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**Mergers & Acquisitions as a Growth Strategy for Law firms: A Case Study of
Selected Law Firms in Nairobi**

Maureen Beatrice Apunda



A Research Dissertation Submitted In Partial Fulfillment of the Requirements of the
Award of the Degree of Master of Business Administration, of Strathmore University

MAY, 2018

DECLARATION

This research dissertation is my original work and has not been submitted for examination in this or any other university. No portion of the dissertation should be reproduced without my authority or that of Strathmore University.

Name of Candidate

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MAUREEN BEATRICE APUNDA

STUDENT NUMBER: MBA/087897/15

Approval

This research dissertation has been submitted for examination with my approval as the University supervisor.

Dr. Fredrick Oduori

School of Tourism and Hospitality

Strathmore University

Signature:

Date:

ABSTRACT

Mergers and Acquisitions have become fundamental for firms from medium to large scale corporations owing to market competition, need for product and service innovation, and diversification in regulations, economic and environmental changes. The purpose of this study was to assess the influence of mergers and acquisition on growth of law firms. A review of literature was conducted to identify what has been done and the knowledge gap. It was guided by specific objectives that sought to: To evaluate how preparedness in mergers & acquisition influence growth on HH&M and Oraro law firms, to establish the impact of the specific interventions necessary for mergers & acquisition on growth of HH&M and Oraro law firms ,to examine the economic influence of mergers & acquisition on growth of HH&M and Oraro law firms, to investigate effect of the building of relationship and shared knowledge involved in mergers & acquisition on growth of HH&M and Oraro law firms in Nairobi County. The study employed a descriptive research design, whereas proportionate stratified random sampling technique was applied to sample 70 respondents for the study. Questionnaires were used as instruments of collecting data through a drop-and-pick-later technique and note-taking respectively. Data was cleaned, coded and analyzed using SPSS. Demographic characteristics of respondents were described using percentages and frequency while descriptive statistics (mean and standard deviation) was used for the four objectives. However, inferential statistics (Regression model) was done so as to draw a conclusion from the statistically significant variables. Information was presented in form of tables, charts, graphs and percentages for

clarity. The major findings of the study revealed that mergers and acquisition has great impact on growth of law firms as measured by preparedness, government intervention, economic influence and building relationships& shared knowledge. It further showed that only 22% of growth of the two law firms was explained by the independent variables thus need for future research. The study concluded that preparedness and economic influence were significant factors in explaining growth of HH&M and Oraro law firms.

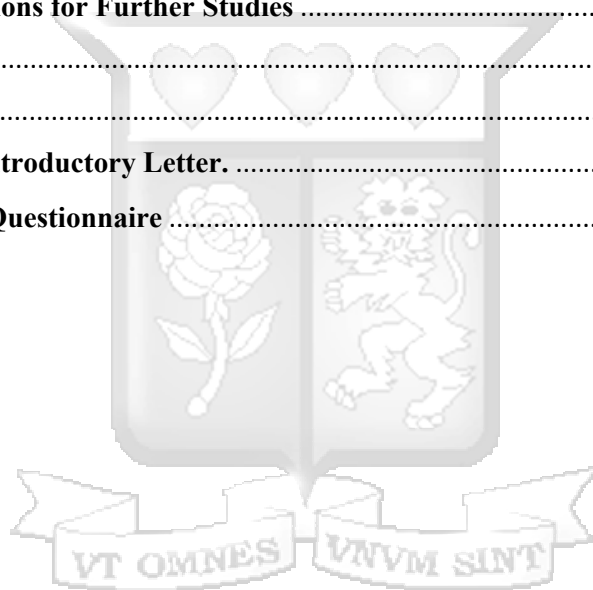


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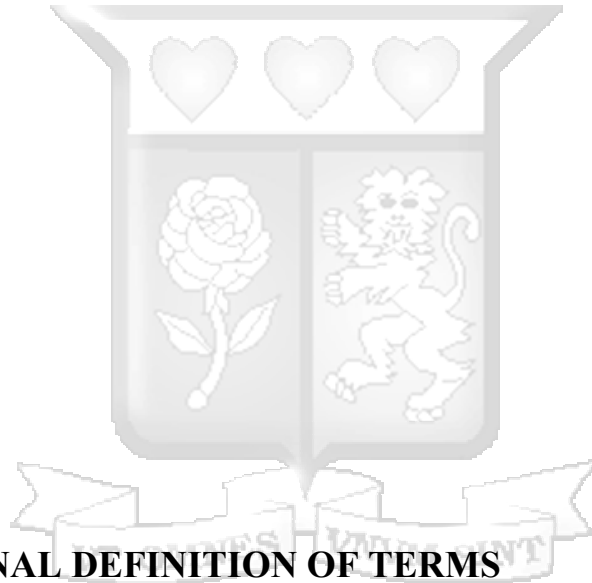
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ABBREVIATIONS

