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An Assessment of mergers and acquisitions motivation and framework adherence vis-à-vis value creation among internet service providers in Kenya

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AN ASSESSMENT OF MERGERS AND ACQUISITIONS MOTIVATION AND FRAMEWORK ADHERENCE VIS-À-VIS VALUE CREATION AMONG INTERNET SERVICE PROVIDERS IN KENYA

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DECLARATION

I declare that this research Dissertation has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Signed by ___________________ Date ___**16th July 2020**______

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This Research dissertation has been submitted with my approval as the supervisor at Strathmore University, Strathmore Business School.

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PROF. ISMAIL ATEYA LUKANDU

ABSTRACT

Mergers and acquisitions (M&A) are a key growth and expansion strategy being embraced by many organizations especially in the telecommunication sector. M&A in organizations are usually guided by the top executives and management. The success of the M&A depends on the executives and top management's understanding of the M&A framework required to be applied taking into consideration the M&A goals and objectives. The framework used to execute pre and post M&A is very crucial to ensure buy-in from all stakeholders both internally and externally for business continuity and sustainability, while maintaining brand confidence, trust and loyalty. The purpose of this research was to analyze the mergers and acquisitions framework of the Internet Service Provisioning sector in Kenya in light of standard literature-derived framework - the Watson Wyatt Deal Flow Model. A three-fold analysis approach was applied – descriptive statistics, content analysis and Mann-Whitney U Test as an inferential statistics tool. Findings indicate that strategic, market and economic reasons were found to be the main drivers of mergers and acquisitions. Additionally, the pre and post implementation periods were the most ineffectively executed. In summation, M&As in Kenya are rarely informed by a defined framework and minimal stakeholder involvement is evidenced in the process. The resulting situation is therefore a shortfall in anticipated benefits of the M&As. It is recommended that companies in the space consider switching to a defined implementation process.

Table of Content

List of Figures

List of Tables

Definition of Terms

Acquisitions: The process of obtaining of assets of a company through exchange of value (IBA, 2005).

Framework: An outline of interlinked processes or procedures supporting a business goal serving as a guide that can be modified for further improvement. (Doverspike et al, 2010).

Foreign Direct Investment (FDI): Channeling of resources to a foreign country in perpetuation of business interests (Loewendahl, 2001).

Information Communication and Technology (ICT): A wide array of technological resources used to facilitate communication, creation, distribution, storage and management of information (Doverspike et al, 2010).

Internet Service Provider (ISP): A company that provide subscriber with access to the Internet and other service that can run be accessed from networked / connected computers across the globe (Doverspike et al, 2010).

Internet Backbone gateway operator's (IBGO's): An organization that is providing global international internet route out of a country, using devises to interconnect to different global networks. (Doverspike et al, 2010).

Local loop operator's (LLPO's): An organization providing physical link that connects from the demarcation point of the customer/consumer premises to the edge of the telecommunications service provider's network (The Education Coalition, 2003).

Mergers: The amalgamation of companies in the bid to create a holding entity representing the merging firms (IBA, 2005).

Public Data Network Operators (PDNO's): An organization providing data network that is accessible for use by private individuals and/or other organizations (R.D. Doverspike et al, 2010).

Stakeholders: Person's and/or businesses with concern and interest in a company (H. Loewendahl, 2001).

Very Small Aperture Terminal (VSAT): A small telecommunication two-way satellite ground station with a dish antenna that receives and transmits real-time data (The Education Coalition, 2003).

LIST OF ABBREVIATIONS / ACRONYMS

AT&T	American Telephone and Telegraph
CAK	Communication Authority of Kenya
CCK	Communication Commission of Kenya
COMESA	Common Market for Eastern and Southern Africa
FDI	Foreign Direct Investment
IBGO'S	Internet Backbone and Gateway Operators
ICT	Information Communication and Technology
ISP	Internet Service Provider
JHL	Jamhuri Holdings Limited
KDN	Kenya Data Networks
LLO's	Local Loop Operators
M&A	Merger and Acquisition
OrEA	Orange East Africa
PDNO's	Public Data Network Operators
PLC	Public Listed Company
PWC	Price Water Coppers
TCI	Tele-Communications Incorporation
VSAT	Very Small Aperture Terminal

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Prior to the 1980s, the telecommunication industry was typified by government control and monopolization. The state of play was such that few government-controlled investors controlled the deployment and maintenance of telecommunication services (World Bank, 2006). Foreign direct investment in the field was largely curtailed with the situation evidenced by a meager 2 billion foreign direct investment compared to the industry total telecommunication investment of 20 billion as of 1990 (World Bank, 2006).

The laterization of the telecommunication industry in most jurisdictions has, in the onset of the 2000s, resulted in significant investment by private entities. An example of it is in the international scale, Telkom's 2.7-billion-rand takeover Business Connexion Ltd stands as a marked example of the large spending put out by companies aiming to reap the benefits in the proliferating industry (Telecommunications Holdings Limited, 2016). In the regional context, Tanzania's Raha Telecom's acquisition by Liquid Telecom in February of 2017 stands out as a noteworthy recent investment by international companies looking to gain a footing in the regional telecommunication setting (Telecommunication Holdings Limited, 2016).

In the local context, the Communication Authority of Kenya (2013) categorizes players in the telecommunication sector into three main groups – gateway operators, access infrastructure operators and application providers. Gateway operators are charged with operating international data licenses whereas access infrastructure operators facilitate distribution of internet services across the nation. Finally, application providers disseminate content and services to the population (Communication Authority, 2013). The study thus focuses on the second category of players in the industry – ISPs. In particular, the study centers on ISPs that have undergone mergers and acquisitions so as to shed light on the process involved vis-à-vis standard literature-proposed models. As in the global and regional context, the local telecommunication space has been marked by investments by foreign private firms. Liquid Telecom UK acquisition of Altech KDN and Dimensions Data's acquisition of Access Kenya stand out as cases in point. Other moves in the space include the merger of Internet Solutions

Kenya and Access Kenya and Orange Telkom's purchase by Helios UK ((Jensen, 2007; Aker,; Aker, 2010; Klonner and Nolen, 2008).

1.1.1 ISP merger impetus

The first construct assessed in this study relates to the reasons behind M&As. Park, Yang, Nam & Ha (2001) opine that privatization for efficiency gains has played a huge role in initiating most mergers and acquisition in the telecommunication space. In the current study, mergers and acquisitions were assessed from the standpoint of the leadership of firms. The specific factors considered are as follows - Strategic Reasons, Market reasons, Economic reasons, Personal motives (Hopkins, 1999).

1.1.2 M&A Framework

A theoretical review of the main stages involved in most mergers and acquisition reveals a common pattern involving preparation, initiation and consolidation. Picot (2002) details three main stages of an M&A exercise – planning, implementation and integration. The stages have however since been expanded to account for the after-acquisition dynamics involved in the consolidation of the new entity. The current study conceptualized the construct of framework as involving the following sub-variables – Formulation, Location, Investigation, Negotiate and Integration (Galpin & Herndon, 2000).

1.1.3 Value creation

At the heart of any M&A exercise is the perpetuation of the interests of stakeholders associated with the company. Among the most important stakeholders to be considered in M&A's are the customers. The interest of the customers is captured in terms of value creation. Ideally, value creation should be apparent to both the firms and the customers to whom value is targeted. The current study assesses value on account of the following outcomes - Product improvement, Technical expertise, Service solutions, Technology growth, People and culture, Economic ability and Efficiency (Harrison, Hitt, Hoskisson & Ireland 1991).

1.2 Problem statement:

The penetration of foreign direct investment in the internet service providers sector has been through mergers and acquisitions. The general approach has involved the wholly-locally owned companies by foreign investors. AfriCOG (2010) further stresses the fact that affordable connectivity enhances a region's competitiveness and opens up opportunities for Foreign Direct investment (FDI), innovation, education and social development.

Mergers and acquisitions have generally been used as a conduit to the acquisition of new products, new technologies, technical skill advancement, innovation and creativity, all geared toward enabling advanced technology business environment, driving efficiency in business operation and ensuring affordable technology access to every individual (Reed & Lajoux, 1998). Mergers and acquisitions are an on-going phenomenon; talks of possible mergers and acquisitions have become an important part of corporate organizational strategy despite knowledge of the high failure rates of about 50-80 % as explained by Reed and Lajoux (1998); and the fact that despite the popularity of most mergers and acquisitions, the strategic performance outcomes of most have been disappointing (Mergerstat Review, 2004). This lack of linkage between M&As and value creation is further put forward by Park et al., (2001). This challenge points to a gap in the manner through which M&As are conducted in the country hence providing the main gap that the current study addresses.

Unfortunately, despite the numerous M&A that have taken place, the value of the merger and acquisition to the business consumers has never materialized (Kamolrat & Nga, 2007). This has led to stakeholder de-satisfaction and demotivation, organizations cultural conflicts, negative market reactions, lack of the anticipated synergies that could have created more business value, and unclear strategy leading to loss of business focus and direction. This is further supported by King (2004), who opines that M & A have failed over the years to significantly add value to the acquiring firm. Ensuring efficient M&As can be achieved through the utilization of set frameworks aimed at addressing the pitfalls of the risky endeavor; this study assesses the current merger and acquisition in light of literature-identified standard approaches.

Adherence to the proposed frameworks is anticipated to result in value creation that meets the consumer needs and demands, drives new products, new technologies, technical skill advancement, increased market share, innovation and creativity. These competencies and capabilities are all geared toward an enabling advanced technology business environment, closing the technology gap and driving efficiency in business operation and ensuring affordable technology access to every individual. This will strengthen Kenya's position as the key ICT hub in East Africa, while also ensuring alignment with the government national broadband strategy as part of the Vision 2030, to improve efficiency and provide quality services to all citizens.

1.3 Research objectives:

The main objective of the study is to assess mergers and acquisitions motivation and framework adherence among ISPs in Kenya.

The specific objectives are as follows

i. To identify factors that lead to service provider's mergers and acquisition in Kenya.
ii. To review the current mergers and acquisition framework vis-à-vis the Watson Wyatt Deal Flow Model
iii. To assess the value creation outcome of M&A

1.4 Research questions:

i. What is the ordering of factors that lead to Internet Service Provider's mergers and acquisitions in Kenya?
ii. Does M&A's conform to the Watson Wyatt Deal Flow Model?
iii. Do M&A's result in value creation?

1.5 Scope of study

The study is focused on five key players in the Kenya's Internet service provider sector, namely; "Liquid Telecom", "Internet Solutions", "Access Kenya", "MTN Business" and "Telkom Kenya". The focus on the aforementioned companies is informed by the involvements of the companies in merges are acquisitions following the liberalization of the telecommunication market. The researcher seeks to assess business value creation following the merger and acquisition exercises in the various companies.

1.6 Significance of the study:

From a policy perspective, the study findings will inform on the impact of deregulation and liberalization as assessed through value creation. A favorable outcome to mergers and acquisitions will signify the potential benefit of deregulation and privatization of the sector with the inverse being true. Findings may also serve to mandate the use of formalized M&A base-line processes to ensure a curtailing of foul play and maximized stakeholder benefit in the handling of M&As in the space.

To practitioners in the telecommunication industry, the study will provide insight on the desirability of mergers and acquisition in the bid to create value. Additional value creation will indicate the potential for improved business prospects for the purchasing companies with the inverse being true. The study further highlights areas of shortfall in the process of mergers and acquisitions in Kenya. These insights can be utilized to optimize the process.

To academician's, the study offers insight into the link between business value creation and mergers and acquisitions in the telecommunication industry in the Kenyan context. There is a dearth of studies addressing the topic.

CHAPTER TWO – LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to provide an elucidation of the theories that shape the understanding of the constructs under study and their association. Additionally, the chapter outlines empirical findings put forward by other authors; these serve to highlight findings relating to the associations under investigation. The chapter is thus divided into four main sections - theoretical framework, empirical review, analytical framework and operationalization of variables.

2.2 Theoretical framework

Organizations typically develop by either of two approaches – internal or external expansion. The path of internal expansion entails the typical growth activities of the organization. These present as purchase of assets, acquisition of new technology, opening up of new product lines and other similar activities. The path of external expansion involves purchase of business entities that expand the size of the purchasing entity. External expansion thus takes the form of take overs, mergers and acquisitions and other similar processes. Mergers refer to the acquisition of a company's assets by another with the acquired being assimilated into the acquiring firm (IBA, 2005). This observation is in keeping with Jovanovic and Rosseau (2002) position based on the Q-theory of investment. As the theory suggests, firms' investment rates should rise with their Q-value – the ratio of market value to the replacement cost of total capital of the firms in question. Essentially, mergers and acquisitions occur due to the fact that firms seek to utilize available resources on further securing of value. It is this theory of added value as the main motivator of M&As that forms the theoretical underpinning of the current study.

The phenomenon of mergers can also be described as the combination of two or more companies to create a new holding company (European Central Bank, 2000; Gaughan, 2002; Jagersma, 2005). Acquisition involves the obtaining of the shares of a company with the intention of gaining control of the purchased company's managerial function; the process can be voluntarily or voluntarily conducted (Jagersma, 2005). The section details theories pertinent to the study.

2.3 Empirical Review

This section focuses on studies addresses findings pertaining to the objectives of the current study; as such, the section is divided into three main sections each representing an objective – factors leading to mergers and acquisitions, current merger and acquisition frameworks and value creation, proposed merger and acquisition frameworks.

2.3.1 Factors that leads to Internet Service provider's mergers and acquisition.

Pooria Habibbeigi (2009), highlight that there is a wide array of motives behind the instigation of merger and acquisition exercise. According to Hopkins (1999) there are four main reasons behind mergers and acquisitions - Strategic reasons, market factors, economic motivators and personal incentives. Strategic motive is concerned with improving the strength of a firm's strategy, e.g., creating synergy, utilizing a firm's core competence to increase the market power of the company in its sector. Market motive centers in accessing previously unreached markets by acquiring already established firms. This approach also involves gaining entry without securing additional capacity by the mother company. Establishing motivators entail the improvement of the financial prospects of the company whereas personal motivators include agency aspects that present in the purchase of new businesses.

The main impetus behind mergers and acquisitions, as put forward by Park, Yang, Nam & Ha (2001) has been the move towards regulatory liberalization and privatization of the telecommunication industry. These changes have imparted a state of brute competition in the domestic and regional telecommunication industries. This is further supported by Weston et al. (2004) who opine that change factors drive M&As. The authors, Weston et al., 2004, highlight four main categorizations of push factors - technology-based, efficiency centered industry factors and favorable financial conditions.

Singla, Saini & Sharma (2012) further opine that globalization has encouraged FDI in mushrooming telecommunication markets and companies seek to remain profitable by crossing their geographical borders into lucrative nascent markets. As such, mergers and acquisitions offer the opportunity of improved business opportunities for the prospecting firms. This observation is in keeping with the Q Theory as a motivator of M&As.

In Kenya Harney & Khan (2010) posit that the path of acquisition indicates a predominance of private firms purchasing locally owned telecommunication firms. Other forms of investment include the creation of joint ventures among aligned firms, intersectoral majority acquisition deals and the participation the privatization projects initiated by government entities seeking to gain efficiency in offloading services to private entities.

This is further supported by Uhlenbruck, Hitt & Semadeni (2006) giving an example of Market value effect of acquisition, is that use of the Internet may produce value through e-commerce. Companies operating in the online space are better able to optimize their distribution and inventory management processes and the general manner through which businesses are conducted (Levinthal and Siggelkow, 2001).

Schilling (1998) posits that the move to acquire online firms is pivoted on the need to gain nascent technologies and capabilities that allow for the development of competitive advantage in the highly competitive telecommunication market. This view is supported by Uhlenbruck, Hitt & Semadeni (2006) who point to competitor pressure as an additional push in the move by firms to acquire companies with competencies that are lacking but important in the market. Bower (2001) focuses on the human aspect of M&As indicating that acquiring firms are able to obtain the technical knowhow of experts with knowledge of the operations of the industry. Ranft and Lord (2002) point to the example of Intel which spends twice as much of the resources set aside for research and development on the acquisition of technological firms.

