to a very great extent that incompatible ideas were a barrier to post-merger success, 80.0% of the respondents indicated that post-merger strategies had gains.

5.3 Conclusion

The study concludes that the post merger strategies used by the commercial banks in Kenya include; employee training and development, system automation, product development, Customer help lines, rebranding, advertising, innovation and system

upgrade. The study further concludes that the innovation and system upgrade and product development strategies have been very effective while employee training and development, system automation, Customer help lines, rebranding and advertising are effective. The study concludes that very great extent, employee training and development affect the performance of mergers and lack of systematic and thorough attention paid to potential problems of post merger integration appeared to reflect the difficulty of recognizing the process itself as part of the problem as indicated.

The study concludes that implementation of post merger strategies is faced with challenges whereby incompatible ideas and human factors are the major barriers that affect the implementation of post-merger strategies to a very great extent. The study further concludes that communication and regulations barriers affect the implementation process to great extent. This study however concludes that culture incompatibility is not a barrier. The study concludes that the extents to which Ambiguity and financial resources are barriers to post merger success is very low. Finally, the study concludes that post-merger strategies have gains and affected the performance of mergers.

5.4 Recommendations

The study established that employee training and development affect the performance of mergers. This study therefore recommends that the intensive training programs should be adopted by the mergers so as to enhance employees' development as well as performance.

On barriers, the study recommends that the top management should come up with intensive consulting mechanism so as to intensively discuss the incompatible ideas and

human factors which hinder the success of the merges. The study further recommends that policy makers should enact regulations that enhance the survival of mergers.

Finally, the study recommends that systematic and thorough attention should be paid to potential problems of post merger integration so as to facilitate finding of a solution.

5.5 Area of Further Study

This study focused on post merger strategies among commercial banks in Kenya. More research needs to be carried out on other sector in Kenya so as to contribute towards improving their performance as well.

5.6 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or if otherwise the response given would have been totally different from what the researcher expected. One of the main limitations of this study was that the respondents were reluctant in giving full information fearing that the information asked would be used to intimidate them or paint a negative image about them or the firm. The researcher handled this problem by carrying an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and would be used purely for academic purposes.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried out. However, the researcher countered this limitation by carrying out the

research across the department and management levels in the organization to enable generalization of the study findings.

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5. How effective can you rate the following post-merger strategies in the bank?

	Very effective	effective	neutral	less effective	ineffective
	1	2	3	4	5
Employee training and development					
System Automation					
System upgrade					
Innovation					
Launch of Customer Help line					
Rebranding					
Advertising					
Product Development					

6. Does employee training and development affect the performance of mergers?

Yes [] No []

If yes in the above what extent does employee training and development affect the performance of mergers?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

7. The lack of systematic and thorough attention paid to potential problems of post merger integration appears to reflect the difficulty of recognizing the process itself as part of the problem.”What is your level of agreement to the above statement?

Strongly Agree []

Agree []

Moderately Agree []

Disagree []

Strongly Disagree []

8. To what extent were the following factors barriers to the post- merger success?

	No extent	Low extent	Moderate extent	Great extent	Very great extent
	1	2	3	4	5
Culture incompatibility					
Time frame					
Human factor					
Communication					
Ambiguity					
Financial resources					
Regulations					
Incompatible ideas					

9. In your own view, did the post-merger strategies have any gains?

Yes [] No []

If yes in the above what extent does the post-merger strategies have any gains affect the performance of mergers?

Very great extent []
 Great extent []
 Moderate extent []
 Little extent []
 No extent []