ACK	Anglican Church of Kenya
CBN	Central Bank of Nigeria
GDP:	Gross Domestic Product
HH&M:	Hamilton, Harrison & Mathews
ICEA	Insurance Company of East Africa
M & A:	Mergers and Acquisitions
ROA	Return on assets

ROE	Return on equity
SPSS	Statistical Package for Social Science
US	United States



OPERATIONAL DEFINITION OF TERMS

Acquisition: transaction in which one company takes control over a part or all of the assets of another company either directly or indirectly by controlling management of the company (Hunger, 2003)

Growth: is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another (Stevenson, 2007).

Merger: combination of forces by two or more firms in order to operate as one (Hennart, 1988).

Performance: is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Watts, 2003).

Profitability: the degree to which a business or activity yields profit or financial gain (Gitman, 2015)

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DEDICATION

I specifically dedicate dissertation to the almighty God for seeing me through, to my mother Mary Apunda, husband Joseph and family. Their support both morally and spiritually is invaluable and shall remain indebted always.



CHAPTER ONE:

INTRODUCTION TO THE STUDY

1.0 Introduction

This chapter presents the background to the study, statement of the problem, research objectives, research questions, scope of the study, and significance of the study.

1.1 Background to the Study

Organizations are established to achieve certain key objectives including corporate growth and increased profitability (Nagle and Muller, 2017). However, since business organizations operate in a dynamic environment the two objectives may not be attained due to changes in environment. One of the key strategies that organizations have adopted to enhance growth is merger and acquisition. The dominant rationale used to explain mergers and acquisitions activity is that acquiring firms seek to grow internally and externally (Marks *et al.*, 2010). While main goal of Mergers and Acquisitions is to improve performance, this has always not been the case (Phiri, 2017). Some firms have suffered financial loss due to merger and acquisition.

In Kenya many law firms have turned to mergers and acquisition as key strategy towards growth and profitability (Mugo *et al.*, 2012) Some of the reasons put forward for mergers and acquisition in law firm sector are; to meet the increased levels of share capital, expand distribution network and market share and to benefit from best global practices among others (Abishua, 2010).

HH &M and Oraro law firms are among the most recent to acquire an M& A. The M&A may have contributed positively to the growth of the two law firms. There are several aspects that were considered before merging. This included preparing, fulfilling the government regulations, assessing the economic environment and building of relationships& shared knowledge. However, it is not certain if all these factors contributed to the growth of the two law firms. Thus, in this study sought to see if M& A truly leads to growth through its specific objectives.

1.1.1 Mergers and Acquisitions

A merger is generally referred to as the combination of forces by two or more firms in order to operate as one (Bena and Li, 2014). One or more companies may merge with an existing company to form a new company. The firm that results from the process could take any of the following identities: acquirer's identity or completely new identity (Tripsas, 2009).The merger process might involve stock swap or cash payment to the target. Stock swap allows the shareholders of the two companies to share the risk involved in the deal (Lynch et al, 2016).

Acquisition is a transaction in which one company takes control over a part or all of the assets of another company either directly or indirectly by controlling management of the company (Krug et al, 2014). A firm that seeks to acquire another firm is known as the acquiring company, and the one that it seeks to acquire is known as the target company.

Mergers and acquisition can be classified into four categories horizontal, vertical conglomerate and reverse (Herger and McCorrison, 2014).The classification is dependent

on the nature of the business the two entities are involved in at the time of applying mergers and acquisitions strategy. Horizontal merger is the combination of two corporations in similar lines of business or between two competitors. The main reason behind horizontal mergers is to obtain synergy between two business units. Vertical mergers involve coming together of companies in same line of business but different aspects of production (Herger and McCorriston, 2014).According to Vining and Globerman (2017), conglomerate relates to combination of companies with different or unrelated fields of business. The main purpose for conglomerate is to help reduce capital costs and overheads and achieve efficiency.