Product and technology gaps however persist in the telecommunication industry despite the proliferation of M&As. Park et al., (2001) points to the example of AT&T's M&As efforts in the bid to offer bundling services a case of inefficacious M&A. According to Park (2001), the move toward instigating M&As is seldom supported by gains observed by similar M&As in the telecommunication industry hence pointing to a need for empirical evaluation of the importance of M&As from a business perspective.

Park et al., (2001) further documents that in cross-border acquisitions, the acquiring firms would be operating in a new environment, characterized by difference in laws, cultures, languages, and socioeconomic conditions. These differences may make access to information to forecast revenues, assets, liabilities, and costs difficult to gather and interpret. Consequently, if pricing is based on cash flows that cannot be achieved after an acquisition or unrealistically high projections, then the price paid was too high and value therefore not created or lost.

Schweiger & Very (2003) supports and elaborate further that when extending services, products, or technologies, synergies should be achieved through coordination and moderately through standardization and consolidation. Consequently, change occasioned to the structure of the firm should affect the sub-units of the organizations. Given that the impetus behind merges is the acquisition and extension of business, the targeted market should be able to positively view the strategy of the purchasing entity.

Among the major motivators behind acquisitions is the securing of competencies that allow an organization to provide a broader range of offerings to its clients (Hopkin, 1999). The sentiment is also put forward by Uhlenbruck et al., (2006) who argue for the centrality of the internet in affecting corporate strategy and specifically in factors related to vertical integration and globalization. Moreover, it has been argued that the internet allows for increased efficacy in communication among other gains in productivity; gains that translate into the overall efficiency of entities utilizing the service (Anand *et al*., 2000; Kanter, 2001; Litan and Rivlin, 2001).

2.3.2 Current merger and acquisition frameworks and value creation

This section details various extant merger and acquisition theories and subsequently details the approaches taken in the Kenyan market.

2.3.2.1 Merger and acquisition frameworks

Picot (2002) details three main stages of an M&A exercise – planning, implementation and integration. The researcher was of the view that planning includes the operational, managerial and legal techniques and optimization with special regards to the two subsequent phases. The Implementation phase, as detailed by the author, begins with the issuance of confidentiality or non-disclosure agreements, letter of intent and concludes with the M&A contract and deal closure. The last phase is concerned with post-deal integration, as cited in Kamolrat and Nga (2007).

Galpin and Herndon (2000), use the Watson Wyatt Deal Flow Model consisting of five phases namely Formulate, Locate, Investigate, Negotiate and Integrate. An assessment of the five processes reveals that the first three processes represent the planning stage elaborated upon by Picot (2002). The fourth process (negotiate) represents the implementation of Picot (2002), and the last process (Integration) aligns with the integrate stage put forward by picot (2002). The main difference between the two models however, is the inclusion of “Formulate” in the work of Galpin and Herndon (2000). The inclusion of this stage is intended to give a more strategic insight into the framing of the M&A.

Formulate	**Locate**	**Investigate**	**Negotiate**	**Integrate**
• Set business strategy • Set Growth Strategy • Define Acquisition Criteria • Begin Strategy Implementation	• Identify Target market companies • Select target • Issue a letter of intent • Offer letter of confidentiality	• Conduct due diligence analysis • Summarize findings • Set Preliminary integration plan • Decide negotiation parameters	• Set deal teams (legal, structure, financial) • Secure key talent & integration team • Close deal	• Finalize & execute integration plan • Organization • Process • People • System
Strategy & plan integration process development	Predeal (assessing, planning, forecasting Value)		Deal (Agreeing on Value)	Post deal (realizing value)

Figure 1.1. M&A Process1

Source: Adapted from Galpin and Herndon (2000, p.9)

Aiello and Watkins (2000), also presented another model describing the M&A process. This model centers on the negotiation process of the deal. These stages align with the pre-deal and deal stages in described in the Watson Wyatt Deal Flow Model. It is noteworthy that the Watson Wyatt model borrows from Jemison and Sitkin (1986) postulations on the pre-acquisition analysis of strategic fit and organizational fit.

Godfred Yaw and Koi-Akrofi (2016) combines elements from all the three models above to present another model of M & A process. Three main steps constitute the model – the pre- M & A phase, the deal phase, and the post- M & A phase:

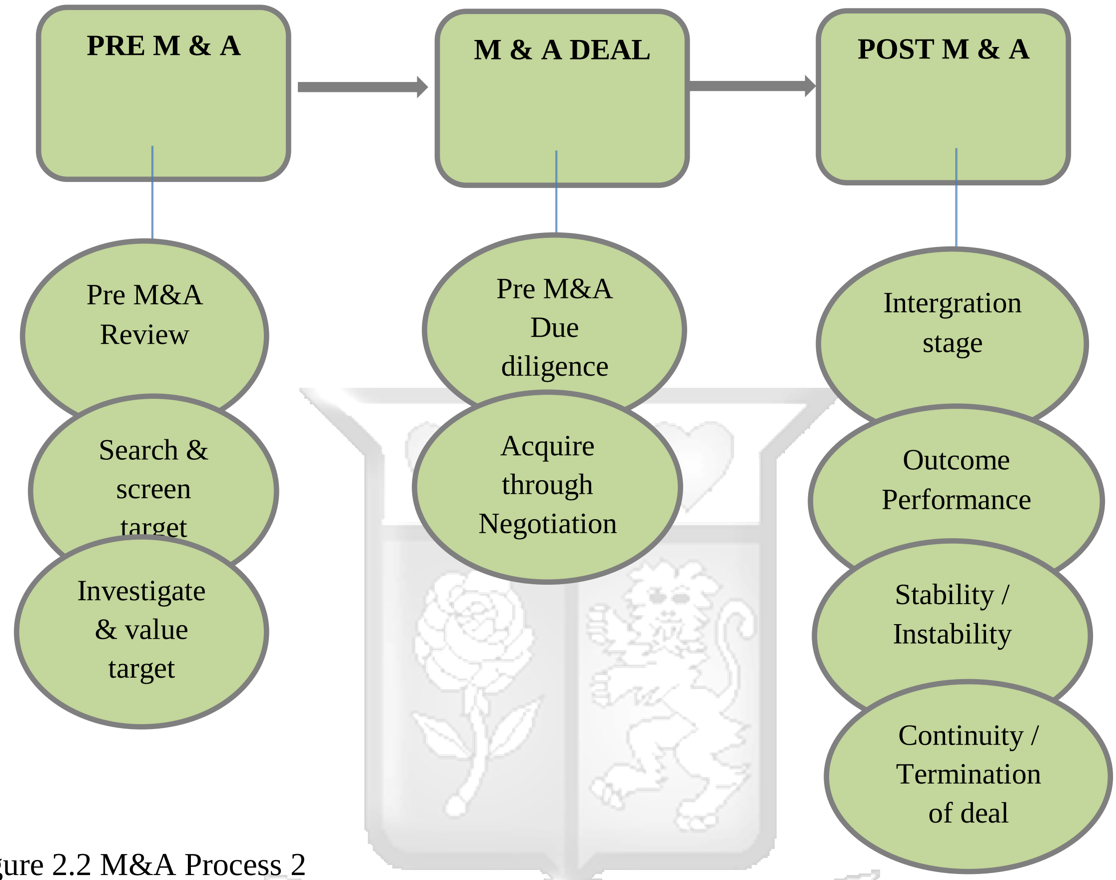

Figure 2.2 M&A Process 2

Source: Adapted from Godfred Yaw Koi-Akrpfi (2016, p.50)

Delta Publishing Company (2009), support's Godfred, Yaw and Koi-Akrofi (2016) findings, stating, that while there is no set formula to guarantee a successful merger, in order to minimize the negative impacts previously discussed, there should be put in place a map detailing the processes and issues involved in M&As.

2.3.3 Mergers and acquisition and value creation

Nam-Hoon Kang and Sara Johansson (2000) explains that the telecommunications sector presents as a seminal example of the joint impact of rapid technological development and regulatory changes; the authors attribute the push towards mergers and acquisitions to the joint effects of technological and regulatory changes in that companies have been forced to seek new partners across national and technical borders. The telecommunication sector has seen the emergence of disruptive technologies that have forced organizations to take a more customer-centric approach. As an example, the use of VOIP technology has resulted in reduction in call rates much to the chagrin of service providers that previously looked at the service as a major revenue source.

The PWC (2013) report positions mergers and acquisitions as growth tools that if well leveraged can result in significant gains in way of market access and growth of cash reserves. Among the gains that may result from such endeavors are the opening up of new markets through acquisition of distribution channels, and the gaining of new technologies. This benefits have been witnessed in Internet Service Provider sectors of the economy, as supported by Simon Robinson & Mark Zerdin (2013) stating some of takeover of the Kenyan internet service providers, Access Kenya Group Limited, by Dimension Data Holdings PLC. This was a $36 million transaction, resulting in the transaction being among the few that have taken place involving a public entity.

Liquid Telecommunications' also purchased the Altech Kenya Data Network Limited with the latter company, one based in South Africa, transferred 61 per cent stake (it's total stake) to Kenya Data Networks. Further to the purchase was the transfer of ownership from Africa Data Networks, which operated in the Democratic Republic of the Congo, to the global conglomerate, Liquid Telecom. The transaction was effected throw the exchange of shares. For the sahres, Liquid Telcom ceded minority stakes to Altech South Africa. The move resulted in the gain of majority shareholding in Altech Kenya Data Networks and Altech Swift Global Kenya Limited, Altech Stream Rwanda, Infocom Uganda and Altech International Mauritius from Altech SA. Altech would also subscribe for $16.5 million in the share capital of Liquid Telecom (Liquid Telecommunication Holdings Limited, 2017).

According to Liquid Telecommunications Holding Limited (2017), Pan-African telecoms group Liquid Telecom, which has a majority ownership by Econet Global, had been allowed by the Independent Communications Authority of South Africa (ICASA) to purchase Neotel, a South African company. The purchase was effected for ZAR 6.55 billion. The transaction was approved, in October 2016, by South Africa's Competition Commission. Liquid Telecom's partner, South African investment group Royal Bafokeng Holdings (RBH), own a 30% stake in Neotel (Liquid Telecommunication Holdings Limited, 2017). Liquid Telecom has also since received final regulation approval to transaction in Tanzania becoming majority stakeholder of Raha, the leading Internet Service Provider in Tanzania.

IPSOS Kenya (2016) also reported that Helios Investment Partners, a private equity investing firm operating in Africa and based in London, had successfully completed the acquisition of a majority stake in telecommunications company, Orange East Africa. Helios transacting via JHL had increased the government's shareholding in the company by 40% by purchasing 60% shareholding of Telkom Kenya. Prior government's holding in the company was 30% (IPSOS Kenya, 2016). The completion of the transaction meant, OrEA which was a 70 per cent shareholder has fully divested from Orange Telkom.

Kenya has been a destination for foreign direct investment (FDI). According to Ernst & Young's (2013) Africa Attractiveness Survey, Kenya recorded a 43 per cent compounded annual growth rate in attracting FDI between 2007 and 2012. It also indicates that Kenya recorded a 60 per cent compounded annual growth rate as a source of FDI to other African countries. The increase in incidents of Mergers and Acquisitions activity resulted from increased business confidence, consumer demand and improving economic conditions in country. According to Mark Zerdin (2014), the following laws plays an important role in regulating mergers and acquisitions in Kenya:

The firs tis the Competition Act (Chapter 504 of the laws of Kenya). This came into force on August 2011. It also contains provision regulating restrictive trade practices, unwarranted concertation of economic power, abuse of dominance and consumer protection. The second is the Companies Act (Chapter 486 of the laws of Kenya). This regulates the formation, conduct and winding down of companies registered in Kenya. The provision does not specifically regulate merger and acquisitions but has an impact on the financing of acquisitions.

The third law is the COMESA Competition rule – Kenya is a COMESA member and is, therefore regulated by COMESA Competition regulations. These were adopted in December 2004. According to the regulation, a merger must be notified to the COMESA Competition Commission where both the acquiring firm and the target firm, or either the acquiring firm or target firm have transactions in at least two states. There is meaningful threshold for determining whether or not a merger is notifiable and lack of legal precedent within COMESA on competition matters, placing merging parties in difficult positions, leading to members stated questioning the mandate of the COMESA Competition Commission and validity of the regulations.

The fourth is the Capital Markets (Takeovers and Mergers) regulations 2002 (Take over regulations) - (Chapter 485A of the Laws of Kenya). The regulation stipulates the entails of the process required in effecting a takeover of a controlling interest in a company listed in Kenya. The basal requirements for initiating the take-over regulations is the expressed goal of purchasing a quarter of the shares in the affected company. Approval from the Capital Markets Authority is not binding in an itself as the conformance to such provision as the Competition Act and approval by the Competition Authority will also be required.

The fifth and final is the Kenya Information and Communications Act (Chapter 411A of the Laws of Kenya). Such companies as those involved in communication and broadcasting are listed under the Kenya Information and Communications Act. The licences issued by the regulator, Communications Authority of Kenya, which details the requirements for approval by the body as a pre-requirement to change in control of licenses. It is also required that only firms with telecommunication service provision maintain at least 20 per cent local equity participation.

Richard Harney and Haanee Khan (2010) states that, mergers and acquisitions (M&A) in Kenya follow the usual paths adopted in other countries. Most of the cases involve private companies. Thus the common forms are: acquisitions of control of private companies; acquisitions of businesses as a going concern – asset acquisitions; creation of joint ventures; acquisitions of minority or majority holdings by strategic investors in particular sectors, such as banking or telecommunications; acquisitions of state-owned companies or business assets from the Kenyan government in the country's privatization programme; and mergers forming holding entities for prior registered companies. The prevalence of M&As in literature can be attributed to increased occurrences of the phenomenon across industries in response to the rise the activities and the complexity of the transactions involved (Appelbaum et al., 2007; Gaughan, 2002).

PwC (2013) report does highlight that the fact that despite best intentions of mergers and acquisitions, many companies fall short in their effort to integrate people, process, customers and technology. It further elaborates that unsuccessful integration efforts can take far too long and squandering valuable time, personnel, money and other resources that do not support objectives, as a result opportunity to create value go unrealized while business disruption increase

2.3.4 Merger and acquisition framework to fulfill technology and value creation gaps

M&A is an important strategic option that companies leverage to make necessary leaps in the competitive marketplace. With the continuous changes of technology, consumer needs and wants also change, in alignment with the new technology advancement. Uhlenbruck, Hitt & Semadeni (2006) recent empirical study performed on American and European companies, suggests that the Internet enhances business performance in business-to-business organizations, both in terms of total sales and net profit margin, through the new opportunities (Penrose, 1959; Porter, 1979). Organizations opt for mergers and acquisitions to drive that change that will be sustainable and remain relevant in the market they are operating in and/or as an expansion strategy into new markets. Consumers and government look up to the internet service providers for these technology developments hence proposed merger and acquisition frameworks, as opined by Uhlenbruck, Hitt and Semadeni (2006) should be dynamic and should capture the interest of the various service providers.

Internet Service providers ensure that consumers' needs and wants on the technology space are realised. Consumer needs and wants are the driving factors of the industry and these are namely: New Products, technical expertise (new skills), service solutions, technology growth, employment (People and culture), economic development and growth that will drive efficiency in their normal business operations, saving costs and time. Harrison, Hitt, Hoskisson and Ireland (1991) findings also highlgiht that performance improvements for acquirers result when there are complementarities rather than similarities between the resources of the acquirer and target firms, leading to synergy creation. Ahuja and Katila (2001) further observe that the acquired knowledge base of the target enhances acquirer innovativeness. This is further supported by Karim and Mitchell, (2000) findings that acquisitions can reinforce existing skills or allow access to new skill sets, thus fostering long-term survival of acquiring firms (Vermeulen and Barkema, 2001). A focus on the people and their contribution to the merger and acquisition process is thus of pivotal importance in the structuring of frameworks.