Most organizations use mergers and acquisition for the purpose of expanding their operations often aimed at an increase of their long-term profitability(Oduro and Agyei, 2013). In most cases, merger deals occur in a friendly setting where respective companies participate in a due diligence process to ensure a successful combination of all parts. On the other occasions, the acquisition can happen through a hostile takeover by purchasing the majority of outstanding shares of a company in the open market (Oduro and Agyei, 2013). Mergers and acquisition have become popular in recent times because of the enhanced competition, breaking of the trade barriers, free flow of capital across countries and globalization of business as a number of economies are being deregulated and integrated with other economies (Oduro and Agyei, 2013).

In Kenya Mergers and acquisitions activities are governed by the Competition Act (2016) and regulated by Competition Authority of Kenya (Inoti et al, 2014).The main objective is to enhance the welfare of the people of Kenya by promoting and protecting

effective competition in markets. It has primary jurisdiction to regulate market structure and conduct in the Kenya economy with the aim of enhancing customer welfare. The Competition Authority of Kenya is the government's advisor on competition matters through conducting market inquiries and reviewing proposed governments policies, procedures and legislation to assess their effects on competition (Inoti et al, 2014)

1.1.2 Firm's Growth

In business, growth is an imperative, not an option. However, only few companies succeed in achieving sustained growth (Christensen *et al.*, 2013). The growth of a business can be achieved through expanding its existing markets or entering in new markets (Bello, 2014). According to Audretsch et al, (2014), a company can expand/diversify its business internally or externally which can also be known as internal growth or external growth. Internal growth requires that the company increase its operating facilities i.e. marketing, human resources, manufacturing and research. All these requires huge amount of funds and time.

Growth is essential for sustaining the viability, dynamism and value-enhancing capability of a firm (Kyrgidou and Spyropoulou, 2013). A growth-oriented firm is not only able to attract the most talented executives but it would also be able to retain them.

Growth leads to higher profits and increase in shareholders' value. A firm can achieve its growth objective by combining its operations with other firms through mergers and acquisitions (Bena and Li, 2014).

Business growth can also be achieved either by boosting the top line or revenue of the business with greater product sales or service income or by increasing the bottom line or profitability of the operations by minimizing costs. A growing company is any firm whose business generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall company (Dunning, 2013).

The effect of growth can be defined in terms of profitability, industry concentration, sales growth and stock market index. Defined in this way, growth represents a comprehensive summary measure that captures the company's ability to manage the composition, credit quality and pricing of its assets and liabilities as well as the degree of operating and financial leverage (Lam, 2014).

1.2 Statement of the Problem

The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and therefore firms are facing intense competition (Jarillo, 2013). Krishnan and Masulis, (2013) report indicates that profit margins of law firms have been drastically reducing from time to time. In the year 2013 the percentage was 38.8%, 2014 it was 25%, 2015 (21.4%), 2016 (16.8%). This is an indication that there exists a problem which needs to be addressed. To face the challenges and explore the opportunities, firms are going for inorganic growth through various strategic alternatives like mergers and acquisitions (M&A), strategic alliances, joint ventures etc. (Bruner, 2004).

The M&A are arguably the most popular strategy among firms who seek to establish a competitive advantage over their rivals (Brondoni, 2014). According to Illig (2007) corporate organizations facing difficulty have in recent times often opted for expensive reconstruction through mergers and acquisitions as the viable option to liquidation. Vasilaki and O'Regan (2008) noted that in 2006, globally, the total value of acquisitions undertaken reached unprecedented levels, totaling 1,774 billion. In 2004, 30,000 acquisitions were completed globally, equivalent to one transaction every 18 minutes (Cartwright & Schoenberg 2006). The total value of these acquisitions was \$1,900 billion exceeding the GDP of several large countries.

It was viewed that the integration of HH&M and Oraro law firms would bear good fruits of growth and prosperity only the merger and the acquisition to have a short life after Oraro law firm divorced HH & M to become independent law firm. This is an indication the mergers and acquisition may not bear fruits as expected and therefore this study find it fit to establish whether merger, acquisition as a growth strategy influence performance.