As part of strategic growth, internet service providers should explore merger and Acquisitions to be able to deliver to the market needs and requirements. The outcome of the mergers & acquisition can either be negative or positive depending on the execution framework applied through the M& A process; therefore, the framework plays an important role in determining whether firms achieve the purpose for which M&As are initiated. Park et al., (2001) using a sample of forty-two cases of worldwide mergers and acquisitions deals in the telecommunications industry for the 1997-2000 period, found evidence of an unfavorable (negative) market reaction to those activities. This is in keeping with observations on the synergy trap hypothesis and prior empirical findings on the value-reducing diversification strategies in finance literature. The results also indicated that the undesirable effects in the market were largely due to mergers and acquisitions activities; this therefore points to the view that lack of proper information about target countries causes subpar performance due to an inability to adequately manage the acquisition process. These factors should thus be taken into account in creating optimized frameworks.

Despite the merger and acquisitions in Kenya, findings by Netcomm information system (2007) indicate that the internet service segment in Kenya has limited locally relevant content. As an illustration, the Internet traffic in Kenya as monitored at Kenya Internet Exchange Point had increased drastically when the Ministry of Education released the Kenya Certificate of Secondary Education results via the web in March 2007. Other key factors include the limited availability and reliability of the local access network, the fact that Internet Service Providers focused on Internet access rather than Internet services and applications and the limited Information Communication and Technology penetration in academic, commercial, health, government and other sectors.

2.4 Gap in research

AfriCOG (2010) highlights that affordable connectivity enhances a region's competitiveness and opens up opportunities for Foreign Direct investment (FDI), innovation, education and social development. Given that East Africa presents as a region with underdevelopment in education and general social development, it is necessary to assess whether the current trend of M&As serves interest of the region. This presents as the first gap of the study. The second gap arises from the fact that current mergers and acquisitions as observed by Reed and Lajoux (1998) report a general failure rate of between 50-80 %. It is therefore necessary that the reasons for the failure be articulated. The current study addresses the impetus and process of implementation as influencers of value creation. Finally, despite the popularity of most mergers and acquisitions, the strategic performance outcomes of most have been disappointing (Mergerstat Review, 2004). This observation is further support by King (2004), who opines that M&A have failed over the years to significantly add value to the acquiring firm. The stakeholder perception of value creation is assessed in bridging this third and final gap of the study.

2.5 Analytical framework

The relationship between the various constructs defined in the study is captured in the subsequent analytical framework. The framework derives from the Q-theory of mergers and acquisitions in that the main impetus for the endeavor is the increase in company worth through value creation.

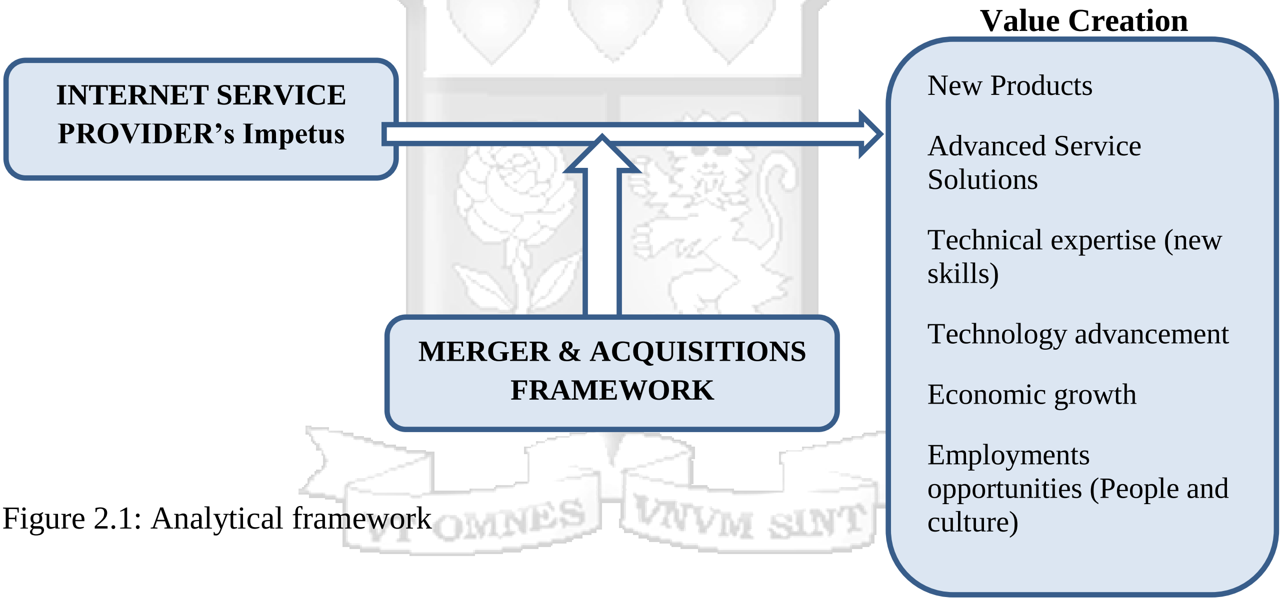

Figure 2.1: Analytical framework

2.6 Operationalization

Business value creation as demanded by business consumers is an aspect of consumer behaviors which is the study's dependent variable. The consumer needs focus on new products, services, solutions, technology advancement, technology expertise that can easily be accessed in county and all leading to industry stakeholder satisfaction. This will be measured by analyzing the employees, customers an industry regulatory experience, compliments received, complaints received, stakeholder's level of satisfaction, technology growth, industry product diversifications, as well as regulatory policy alignments. The products, services and /or solutions, will be checked by analyzing on technology growth and advancement before and after an M&A, its impacts to stakeholders covering technology gaps addressed, type of services/products availed to consumers and technology skills expertise acquired and nurtured locally for industry sustainability.

The impacted construct under study will be the Internet Service Provider's, where this will be measured by success or failure of mergers and acquisitions undertaken based on the merger and acquisition framework as part of their business strategy. The framework can be broken down into tasks and various strategic activities defined in the model – Formulate, Locate, investigate (Pre-M&A), Negotiated (M&A Deal) and Integrate (Post M&A). This will be assessed by analyzing the framework process and outcome and/responses at every level of the strategy activities execution and integration. It will be important also to review stakeholder's level of participation, involvement and satisfaction though the M&A process and its impact, outlining pro and cons while giving recommendations.

Table 2.1 Operationalization of variables

Variables	Sub-Variables	Measurement	Source
ISP Impetus	Strategic Reasons Market reasons Economic reasons Personal motives	Ordinal and Qualitative	Hopkins (1999)
Framework	Formulation Location Investigation Negotiate Integration	Ordinal and Qualitative	(Galpin & Herndon, 2000).
Value	Product improvement Technical expertise Service solutions Technology growth People and culture Economic ability Efficiency	Ordinal and Qualitative	(Harrison, Hitt, Hoskisson & Ireland 1991)

CHAPTER THREE – RESEARCH METHODOLODY

3.1 Introduction

This chapter detailed the nature of the study and the manner through which the research objectives were addressed. The chapter addressed the research design, population and sampling, data collection method, data analysis approaches, research quality, and ethical considerations.

3.2 Research philosophy

The study assumed an interpretivist philosophy in that the researcher, observing data in the form of interview responses, deduced the nature of relationship between the constructs under study (Saunders et al., 2016). The observed relationships between impetus behind M&A, framework use and value creation were further quantified through a positivist approach by the use of the Mann-Whitney U-test to compare responses across stakeholders with regard to value creation outcomes.

3.3 Research approach and design

Research design refers to the approach that the researcher takes to integrate components of the study in a systematic, meaningful, and logical way in the bid to address the objectives of a study (Saunders et al., 2016). The study takes on an exploratory design in that the researcher sought to understand the interaction between the factors considered in the study as opposed to proving relationships between the constructs (Saunders et al., 2016). This study was thus crafted after a mixed method research approach involving qualitative and quantitative data. According to Mathiason, Lidén and Hedberg (2015), a mixed methods approach allows for the offsetting of the weaknesses of either research design – qualitative and quantitative – in that qualitative data provides in-depth, contextual information (a weakness of quantitative data) whereas quantitative data allows for summarized and generalizable inferences – a weakness of qualitative data. The exact approach through which each objective was addressed is detailed in section 3.5 – analysis approach.

3.4 Research population and sampling

The study population consisted of four ISP companies that have recently undergone mergers and acquisitions namely - Liquid Telecom, Internet Solutions, Access Kenya, MTN Business, and Orange Telkom. The population for the study consisted of managers and executives within the organizations, customers of the organizations and regulators in the industry. Liquid Telecom has 150 employees, out of which 15 are management and 6 are executives. Internet Solutions recently merged with access Kenya forming a total of 380 Employees, out of which 32 are in management and 6 are executives. MTN Business has 55 Employees, out of which 6 are management and 1 executive. Orange Telkom has 1500 employees, out of which 68 are in management, and 12 are executive. The population size is therefore 146 managers and executives.

Morse (1994) posits that a sample size of 30 to 50 respondents is sufficient for qualitative data collection. Creswell (1998) further observes that 20 to 30 respondents are sufficient with the inclusion of more respondents contributing to saturation of ideas in that repetition of views are likely to be encountered. The study sample include 20 managers and executives distributed proportionally across the five companies. Table 4.1 shows the number of respondents sought from each organization.

Cadre	Population	Sample	Percentage
Telkom Kenya	80	20	55
Internet Solutions & Access Kenya	38	12	26
Liquid Telecom	21	6	14
MTN Business	7	2	5
TOTAL	**146**	**40**	**100**

Table 3.1. Managerial response by portion

Source: Author

Another population that formed part of the study was business consumers who were (at the time of study) existing customers of the five selected internet service providers. Liquid Telkom has 18,050 customers, Access Kenya has 11,502 customers, Internet Solutions has 742 customers, MTN Business has 687 customers, whereas Orange Telkom has 12,002 customers (CAK, 2017). Mugenda and Mugenda (2013) observe that a sample size of 384 is sufficient for a population greater than 10,000. Given that the total number of customers across the industry was greater than 10,000, the sample size was deemed sufficient for the study. The computation of the sample size is detailed below. The study makes use of Cochran's (1967) formula.

$N=Z^2*pq/d^2$

Where N = desired minimal sample size (where pop>10,000)

Z = Standard normal deviation which is equal to 1 at 95% confidence level

P = Proportion of the target population estimated to have a particular characteristic being measured. In this case it is estimated to be 0.5.

q = 1 – P

d = the level of statistical significance set which in this case is 0.05

$N = 1.96^2 \times 0.5 \times 0.5 / 0.05^2$

$= 384$

The number of respondents per organization was determined by the proportion of customers per organization; this is shown in table 3.2 below. The customer responses were stratified with respondent for each of the segments, namely - small and medium consumer and corporate or enterprise business consumer. As with the ISPs, responses from consumers will be sought from managers or core-owners where possible.

Cadre	Population	Sample	Percentage
Telkom Kenya	12,002	104	27
Internet Solutions & Access Kenya	12,244	111	29
Liquid Telecom	18,050	161	42
MTN Business	687	8	2
TOTAL	**42,983**	**384**	**100**

Table 3.2. Customer respondents by proportion
Source CAK (2017)

The final target population consisted of the regulatory body – Communications Authority of Kenya and Competition Authority of Kenya. A total of five interview responses was sought from this population for the purpose of comparison of views with those posited by the organizations and customers involved in the study. A specific interview prompt (appendix A) was constructed for this target sample.

3.5 Data collection methods

Questionnaires and interviews were issued as the primary data collection tools. The collection tools for each response category are detailed in appendix A. The ISP-specific prompt consists four sections, A through D. Section A prompted for the respondents' profile; B consists of qualitative and quantitative prompts on the reasons for the merger and acquisition; section C addressed the prowess of the stages of the merger and acquisition initiative whereas the final section, D, assessed the benefits accruing following the merger and acquisition exercise. The regulator-specific interview prompt was structured similarly to that designed for ISP respondents. The customer-specific questionnaire consisted of two sections, A and B. Section A consists of questions assessing the respondents' profiles whereas section B addresses the benefits that resulted after the M&A.

The interviews were conducted over phone for those amenable to the approach. Most ISP respondents however requested that the prompt be sent to them after which they provided answers to the open-ended questions and ticked, as appropriate, answers on the Likert-scale prompts. Questionnaires to the subscribers were disseminated through research assistants with a drop and pick approach utilized in collecting the information. The collection period spanned six months owing to challenges in gaining access to companies utilizing ISP services.

3.6 Data Analysis

A three-pronged approach involving descriptive statistics, content analysis, and inferential statistics was applied to address the three objectives of the study. The first objective of the study - To identify the ordering of factors that lead to service provider's mergers and acquisition in Kenya – was addressed through content analysis and summative descriptive statistics. Qualitative information collected through the open-ended prompts specific to ISP respondents and regulators was codified and examined for emergence of themes whereas structured responses were summarized through computation of the mean response and construction of graphs to indicate the ordering, by frequency of response, of the various factors deemed drivers of M&A form the perspective of ISP and regulator respondents.

The second objective of the study - To review the current mergers and acquisition framework in light of the Watson Wyatt Deal Flow Model – was addressed, through content analysis and inferential statistics. For ISP and regulator responses, open ended questions were assessed through coding of responses and theme exploration whereas structured questions addressing the prowess in various stages of the M&A process were summarized through computation of medians and graphs to indicate the ordering, by prowess, in the various stages of the M&A process.

The third objective, to assess the value creation resulting from the M&A, a Mann-Whitney's U Test was conducted to assess the consistency or lack thereof of responses on the benefits following M&A from the company and customer perspectives; discrepancies in the perceptions were deemed to indicate areas that need addressing with regard to value creation through M&A whereas similarities indicated congruency in perception of value creation.

3.7 Validity

Research validity was confirmed through a pilot study involving experts in the field; these were required to issue feedback on the relevance of the questions and their suitability in assessing the intended aspects of the study. This approach was proposed by Saunders, Lewis and Thornhill (2016).

3.8 Reliability

Research reliability was addressed through standardizing the approach of collection, particularly through structured questions. A pilot study was further done to ensure that responses collected from the same respondents at different times (after two weeks) were consistent. Findings indicated that the questions were well understood as the outcomes were similar for the same respondents.

3.9 Ethical considerations

To ensure compliance with ethical standards, researcher sort approval from NACOSTI and IRB compliance ensured. Each respondent was informed of their voluntary participation and all responses were kept private throughout the course of the study. Access was exclusively restricted to the data collection team, the researcher and the supervisor in the study. All respondents were informed of their right to desist from participation in the study at any point of their filling out the study questionnaire or engagement in the interview.

CHAPTER 4: PRESENTATION OF FINDINGS

4.1 Introduction

This chapter contains an analysis of the data collected to address the objectives of the study. The chapter also provides a description of the findings in relation to the objectives of the study. This chapter is delineated into three main sections – response rate, respondents' profile, and findings on objectives.

4.2 Overview of study environment and response rate

This study focuses on stakeholders within the ISP industry, specifically customers, service providers and regulators. All targeted companies had recently undergone mergers and acquisitions; these were – Liquid Telecom, Internet Solutions, Access Kenya, MTN Business, and Orange Telkom. There was a general difficulty in sourcing responses from all stakeholders with particular difficulty in accessing service providers and regulators. Service-providing companies presented as guarded in providing responses whereas regulators were generally inaccessible. Whereas customers were less difficult to access, a considerable number (as indicated in the subsequent section) were unwilling to participate in the exercise.

The researcher targeted a total of 430 respondents, 384 to be reached through questionnaires (customers) and 26 through interviews (service providers and regulators). A total of 396 respondents were reached thereby indicating 92% achievement of the intended sample size. The sample was thus deemed sufficient for analysis. Of the 430, a total of 396 potential respondents were reached indicating a 92% response rate. Baruch and Holtom (2008) observe that a low response rate has become typical of modern research – with 52% the average response rate – as respondents generally prove to be more apathetic with regard to participation in academic studies.

Target	Intended number	Collected
Customers	384	384
Regulators	6	3
ISPs	40	21

Table 4.1 Response per category

4.3Descriptive statistics

This section provides a summary of the characteristics of respondents that participated in the study. The purpose of this section, therefore, is to provide context for the inferences put forward in the subsequent section addressing the research objectives. The biodemographic characteristics discussed herein include gender, age, nature of business, years of operation, and ISP subscribership.

4.3.1 Gender of respondents

Most respondents across all categories were male. Among the customers there was a 58% (221) male representation and a 42% (159) female representation. This therefore indicated that most ISP subscribers were male.

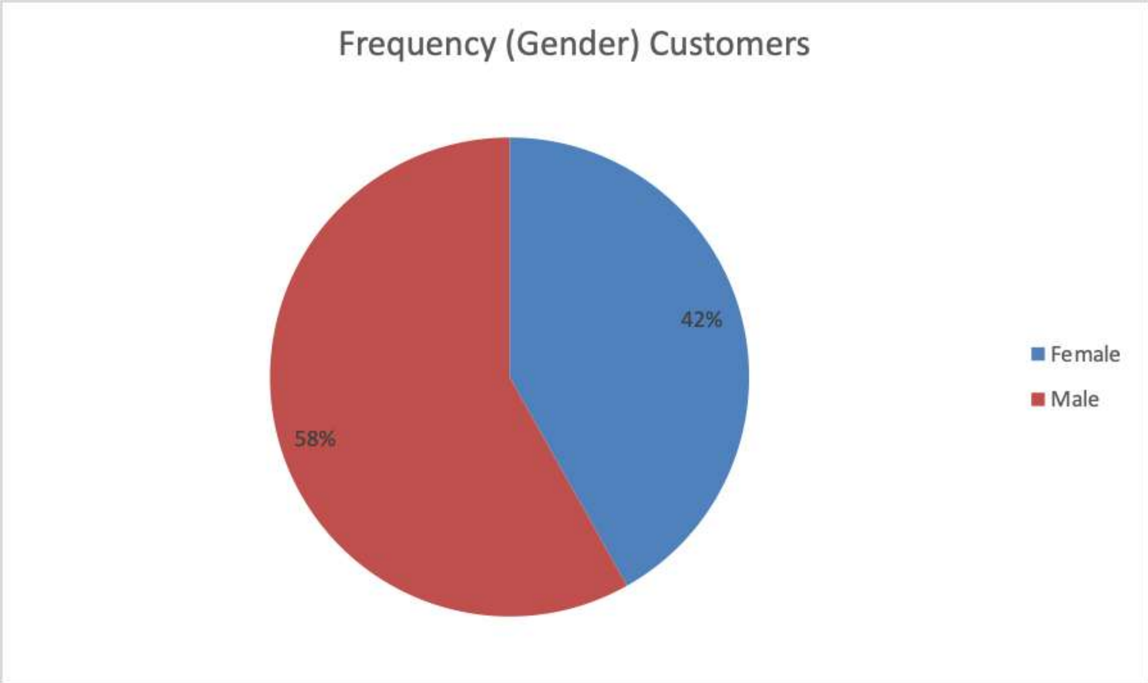

Figure 4.1 Gender of customers

Among service providers, 83% of the respondents (20 respondents) were male whereas 16.7% were female. This therefore points to a male dominated population among the ISPs under consideration.

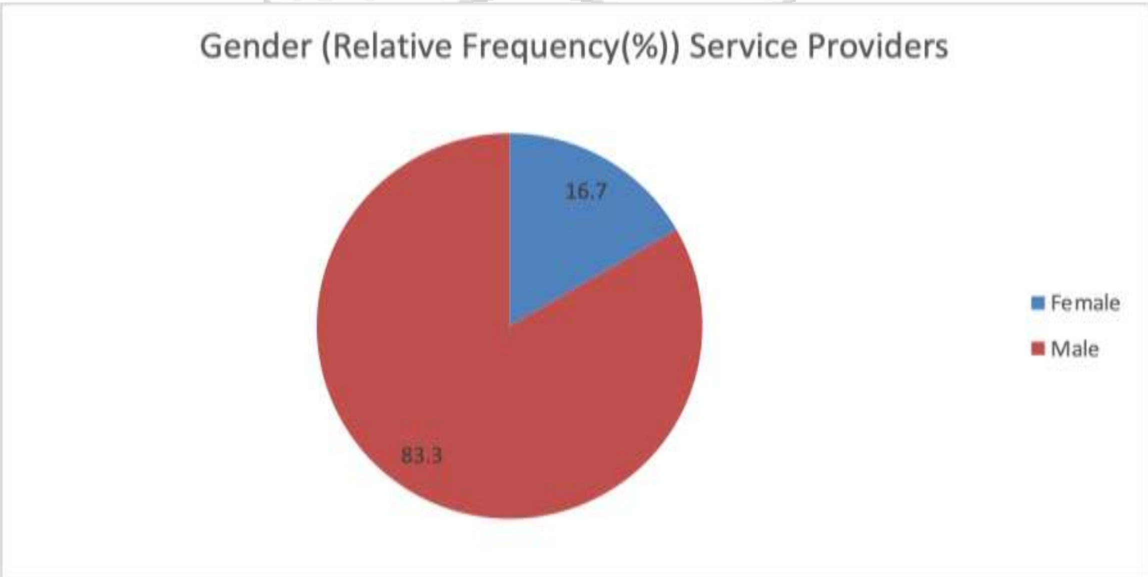

Figure 4.2 Gender of service providers

4.3.2 Age group of respondents

Whereas most of the service recipients were aged between 18 and 30, most of the service providers included in the study were in the age-group 31 – 45. This is because the researcher sought insight from service providers that had experienced pre and post-merger performance within the targeted institutions hence this specific population of service providers was mainly placed in the managerial level as they had served within the organizations for a longer period of time in comparison to their junior counterparts.

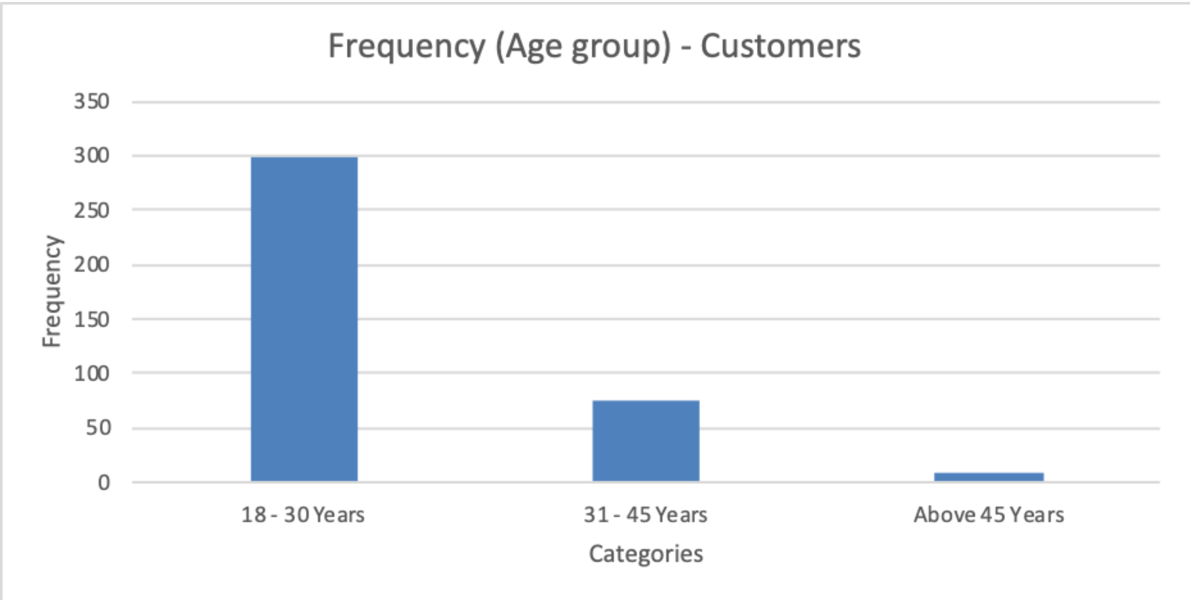

Figure 4.3 Age group of customers

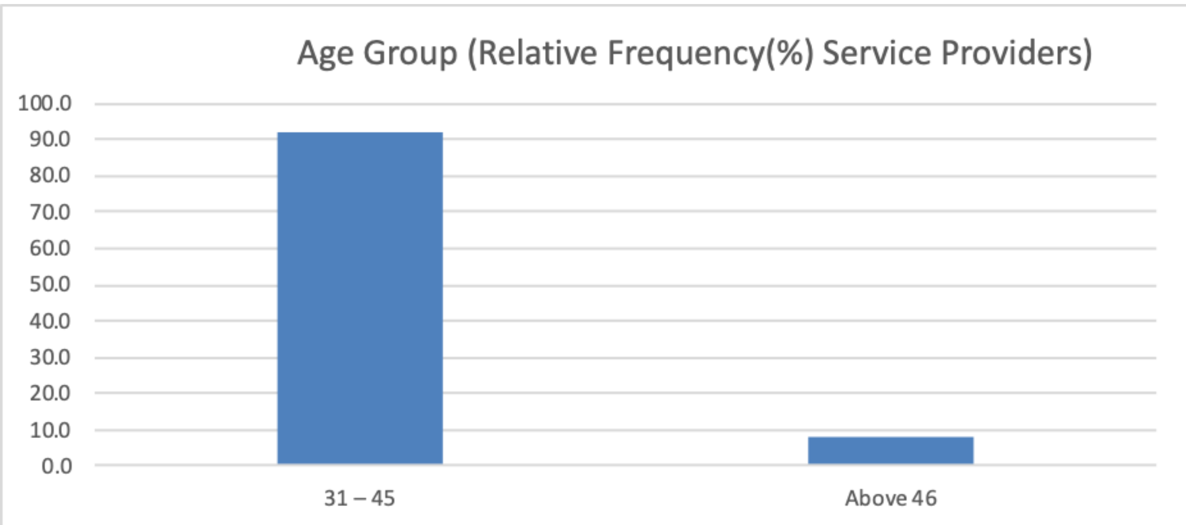

Figure 4.4 Age group of service providers

4.3.3 Nature of business

Insurance and IT companies were the most broadly represented organizations. There was generally a wide spread of representation of various industries therefore pointing to a diversity in responses in that views put forward by the respondents were not limited to a particular industry.

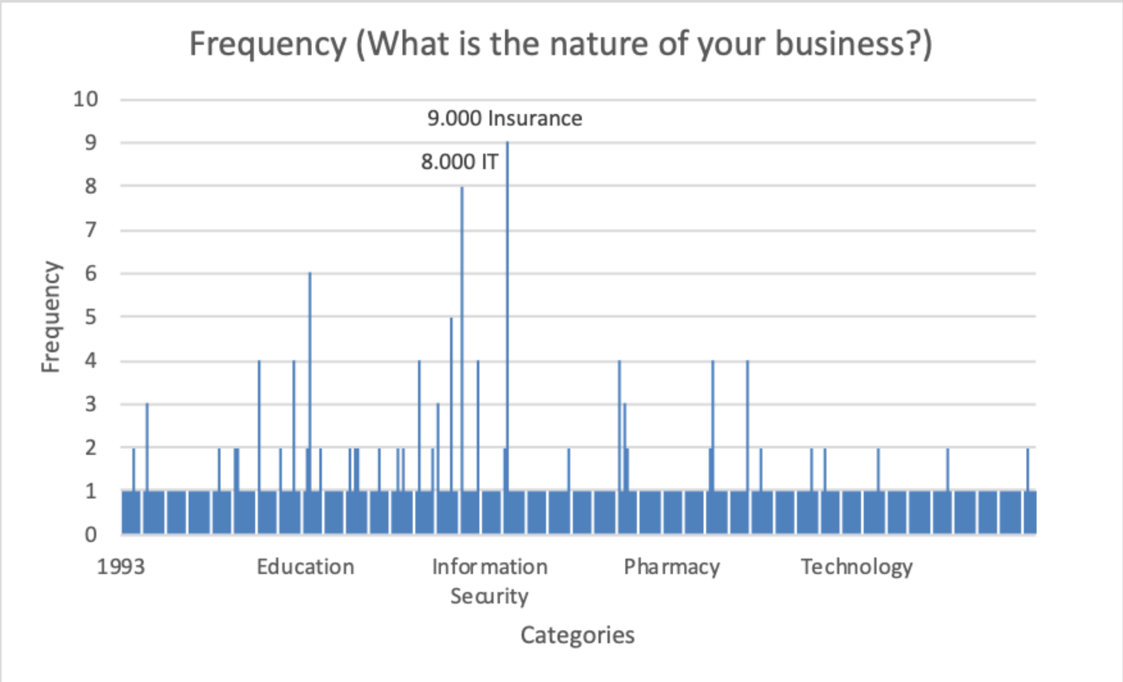

Figure 4.5 Nature of business

4.3.4 Years of involvement

Most of the companies had been in association with their current ISPs for less than 10 years therefore indicating a recent upsurge in subscription to the services offered by the various ISPs. This recent upsurge in subscription could be attributed to such factors as introduction of the submarine cable which lowered the cost of operation within the East Africa region.

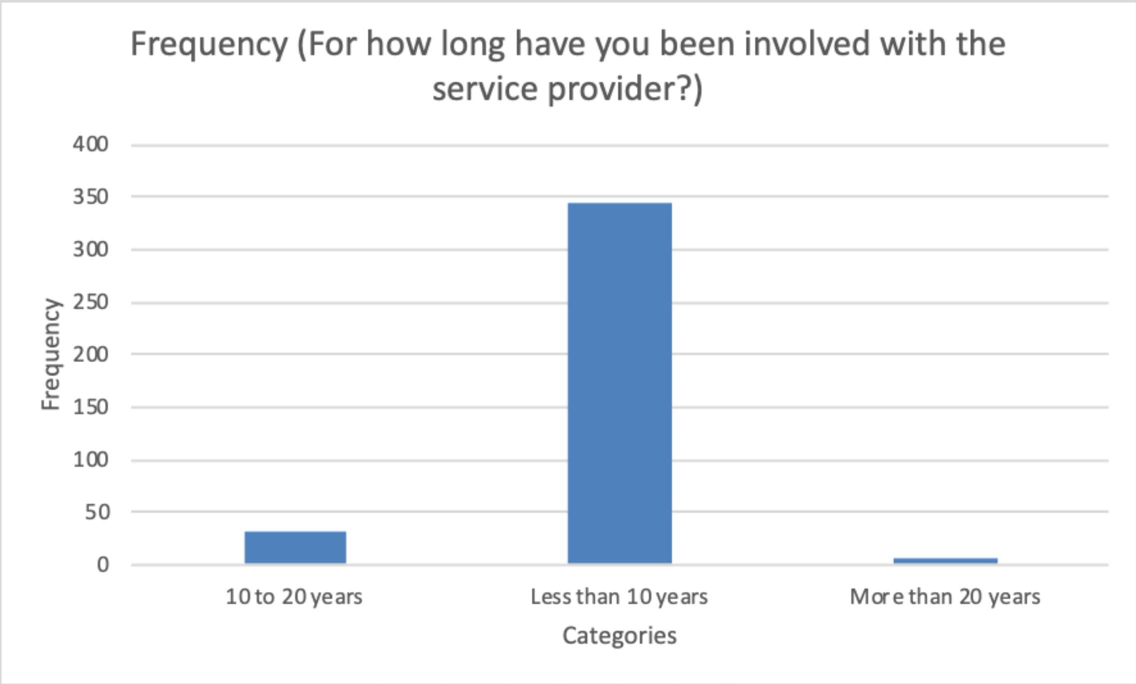

Figure 4.6 Involvement with service providers

4.3.5 ISP subscribership

The most ubiquitously used service providers were liquid telecom and internet solution & Access Kenya. MTN business presented the least subscribership. Given that the responses were generally spread-out, it was inferred that the bias associated with overrepresentation of one organization was not a cause of concern for this study.

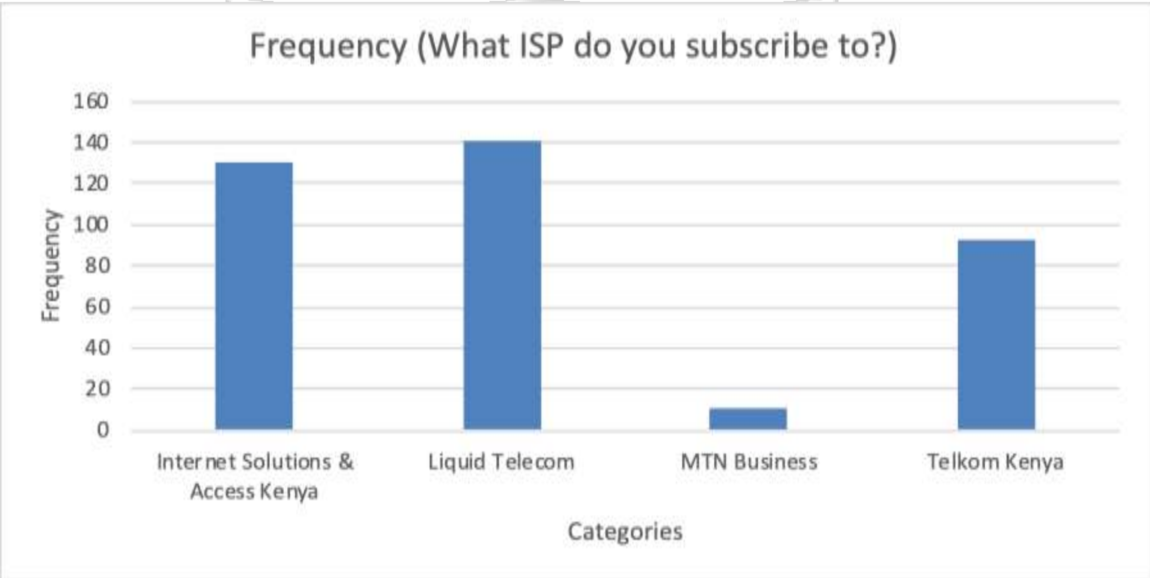

Figure 4.7 Frequency per ISP

4.3.6 Regulator demographics

Three regulators provided responses in the study two were male and one was female. All respondents were aged between 31 and 45 years. Regulator responses were therefore in keeping with the trend observed for both employees and ISPs.

4.4 Results per objective

4.4.1 Factors that lead to service provider's mergers and acquisition in Kenya

Four main factors were presented as reasons for M&As, table 4.2 provides a summary of responses for each of the factors. The most quoted factor behind the mergers and acquisitions was Strategic Reasons as 91.7% of the respondents considered this a very important factor (figure 4.8). This factor included such aspects as creating synergy, improving core competencies, and increasing actual market power. The reason offering most variability was that assessing the likelihood of personal motives as a factor behind the mergers and acquisitions. In assessing strategic reasons as a driving factor for mergers and acquisitions, it was observed that only two categories of the Likert scale – important and very important – were quoted by the respondents. This therefore pointed to the prominence of the reason as a driving factor behind the mergers and acquisitions.

Table 4.2 Responses pre factor

Variable\Statistic	Categories	Frequency per category	Rel. frequency per category (%)
[Strategic Reasons e.g. creating synergy, improving core competencies, and increasing market power]	Important	1.000	8.333
	Very important	11.000	91.667
Variable\Statistic	Categories	Frequency per category	Rel. frequency per category (%)
[Market reasons e.g. to gain access to new markets]	Important	5.000	41.667
	Very important	7.000	58.333
Variable\Statistic	Categories	Frequency per category	Rel. frequency per category (%)

[Economic reasons e.g. to improve the bottom line and to establish economies of scale]	Moderately important	4.000	33.333
	Very important	8.000	66.667
Variable\Statistic	Categories	Frequency per category	Rel. frequency per category (%)
[Personal motives e.g. top management or owner initiatives]	Important	1.000	8.333
	Moderately important	7.000	58.333
	Not Important	1.000	8.333
	Of low importance	2.000	16.667
	Very important	1.000	8.333

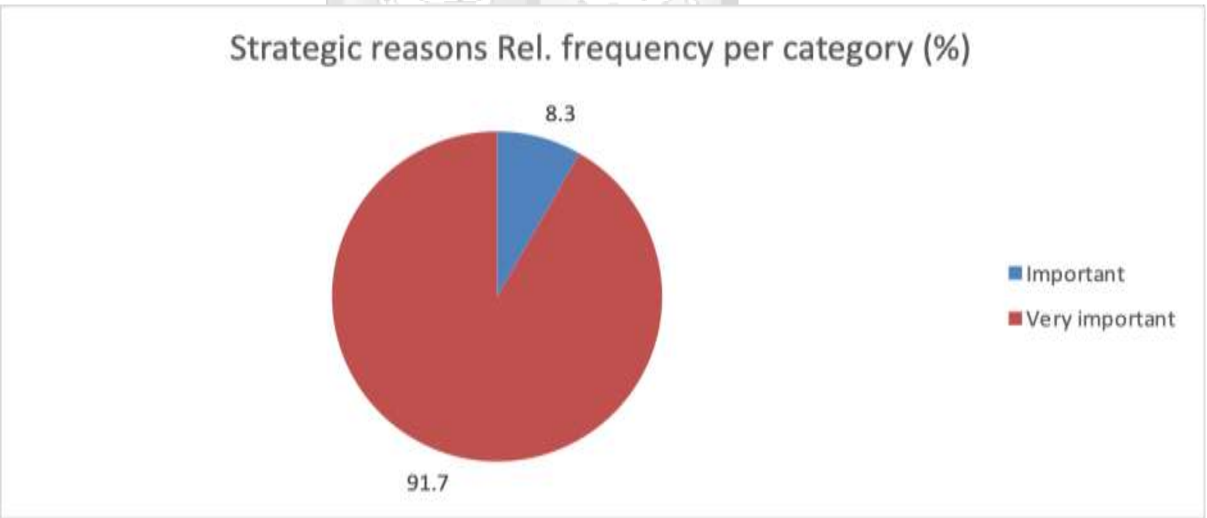

Figure 4.8 Strategic reasons

Unlike responses on strategic reasons, market reasons were presented with more variability in that although most respondents viewed the factor as being a significant one, more – as compared to those that indicated 'very important' on strategic reasons – were of the persuasion that the factor was important as opposed to most important. This therefore indicates that in comparison to strategic reasons, market reasons which entailed such factors as 'gaining access to new markets', were less prominent as a motivating factor.

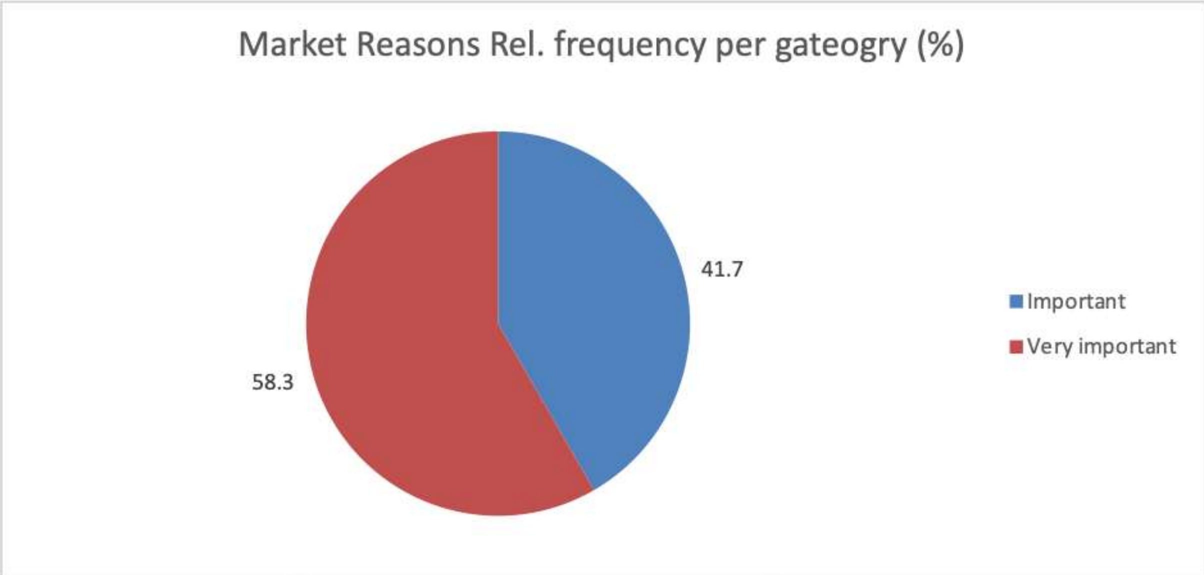

Figure 4.9 Market reasons

Most respondents assessed on the prominence of economic reasons as a factor indicated, as was the case with the foregoing sections, that the reason was of pivotal importance. This finding is in keeping with preceding observations in that given the prominence of market power and market reasons, it was likely that respondents would generally view the mergers and acquisitions as being inspired by economic reasons as an underlying factor.

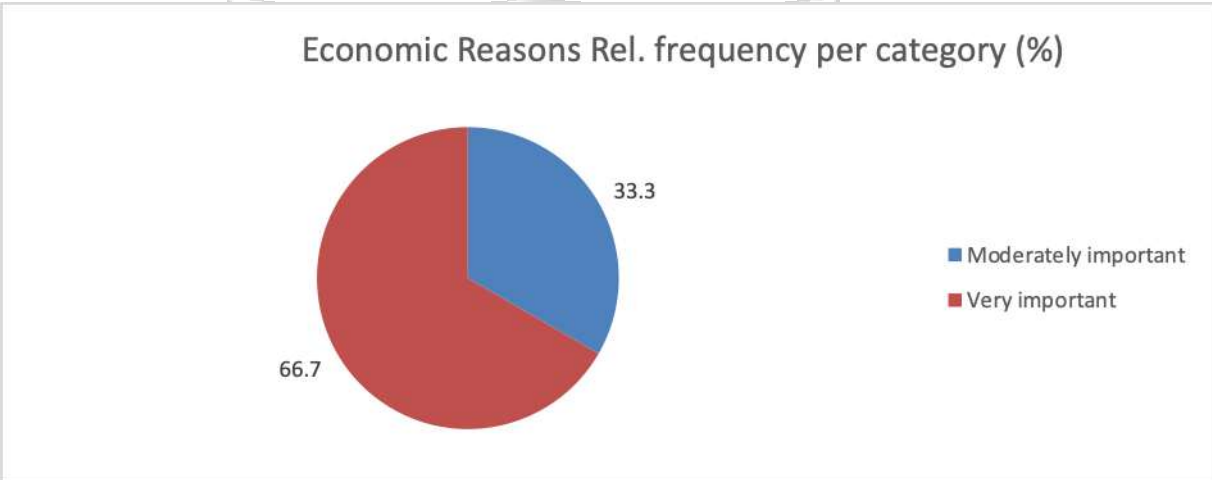

Figure 4.10 Economic reasons

The highest variability in responses was observed for the factor ‘personal motives’. Although the factor was considered to be of moderate importance, it was also evident that some respondents were of the view that the matter was a central shaping reason.

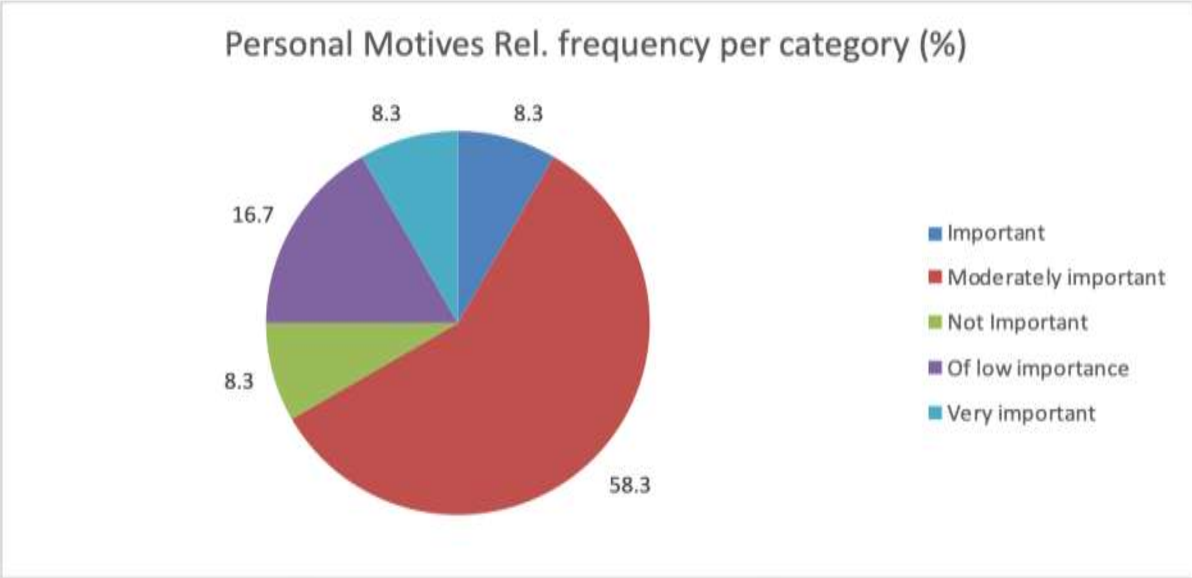

Figure 4.11 Economic reasons

4.4.1.1 Regulator responses

All regulators pointed to market factors and economic reasons as the most prominent factors affecting the industry. It was also reported that these two factors played a key role in the economic direction of the company (two respondents). One respondent indicated that all four factors were intertwined to have a common effect on the economic direction of the company. In assessing the role that personal factors played one respondent indicated that this was a case-specific driver and although it plays out across all mergers and acquisitions, its impact to the process is varying. In elaborating on the strategic reasons as a driver, two respondents indicated the presence of market pressure from then emerging larger players in the sector – predominantly Safaricom – as a factor that inspired the coalescing of smaller organizations for enhanced survival in the market.

4.4.2 Current mergers and acquisition framework vis-à-vis Watson Wyatt Deal Flow Model

The first step in addressing the framework utilized in the mergers and acquisition processes involved seeking employee and regulator feedback on efficiency in implementation of the various stages of the process. This information was captured in a Likert scale with the findings forthcoming from service providers indicated below.

Table 4.2 Framework descriptive

Question	Response	Number	Percentage
[Formulation – Setting of business strategy; goal strategy; definition of acquisition criteria; start of strategy implementation.]	Moderately effective	2	8.333
	Quite effective	14	58.333
	Very effective	8	33.333
[Location – identification of target markets; selection of targets; issuance of letter of intent; offer of letter of confidentiality]	Moderately effective	4	16.667
	Quite effective	12	50.000
	Very effective	8	33.333
[Investigation – Conducting of diligent analysis; summary of findings; creation of preliminary integration plan; deciding on negotiation parameters]	Of low effectiveness	4	16.667
	Quite effective	8	33.333
	Very effective	12	50.000
[Negotiate – Setting of deal teams; securing of key talent and integration teams; completion of the deal]	Moderately effective	2	8.333
	Quite effective	10	41.667
	Very effective	12	50.000
[Integration – Finalization and integration of execution plan; realization of value]	Moderately effective	8	33.333
	Not effective	2	8.333
	Quite effective	10	41.667
	Very effective	4	16.667

Most respondents (58.3%) indicated that the formulation stage was quite effective thereby pointing to a shortcoming in the factor in comparison to investigation and negotiation which each provided 'very effective' as the modal response. The factors location and integration were also viewed as quite effective – by 50% and 41.7% of respondents respectively – thereby pointing to shortfalls in implementation in these two factors as well. This therefore points to general shortfalls in effectiveness in the first and last stages of the integration process.

This sentiment was further echoed in interviews with employees with two respondents indicating that the integration between the company in question was ongoing up one year following the merger and acquisition. The most quoted challenge involved job definition following integration of firms and a lack of agreement between company cultures (12 respondents). With regard to synergy implementation and integration, it was evident that the role of employees was restricted to an information-only role whereby top management would issue direction regarding such factors as job prospects following the mergers and acquisition with little or no room for contributions by the employees on the dynamics of the process. Similarly, customers were provided with information pertaining to change of ownership and brand with little involvement in determining the patterns of the mergers. Respondents from a listed company however indicated that shareholders were involved in making the decision on whether or not to sell the company with the majority agreeing with the direction provided by top management. In general, however, for the firms, it was evident that the merger and acquisition endeavor was reserved for top management with little to no consultation with such stakeholders as employees and clients and with minimal involvement with regulators.

4.4.3 Value Creation

There were disparities between customer and service provider perspective on the outcomes of the mergers and acquisitions with service providers indicating more of a perceived benefit than customers. Regulators also indicated a general increase in performance. The general observation therefore was that there was a disparity between market, service provider and regulator perspectives. Regulator responses were not included in direct comparisons with providers and customers as three responses were gathered hence comparison based on percentages, for this population, would be erroneous. In assessing product improvement, it was observed that most customers presented a wide variation in responses with most reporting moderate and notable growth. Service providers however presented views indicating notable growth and high growth with few indicating moderate growth. This therefore pointed to discrepancy between responses from the two populations.

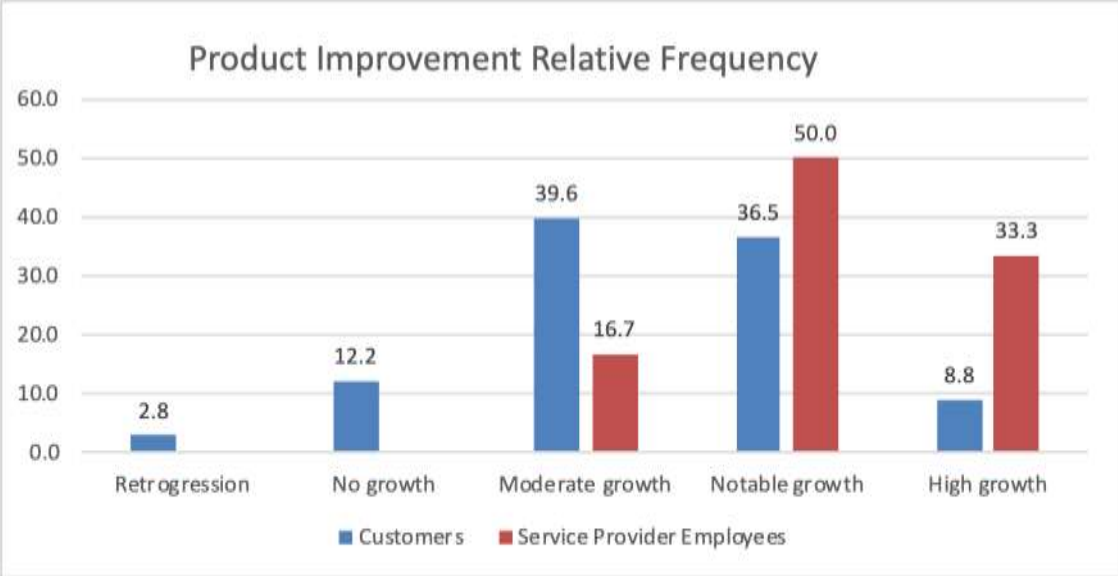

Figure 4.12 Product improvement

As was the case in the assessment of technical expertise and new skills, it emerged that service provider responses were more indicative of substantial improvement than was evidenced from customer responses. Most customers indicated moderate to high growth in improvement of this factor whereas customers, as was the case with product improvement, were mostly of the opinion that moderate and notable growth was observed for the factor. The general observation, therefore, was that service providers had a higher perception of the outcomes than customers did.

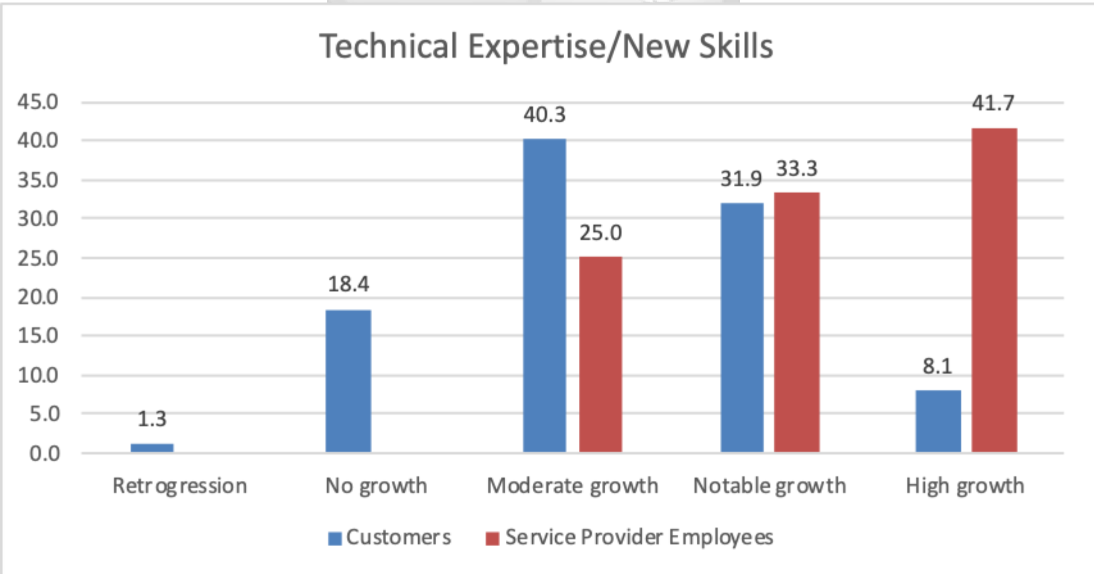

Figure 4.13 Technical expertise

The widest discrepancy in findings between the two populations was evidenced by responses on service solution provision. Whereas 66.7% of service provider respondents indicated notable growth in the factor, only 32.1%, among service recipients, were of the same view. Most customers however reported moderate growth. The general observation, therefore, was that of all factors, service providers were most out of touch with their customers with regard to service solutions. The extend of difference is further elaborated upon the subsequent inferential analysis section.

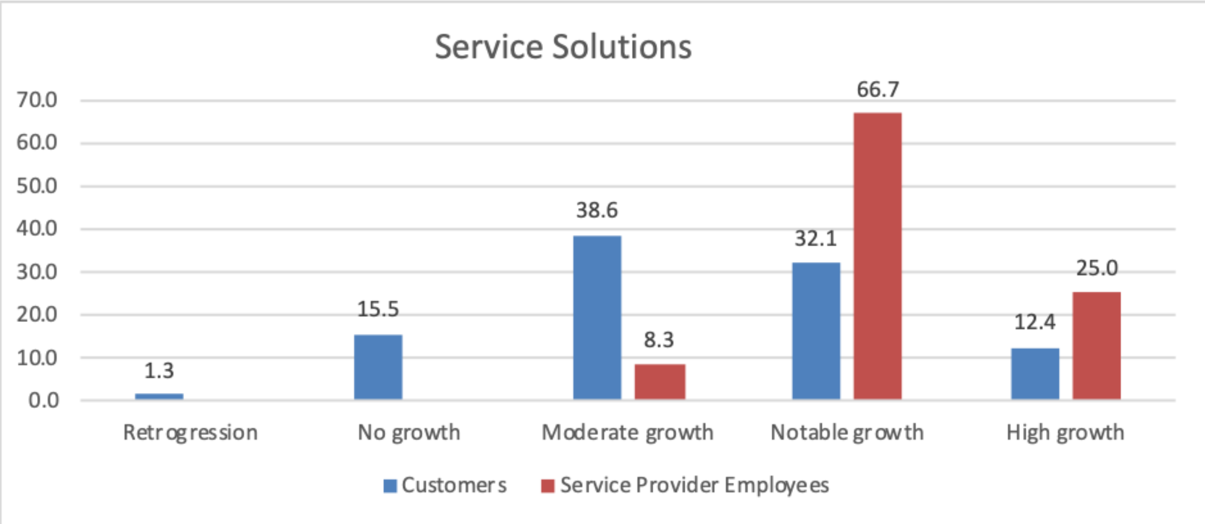

Figure 4.14 Service solutions

In assessing growth in the factor 'people and culture' as was observed for forgoing factors, it was evident that service provider perception of growth was markedly higher than that observed among service recipients. This therefore indicated that the theme of disparity in responses cut through all factors.

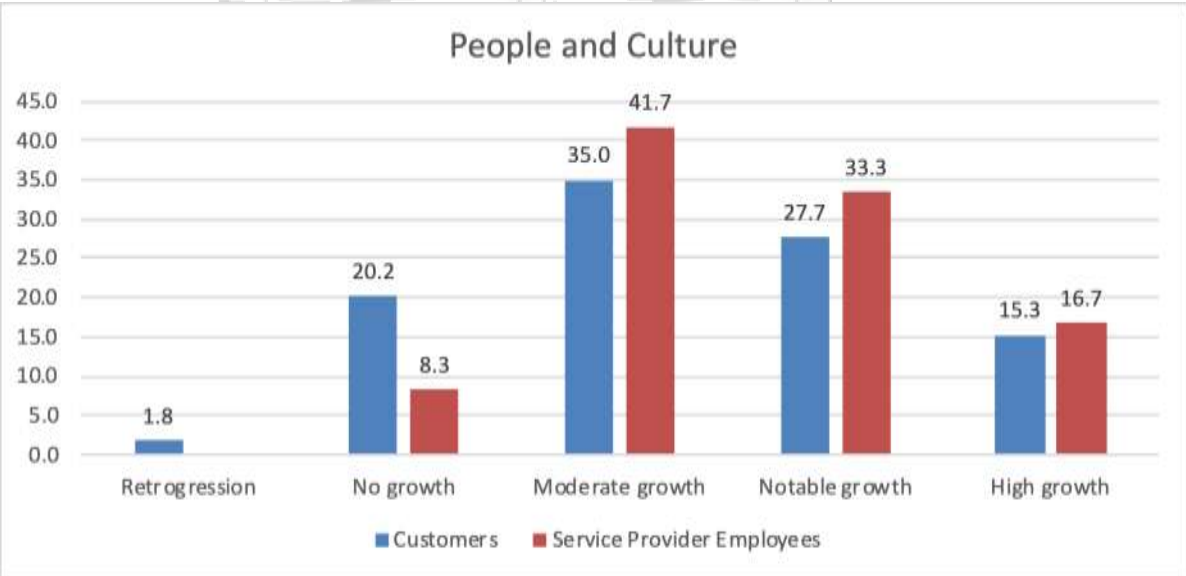

Figure 4.15 People and culture

Among the anticipated outcomes of mergers and acquisitions is the provision of additional services to clients in that either firm should be better positioned to leverage common competencies in the resulting entity. The impact of on technology, as viewed by customers, was that moderate and notable growth was observed. Service providers however were of the view that there was notable and high growth with only 9.1% indicating moderate growth and non-indicating retrogression or no growth.

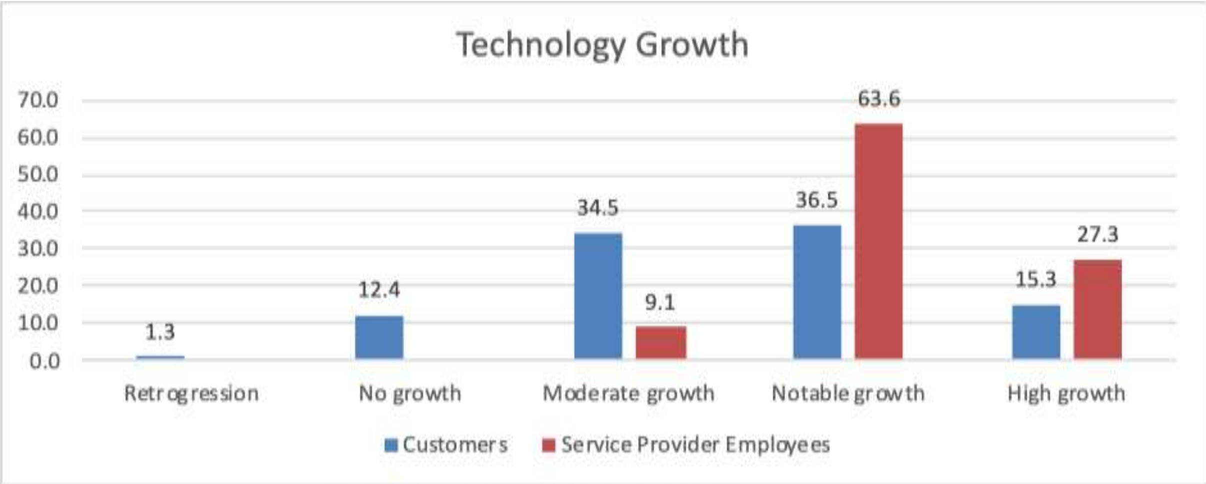

Figure 4.16 Technology growth

Service providers viewed improvements in economic ability as moderate to high with none indicating retrogression or no growth. Customers in general perceived moderate and notable growth in the factor. This therefore indicates that although the services had improved, for the customer, the improvement was less pronounced than the improvement perceived by the service provider.

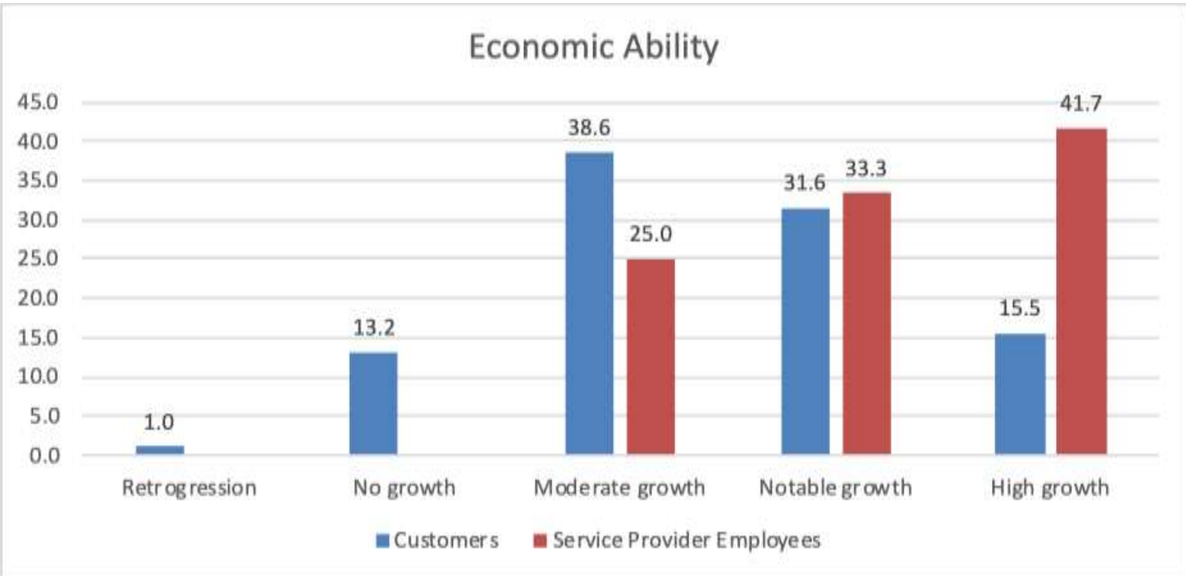

Figure 4.17 Economic ability

Due to such factors as improvement of connectivity as a result of the submarine cable and new entrants into the market, it was anticipated that cost savings would be passed on to the consumers. This outcome, as indicated in responses on cost efficiency was however not as apparent for customers as it was for service providers. The observation, therefore, was that the cost savings perceived by service providers were yet to be transferred to the clients.

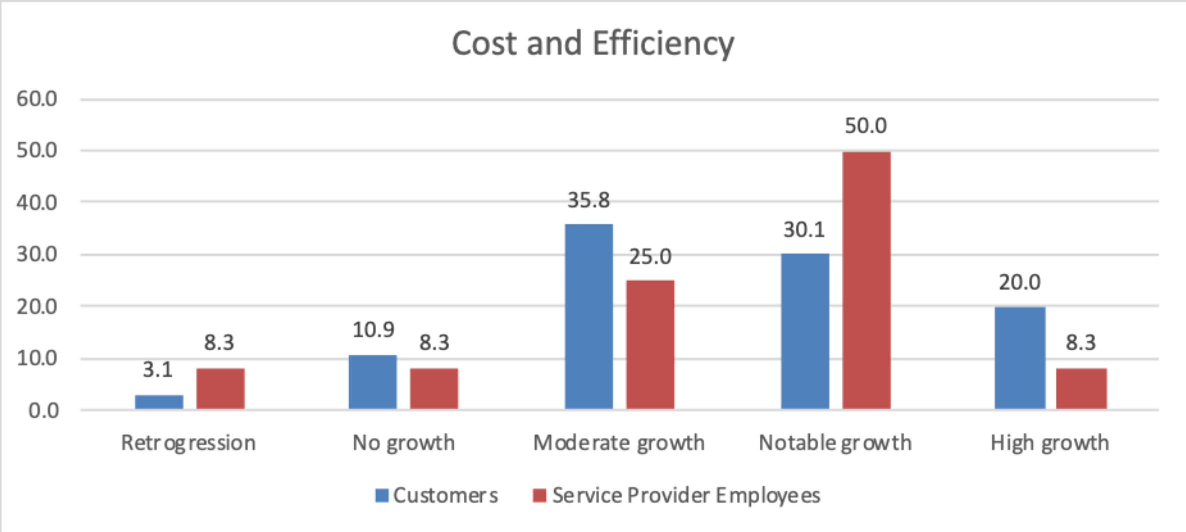

Figure 4.18 Cost and efficiency

4.4.3.1 Value Creation difference assessment

In further assessing the responses from the two categories, a Mann-Whitney U test was conducted to provide evidence of the difference in responses at a 95% confidence level. Findings for the tests are presented below.

Table 4.3 Mann Whitney Test

Ranks

	SP [Product]	N	Mean Rank	Sum of Ranks
[Product improvement]	0	24	292.67	3512.00
	1	386	196.60	75889.00
	Total	398		
[Technical expertise (New skills)]	0	24	296.33	3556.00
	1	385	195.97	75447.00
	Total	397		
[Service solutions]	0	24	292.63	3511.50
	1	386	196.60	75889.50
	Total	398		

[Technology growth]	0	24	277.32	3050.50
	1	386	196.77	75952.50
	Total	397		
[People and culture]	0	24	224.46	2693.50
	1	386	198.72	76707.50
	Total	398		
[Economic ability]	0	24	275.54	3306.50
	1	386	197.14	76094.50
	Total	398		
[Efficiency – cost and time]	0	24	194.38	2332.50
	1	385	199.14	76670.50
	Total	397		

Test Statistics[a]

	[Product improvement]	[Technical expertise (New skills)]	[Service solutions]	[Technology growth]	[People and culture]	[Economic ability]	[Efficiency – cost and time]
Mann-Whitney U	1198.000	1142.000	1198.500	1261.500	2016.500	1403.500	2254.500
Wilcoxon W	75889.000	75447.000	75889.500	75952.500	76707.500	76094.500	2332.500
Z	-3.023	-3.149	-2.994	-2.414	-.794	-2.443	-.148
Asymp. Sig. (2-tailed)	.003	.002	.003	.016	.427	.015	.882

a. Grouping Variable: SP [Product]

A Mann-Whitney U test indicated that in most instances, service providers rated the service provision benefits higher than their counterparts. All differences were significant except for the people and culture & efficiency and cost and time ratings. Surprisingly, customers perceived a higher increase in efficiency and time than service providers – the observation was however not statistically significant at 95% confidence level.

4.4.3.2 Regulator responses

Of the responses provided in assessing improvement in the various performance aspects of the company, two respondents reported improvements on all factors whereas one respondent indicated declines in efficiency as an outcome for most companies following the mergers. Of the reasons cited with regard to declining efficiency, the respondent pointed to a lack of sufficient planning the human resource aspect of the company. This sentiment was echoed by one other respondent who indicated that the mergers, in some cases, appeared rush and therefore resulted in interference with business operations. The general observation, however, was that there was notable improvement in the sector with resulting inefficiencies being viewed in light of increased competition within the industry following anticipated entrance of such bigger players in the ISP industry.

CHAPTER FIVE: DISCUSSION CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to provide answers to the research questions, and to show how findings from this study provide a contribution to the body of knowledge. In addition, this chapter outlines the practical benefits of the study from an industry perspective and highlights areas for further research.

5.2 Objectives

This section provides a summary of finding pertaining to each of the objectives and as relates to extant literature. There are three subsections here with each addressing a specific objective. Subsequent discussions under this sub-section will address the three objectives with an intention of showing how the findings forthcoming from this study relate with nascent literature on the topic.

5.2.1 Objective I: Ordering of factors leading to Internet Service Provider's mergers and acquisitions in Kenya.

To address this question, the researcher required all employees and ISPs to provide responses on the general perception of underlying factors behind mergers and acquisitions and subsequently, to provide feedback, through Likert scales, on their level of agreement with literature-derived factors deemed drivers of mergers of acquisitions following exposition of such factors in different contexts. In specific, the following factors were highlighted as possible drivers behind mergers and acquisitions – Strategic reasons, market reasons, and economic reasons (Hopkins, 1999).

As indicated in section 4.2.1, all four factors were considered to be of significant bearing as drivers of mergers and acquisition. The ordering by factor as indicated by importance, was as follows – strategic factors, economic reasons, market reasons, and finally, personal reasons. It is however noteworthy that the findings collected for the study were predominantly provided by persons operating within the organizations hence this may have prevented total disclosure on the role of some factors (such as motivations of the owners) for fear of possible ramifications. Each respondent had however been informed of the confidentiality of responses.

Hopkins (1999) observes that strategic motives speak to improving the strength of a firm's plan, e.g., creating synergy, utilizing a firm's core competence, increasing market power, providing the firm with complimentary resources, products, and strengths; this reasons was evidenced by respondents who indicated that mergers were a forgone outcome of previous engagements between companies in that, where one company was involved in provision of a complementary service – such as infrastructure – to another (e.g. a distributor of services), the two would find synergies upon merging, that would improve the general business prospects of either company. Schweiger and Very (2003) affirm this observation by stating that upon considerations of mergers and acquisitions, it is necessary for both firms to positively perceive the objectives of either party so as to ensure that the needs of each are addressed effectively in the final strategy.

In assessing the role of market factors, Hopkings (1999) observes that the factor involved addressing such issues as entering new markets in new areas or countries by acquiring already established firms as the fastest way, or as a way to gain entry without adding additional capacity to the market that already may be saturated. The market in Kenya is generally growing therefore proving a lucrative business hub for prospective service providers. As evidenced from findings in this study, most service providers considered market factors as a strong reason, second only to strategic factors (section 4.2.2), as a driver of mergers and acquisitions. This factor is further emphasized by the fact that most purchasing firms were international companies looking to expand their business to the local market. It may therefore be surmised that the international companies sought to improve their global reach by partnering with local firms that had the knowhow of the intricacies involved in conducting business in the local market.

For the purchased firms or lower-holding firms, market factors provided in way of additionally financial muscle to gain access to unreached areas of the company. Additionally, partnership with global players provided a means to gain access to competencies, such as technological expertise, that would otherwise be inaccessible to the smaller players in the industry.

Hopkings (1999) points to economic drivers as factors relating to establishment of economics of scale. Given that as discussed, most firms were driven by strategic and market factors, it may be inferred that the underlying purpose of these factors is economic gain. As such, it was anticipated that this reason would present as a significant determining factor. Responses showed that most respondents considered the reason as a pivotal one in motivating mergers and acquisitions. Similarly, as discussed for market and strategic factors, technological gains would allow for significant benefit for all parties involved in the acquisition and mergers and more so for the smaller players in the transactions.

Personal reasons were reported with the most variability. This therefore indicates that the reasons may have been more pivotal in such than other scenarios. The general ranking of the factor as least pivotal on account of fewer responses indicating ‘important’ and ‘most important’ would therefore mask the influence of the factor for specific firms. This factor is therefore suggested, in a subsequent section, as an area for further study.

In the current study, most respondents provided similar answers with regard to the drivers of mergers and acquisitions. This therefore indicates that except for the factor assessing the motivation of main owners, there was cadence in the perception of the various factors as defining reasons behind the mergers and acquisitions.

5.2.2 Objective II: The current mergers and acquisition framework vis-à-vis the Watson Wyatt Deal Flow Model

To address this question, the efficacy of the merger and acquisition process was assessed in light of theorized frameworks deemed to address different aspects of the merger and acquisition process. According to Picot (2002), a typical M & A transaction goes through three phases: planning, implementation and integration. Galpin and Herndon (2000), use the Watson Wyatt Deal Flow Model consisting of five phases namely Formulate, Locate, Investigate, Negotiate and Integrate to highlight that failures in stages of the merger and acquisition process would result in significant shortcomings in outcomes.

As indicated in section 4.2.2., the stages formulate, locate and investigate were generally deemed to be quite effective with room for improvement as compared to the stages investigate and negotiate; these stages represent the pre and post-merger stages.

Jemison and Sitkin (1986) in a seminal publication highlight the importance of ensuring fit between organizations before conducting merger and acquisition exercises. The authors specifically bring to light the need for an integrated approach so as to ensure that the various stakeholders involved are well addressed such that their needs and concerns are catered to. Findings from this study highlight a misfit that presented mainly in culture clashes within organizations – a factor that significantly affected the efficiency of the resulting companies as observed by the discrepancy between customer perception and employee perception of the outcomes in functionality observed for the organizations.

There were no identified strategic implementation plans across the board. All respondents indicated that there was a definite framework, further querying on the entails of the frameworks revealed that the respondents alluded to top-management involvement with little or no consultation of parties other than the purchasers and regulators (14 respondents). Customers and employees were relegated to an inform-only status whereby the parties involved in the mergers and acquisitions provided information on such factors as brand name change, and work-plan change (4 respondents). This lack of structured merger and acquisition thereby resulted mainly in internal wrangling among the organizations in the bid, among employees, to retain positions of employment and defined work roles. The main benefits accruing from the mergers, from the employee perspective, involved access to new expertise and learning opportunities as the companies' footprint was broadened. All except one respondent indicated that the regulators' interests were aligned with those of the industry. In particular, the regulators were seen to play the role of providing the go-ahead to facilitate mergers and acquisitions in such a manner as to ensure efficiency in the process. The role of the regulator was however limited to an over-arching faction in that the entails of the process and the outcomes were rarely legislated for.

Only three regulators were reached. All respondents indicated cadence between the industry and the regulator and pointed to increased collaboration within the industry. As with service providers, all respondents indicated an increase in benefit across all mergers and acquisitions pointing to teething pains as the main factors hindering current visibility of beneficial outcomes. There however was an appreciation of the need for more structured formal planning of mergers and acquisitions to ensure the provision of even more benefit across the industry.

Results from the forgoing sections indicate that the firms undergoing mergers and acquisitions were mainly motivated by strategic, market and economic factors and that three of the stages of the merger and acquisition exercise were conducted less than effectively. Additionally, it had been shown that the merger and acquisition process resulted in a discrepancy in perception of improvement in service offerings. The general view, therefore, indicates that failures in implementation of the process may have proven as a significant factor in the limited realization of benefit with regard to financial bottom-lines of the companies. This finding therefore underlines the need for consultation and integration among stakeholders in effecting the pre, during, and post stages of the mergers and acquisitions. It was also evident that whereas only two respondents indicated that no specific framework was used to effect changes the mergers and acquisitions, none of those that answered yes (16) indicated the use of a specific framework in implementation of the merger and acquisition exercise. Furthermore, in assessing the role of various stakeholders involved in the exercise it was observed that the main parties involved were top managers and owners (with the exception of the NSE listed given mandatory involvement of stakeholders) with all other parties left to a marginal role in the process.

It is therefore proposed that firms revert to the use of such specific merger and acquisition frameworks as the Watson Wyatt Deal Flow Model consisting of five phases – Formulate, Locate, Investigate, Negotiate and Integrate – when effecting mergers and acquisitions and that the firms consider invitation of third-party organizations specialized in conducting of mergers and acquisitions so as to ensure the overall efficacy of the endeavor.

5.2.3 Objective III: Value creation

Reed and Lajoux (1998) report that about 50-80% of mergers and acquisitions are not successful. Furthermore, despite the popularity of most mergers and acquisitions, the strategic performance outcomes of most have been disappointing (Mergerstat Review, 2004). This postulations are confirmed in the current study as in most instances, service providers rated the service provision benefits higher than customers. All differences were significant except for the variables people and culture & efficiency and cost and time ratings. However, rather unexpectedly, customers perceived a higher increase in efficiency and time than service providers – the observation was not statistically significant at 95% confidence level.

In assessing efficiency of cost and time, there was no statistically significant difference between employee and service recipients' feedback in rating growth in the factor. This therefore indicates that there have been significant gains in efficiency following mergers and acquisitions. These efficiencies could however in part be explained by submarine cable introduction to the region in that costs may have dropped significantly due to easier access to the resource. It is therefore necessary to assess the source of this positive change given that three aspects of the merger and acquisitions are deemed subpar in implementation.

In general, service providers seemed to infer higher impact of the mergers and acquisitions than the clients served by the companies. This disjoint in perception may indicate that the companies are out of touch with their clients thus necessitating a revisiting of the effectiveness of market reach strategies. It may be necessary for the companies involved to organize client outreach programs to gain insights into the needs that customers have vis-à-vis service offerings. This would allow for the closing of service gaps to the benefit of both stakeholders.

Additionally, the difference in ratings between clients and employees of the companies may be due to the fear of repercussions following bad reviews for the employing organization.

This concern was however alleviated by the assurance of confidentiality in the study and the deidentification of client responses; none of the respondents' names were taken down. Most respondents provided email addresses to the study hence indicating that the views put forward were accurate and representative of their actual perception of the situation; the discrepancy in responses between the clients and the employees was thus deemed valid.

5.3 Conclusion

The researcher, through this study, set out to address three research objectives – to identify the ordering of factors deemed the impetus for M&As; to assess the merger and acquisition framework employed in M&As in Kenya and finally, to assess the value-add achieved through M&As. From the foregoing discussion, it is evident that each of the objectives was addressed.

With regard to the first objective it was apparent that the main factors by ordering of importance, in motivating mergers and acquisitions were – strategic reasons, market reasons, economic reasons and personal reasons. The highest variability in response was observed for the factor 'personal reasons' whereas the least was observed for market factors. This finding therefore indicates that the mergers in the market were generally inspired by the need for expansion as companies, in perceiving possible areas of synergy, sought to exploit the burgeoning opportunities presenting in increased subscription to internet services both in the business and personal consumption spaces. It is however noteworthy that personal reasons – though not ubiquitously mentioned across all companies – were deemed to have a strong influence among some companies with respondents quoting that owners in the respective companies stood to gain substantial compensation from such processes and therefore this factor may have taken preference in determining the merger and acquisition process among the affected companies. In addressing the second objective that spoke to existing frameworks, it was evident that the pre and post stages of implementation were significantly less effective than the implementation and negotiation stages. This finding points to a lack of strategic planning in the merger and acquisition process; in particular, it highlights the lack of stakeholder involvement in the process as the staff cited ambiguity in role and frustration do to a lack of information on anticipated outcomes as major points of concern during the merger and acquisition process. This factor could be attributed to the lack of engagement of multiple stakeholders' interests in the merger and acquisition exercises with employees and clients relegated to information-provision roles. Finally, with regard to the final objective, it was evident that the companies had a higher view of their impact in the market than their clients did. This lack of synergy in perceptions of value may be attributed to the lack of ordered M&As in that the process is less effective than it ought to be in the bid to create added value to the clients and subsequently to the companies involved.

5.4 Recommendations

The main recommendations forthcoming from this study are as follows:
There is a need for the conducting of merger and acquisition on the basis of tried-and-tested approaches to the same. A recommended framework in the Watson Wyatt Deal Flow Model consisting of five phases namely Formulate, Locate, Investigate, Negotiate and Integrate.

Secondly, there is need to for collaborative efforts in the merger and acquisition exercises in the ISP sub-sector. Top managers involved in the exercise should put forward plans to ensure that each of the processes involved is well addressed (pre, during, and post) and that stakeholders are allowed to provide feedback and shape the process so as to ensure synergy following the merger and acquisition exercise.

5.4.1 Areas for further study

The researcher recommends to academicians and practitioners, that further studies be conducted at a firm level so as to highlight peculiarities that may have been overlooked in this study. For instance, the role of personal factors as shaping determinants in the merger and acquisition process may have been conflated in this study given high impact in some firms may have been offset by low impact in others.

Finally, it is recommended that subsequent studies in the area be conducted from a regulation perspective given that the role of the regulator, as highlighted in this study, has been limited to legislation and recipients of information. It is necessary to shed light on the possible regulatory approaches that would help ensure efficiency in the endeavor in the industry.

5.5 Limitations of the study

The most apparent limitation of this study is the lack of inferential analysis on the basis of secondary objective data collected on the basis of different performance aspects of the company; the current study addresses performance through self-reporting as opposed to company financials. It is therefore necessary for more insightful approaches to the considered in assessing the dynamics of mergers and acquisitions in the market in Kenya. The approach taken in this study was dictated by an unwillingness of firms to provide company financial for public scrutiny. The study further focuses on five telecommunication companies in Kenya; these have undergone mergers and acquisitions over the period 2010 and 2015. The companies are – “Liquid Telecom”, “Internet Solutions”, “Access Kenya”, “MTN Business and Orange Telkom”

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APPENDICES

Appendix A: Letter of Introduction.

Strathmore Business School

18 October 2018

To whom it may concern,

Dear Sir/ Madam,

RE: FACILITATION OF RESEARCH – BEATRICE ANYANGO MUDHUNE

This is to introduce Beatrice Anyango Mudhune who is an MBA student at Strathmore Business School, admission number MBA/87021/15. As part of our MBA Program, Beatrice is expected to do applied research and to undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, she would like to request for appropriate data from your organization.

Beatrice is undertaking a research paper on 'Framework for Mergers and Acquisitions: Case Study of the Kenya Internet Service Providers' sector.' The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share the findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and we shall be willing to provide any further information if required.

Yours sincerely,

Caroline Tiara,
Manager – MBA Programs.

Appendix B: Physical access letter

Strathmore Business School
P.O Box 59857-00200
Nairobi
Date…………..

To: Managing Director
Liquid Telkom - Nairobi, Kenya

Dear Sir,

RE: PERMISSION TO CARRY OUT EMPLOYEES RANDOM INTERVIEW

We are Masters of Business Students from the above institution, carrying out a case study on the framework for mergers and acquisitions in the Internet Service Providers Sector as partial fulfillment to my degree. The findings from this study will be made available to your organization, as it will help the organization strategically position itself to meet the market needs and demands.

We therefore seek permission to carry out employee interviews an at your organization premises and /or via social media. This should 3 days within the working hours of your organization.

Attached to this letter is our interview checklist detailing the areas we would like to study.
Please advise if we can proceed with this by writing back to the address above. You can reach us on 0733837356 0r 0726074998 if you require any clarification or additional information.
Yours faithfully

Beatrice Mudhune (Student No. 87021)

Appendix C: Participant Information sheet and Consent Form

SECTION 1: INFORMATION SHEET

Investigator: XXXX

Institutional affiliation: Strathmore Business School (SBS)

SECTION 2: INFORMATION SHEET–THE STUDY

2.1: Why is this study being carried out?

2.2: Do I have to take part?

No. Taking part in this study is entirely optional and the decision rests only with you. If you decide to take part, you will be asked to complete a questionnaire to get information on XXXXXXXXXX. If you are not able to answer all the questions successfully the first time, you may be asked to sit through another informational session after which you may be asked to answer the questions a second time. You are free to decline to take part in the study from this study at any time without giving any reasons.

2.3: Who is eligible to take part in this study?

2.4: Who is not eligible to take part in this study?

2.5: What will taking part in this study involve for me?

You will be approached XXXXXXXX and requested to take part in the study. If you are satisfied that you fully understand the goals behind this study, you will be asked to sign the informed consent form (this form) and then taken through a questionnaire to complete.

2.6: Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your express permission.

2.7: Are there any benefits of taking part in this study?

The information will be used to improve XXXXXXXXXXX.

2.8: What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. Even if you decide to take part at first but later change your mind, you are free to withdraw at any time without explanation.

2.9: Who will have access to my information during this research?

All research records will be stored in securely locked cabinets. That information may be transcribed into our database but this will be sufficiently encrypted and password protected. Only the people who are closely concerned with this study will have access to your information. All your information will be kept confidential.

2.10: Who can I contact in case I have further questions?

You can contact me, Beatrice .A. Mudhune, at SBS, or by e-mail bmudhune@gmail.com or by phone 0726 074 998. You can also contact my supervisor, Prof. Ismail Ateya, at the Strathmore Business School, Nairobi, or by e-mail iateya@strathmore.edu.

If you want to ask someone independent anything about this research please contact:

The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email ethicsreview@strathmore.edu Tel number: +254 703 034 375

I, ______________________________, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

Participation in the research study

☐ AGREE to take part in this research

☐ I DO NDON'T AGREE to take part in this research

Storage of information on the completed questionnaire

☐ I AGREE to have my completed questionnaire stored for future data analysis

☐ I DO NDON'T AGREE to have my completed questionnaire stored for future data analysis

Participant's Signature: ________________________________

Date: ______/_______/_________

DD / MM / YEAR

Participant's Name: ____________________________________

(Please print name)

Time: ______ /_______

HR / MN

I, _________________________ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study. S/he has been given opportunity to ask questions which have been answered satisfactorily.

Investigator's Signature: ________________________________

Date: ______/_______/_________

DD / MM / YEAR

Investigator's Name: ____________________________________

(Please print name)

Time: ______ /_______

HR / MN

Appendix D: IRB Compliance letter

Strathmore
UNIVERSITY

6[th] May2019

Ms. Mudhune, Beatrice,
P. O. Box: 25940 – 00504,
Nairobi.
bmudhune@gmail.com

Dear Ms. Mudhune,

REF **Protocol ID:** SU-IERC0419/19

FRAMEWORK FOR MERGERS AND ACQUISITIONS

We acknowledge receipt of your application documents to the Strathmore University Institutional Ethics Review Committee (SU-IERC) which includes:

1. Study Protocol submitted 24[th] April 2019
2. Cover letter listing all submitted documents 24[th] April 2019
3. Proposal declaration Page signed by supervisors 24[th] April 2019

The committee has reviewed your application, and your study *"Framework for Mergers and Acquisitions"* has been granted **approval**.

This approval is valid for one year beginning **26[th] May 2019** until **26[th] May 2020**

In case the study extends beyond one year, you are required to seek an extension of the Ethics approval prior to its expiry. You are required to submit any proposed changes to this proposal to SU-IERC for review and approval prior to implementation of any change.

SU-IERC should be notified when your study is complete.

Thank you

Sincerely,

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
06 MAY 2019
TEL: +254 (0)703 034 000
P. O. Box 59857 - 00200
NAIROBI - KENYA

Prof. Florence Oloo
Secretary
Strathmore University Institutional Ethics Review Committee

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email admissions@strathmore.edu www.strathmore.edu

Appendix E: NACOSTI Permit.

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **215109**

Date of Issue: **15/July/2020**

RESEARCH LICENSE

This is to Certify that Miss.. Beatrice Anyango Mudhune of Strathmore University, has been licensed to conduct research in Nairobi on the topic: FRAMEWORK FOR MERGERS AND ACQUISITIONS : CASE STUDY OF THE KENYA INTERNET SERVICE PROVIDER'S SECTOR for the period ending : 15/July/2021.

License No: **NACOSTI/P/20/5835**

215109

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document,
Scan the QR Code using QR scanner application.

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is Guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014

CONDITIONS

1. The License is valid for the proposed research, location and specified period
2. The License any rights thereunder are non-transferable
3. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research
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7. The Licensee shall submit one hard copy and upload a soft copy of their final report (thesis) within one of completion of the research
8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice

National Commission for Science, Technology and Innovation
off Waiyaki Way, Upper Kabete,
P. O. Box 30623, 00100 Nairobi, KENYA
Land line: 020 4007000, 020 2241349, 020 3310571, 020 8001077
Mobile: 0713 788 787 / 0735 404 245
E-mail: dg@nacosti.go.ke / registry@nacosti.go.ke
Website: www.nacosti.go.ke

Appendix F: Questionnaire's

Dear Respondent,

I am an MBA student at Strathmore Business School, conducting a research on the Internet Service Providers mergers and acquisitions in Kenya and its impact on business value creation to business consumers. Kindly complete this questionnaire as appropriately and accurately as possible. This will take about 10minutes of your time and do note that the information provided will be treated with strict confidence and will only be used for the intended purpose of this study only.

We take this opportunity to thank you for your participation.

Thank you

Beatrice Mudhune

SERVICE PROVIDER INTERVIEW PROMPT

PART A: RESPONDENTS PROFILE

1. Gender (Tick where applicable)

   Male ☐

   Female ☐

2. Age group (Tick where applicable)

   15 - 30 Years ☐

   31 – 45 ☐

   Above 46 ☐

PART B: REASONS FOR THE MERGER AND ACQUISITION

3. Kindly state the main reasons prompting the merger and acquisition initiative.

   Reason 1:____

   Reason 2:____

   Reason 3:____

4. Kindly elaborate on the role of the mentioned reasons

   Reason 1:____

Reason 2:____

Reason 3:____

5. Kindly indicate the importance of the literature-derived general reasons below as contributing factors prompting the merger and acquisition efforts.

	Not Important	**Of low importance**	**Moderately important**	**Important**	**Very important**
Strategic Reasons e.g. creating synergy, improving core competencies, and increasing market power					
Market reasons e.g. to gain access to new markets					
Economic reasons e.g. to improve the bottom line and to establish economies of scale					
Personal motives e.g. top management or owner initiatives					

PART C: MERGER AND ACQUISITION FRAMEWORK

6. Was there a specific framework or strategy applied to the merger and acquisition framework?
7. Kindly elaborate on how the process was undertaken.
8. Who are the major stakeholders involved in the process?
9. How were they involved and addressed?

   Stakeholder 1:______________________________

   Stakeholder 2:______________________________

   Stakeholder 3:______________________________

10. Kindly indicate how effective the various stated stages in the merger and acquisition process were.

	Not effective	**Of low effectiveness**	**Moderately effective**	**Quite effective**	**Very effective**
Formulation – Setting of business strategy; goal strategy; definition of acquisition criteria; start of strategy implementation.					
Location – identification of target markets; selection of targets; issuance of letter of intent; offer of letter of confidentiality					
Investigation – Conducting of diligent analysis; summary of findings; creation of preliminary integration plan; deciding on negotiation parameters					
Negotiate – Setting of deal teams; securing of key talent and integration teams; completion of the deal					
Integration – Finalization and integration of execution plan; realization of value					

PART D: BENEFITS ACCRUING FROM THE MERGER AND ACQUISITION

11. What are the main benefits that have resulted from the merger and acquisition initiative?

    Benefit 1:____

    Benefit 2:____

    Benefit 3:____

12. Kindly indicate how the following areas have faired following the merger and acquisition.

	Retrogression	**No growth**	**Moderate growth**	**Notable growth**	**High growth**
Product improvement					
Technical expertise (New skills)					
Service solutions					
Technology growth					
People and culture					
Economic ability					
Efficiency – cost and time					

REGULATORS' INTERIVIEW PROMPT

PART A: RESPONDENTS PROFILE

1. Gender (Tick where applicable)

   Male ☐

   Female ☐

2. Age group (Tick where applicable)

   15 - 30 Years ☐

   31 – 45 ☐

   Above 46 ☐

PART B: REASONS FOR THE MERGER AND ACQUISITION

3. Kindly state the main reasons prompting the merger and acquisitions in the industry.

   Reason 1:____

   Reason 2:____

   Reason 3:____

4. Kindly elaborate on the role of the mentioned reasons

   Reason 1:____

   Reason 2:____

   Reason 3:____

5. Kindly indicate the importance of the literature-derived general reasons below as contributing factors prompting mergers and acquisitions in the industry.

	Not Important	**Of low importance**	**Moderately important**	**Important**	**Very important**
Strategic Reasons e.g. creating synergy, improving core competencies, and increasing market power					
Market reasons e.g. to gain access to new markets					

Economic reasons e.g. to improve the bottom line and to establish economies of scale					
Personal motives e.g. top management or owner initiatives					

PART C: MERGER AND ACQUISITION FRAMEWORK

6. In general, are there specific frameworks or strategies applied to the merger and acquisition framework?
7. Kindly elaborate on how the process is undertaken.
8. Who are the major stakeholders involved in the process?
9. How are they involved and addressed?
   Stakeholder 1:____
   Stakeholder 2:____
   Stakeholder 3:____
10. Kindly indicate how effective the various stated stages in the merger and acquisition process generally are.

	Not effective	**Of low effectiveness**	**Moderately effective**	**Quite effective**	**Very effective**
Formulation – Setting of business strategy; goal strategy; definition of acquisition criteria; start of strategy implementation.					
Location – identification of target markets; selection of targets; issuance of letter of intent; offer of letter of					

confidentiality					
Investigation – Conducting of diligent analysis; summary of findings; creation of preliminary integration plan; deciding on negotiation parameters					
Negotiate – Setting of deal teams; securing of key talent and integration teams; completion of the deal					
Integration – Finalization and integration of execution plan; realization of value					

PART D: BENEFITS ACCRUING FROM THE MERGER AND ACQUISITION

11. What are the main benefits that have resulted from the merger and acquisition initiatives?

    Benefit 1:____

    Benefit 2:____

    Benefit 3:____

12. Kindly indicate how the following areas have generally faired following mergers and acquisitions.

	Retrogression	**No growth**	**Moderate growth**	**Notable growth**	**High growth**
Product improvement					
Technical expertise (New skills)					
Service solutions					
Technology growth					
People and culture					
Economic ability					
Efficiency – cost and time					

SERVICE RECEPTIENT QUESTIONNAIRE

PART A: RESPONDENTS PROFILE

1. Gender (Tick where applicable)

   Male ☐

   Female ☐

2. Age group (Tick where applicable)

   15 - 30 Years ☐

   31 – 45 ☐

   Above 46 ☐

3. What is the nature of your business?
4. How long have you been involved with the service provider?

   Less than 10 years ☐

   10 to 20 years ☐

   More than 20 years ☐

5. What is the current employee base?

   10 to 20 employees ☐

   20 to 50 employees ☐

   More than 50 employees ☐

PART B: BENEFITS ACCRUING FROM THE MERGER AND ACQUISITION

6. Kindly indicate how the following areas have faired following the merger and acquisition initiative.

	Retrogression	**No growth**	**Moderate growth**	**Notable growth**	**High growth**
Product improvement					
Technical expertise (New skills)					
Service solutions					
Technology growth					
People and culture					
Economic ability					
Efficiency – cost and time					