Despite the numerous studies on mergers and acquisition, there has been conflicting findings on the effect of merger and acquisition on the growth of companies in Kenya. A study conducted by Farah (2015) in Kenya to examine some market and industry variable as a determinant of merger and acquisition and their impact on the growth of business found out that industry concentration, sales growth, stock market index and GDP growth determines growth of firms through mergers and acquisitions but to a lesser extent. Farah (2015) focused on different industry and therefore this study aims to fill the research gap by establishing whether merger and acquisition is gateway to growth in the context of law

firms in Kenya. The research question that the study seeks to answer is: What is the effect of merger, acquisition as a growth strategy of HH&M and Oraro law firms in Kenya?

1.3 Objectives of the study

1.3.1 Main objective

The general objective of the study was to assess the effect of merger, & acquisition as a growth strategy of HH&M and Oraro law firms.

1.3.2 Specific objectives

The study was guided by the following specific objectives:

- i. To evaluate how preparedness in mergers & acquisition influenced growth of the selected law firms.
- ii. To assess how Government interventions in the process of mergers & acquisition affected growth of the selected law firms.
- iii. To examine the economic influence of mergers & acquisition on growth the selected law firms.
- iv. To investigate effect of shared knowledge & the building of relationship in mergers & acquisition on growth of the selected law firms.

1.4 Research questions

- i. How did preparedness in mergers & acquisition influence growth of selected law firms?
- ii. How did government interference in the process of mergers & acquisition influence growth of the selected law firms?

- iii. What was the impact of economic influence for mergers & acquisition on growth of the selected law firms?
- iv. What was the effect of shared knowledge & the building of relationship involved in mergers & acquisition on growth of the selected law firms?

1.5 Scope of the Study

The geographical scope of this study was in the selected law firms in Nairobi. The study was carried out at the ICEA building in Nairobi County, where HH & M law firm and ACK Gardens where Oraro and Company advocates is situated respectively. Most of the staff of Hamilton, Matthews & Oraro Company Advocates are would be founds at the office premises so as to respond to questionnaires. The selection was limited to the two due to finance and time constrain.

Senior partners and employees of the firm have been selected due to their vast knowledge and acquaintance with the information that precipitated the merger and acquisition of the two legal firms. Due to the selection of one law firm in Nairobi for purposes of the study, the study findings cannot be generalized to the entire legal fraternity and Kenyan population. The study was conducted between the months of

December 2015 and May 2016.

1.6 Significance of the Study

i. Policymakers

Policy makers will benefit from the findings of this study. During formulation of policy for organizations, they will consider employing due diligence in adopting mergers and acquisition. Policy architects in the Office of the Attorney General and State Law may

find the findings of the study necessary to design appropriate policies and standard guidelines for intervention and guidance of firms during mergers and acquisitions.

ii. Management of law firms.

Management of law firms will benefit from the findings of this study by adopting findings which will help decide on whether or not mergers and acquisition as means of enhancing their growth.

iii. Academicians

Future researchers and academic institutions, especially those of higher learning can use the findings of this research as a source for future reference. MBA students or other scholars interested in M&A will also benefit from the study.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature and discusses market power theory, economic production theory, market imperfection theory and synergy theory. Empirical review was carried out on the preparedness in mergers and acquisition, specific interventions necessary for mergers & acquisition, economic influence of mergers & acquisition and building of relationship involved in mergers & acquisition and the conceptual framework.

The chapter also presented the critique of the literature reviewed and the knowledge gaps that exist.

2.2 Theoretical foundations of the study

This section discusses theories on mergers and acquisition. It examines various schools of thought of different scholars and how they view mergers and acquisitions. The four key arguments about value relevance of mergers and acquisitions are; market power theory, economic production theory and synergy theory

2.2.1 Market Power Theory

Market power theory is the main theory of the study. Market power refer to the ability of consumers to influence market price, quality of goods and services and the kind of products in the market (Kubick et al, 2014). Mergers and acquisition is important only if it increases firm's market power to influence the prices in the market as well as quality of goods and services (Cartwright and Cooper, 2014)

There are various types of mergers and they bear different perception for instance horizontal can be of benefit to the firm but disadvantage to the customers since they push price upward hence affecting the purchasing power of consumers. Mergers and acquisition may not be of benefit if proper preparation and preparedness is not considered (Cartwright and Cooper, 2014). For instance, instead of management to carry out business in interest of managers they may end up maximizing their incomes, carry out non-profitable businesses or projects. The relevance of this theory to the study is that it is providing a strategy to the firms of attaining market power on situation of market imperfection. It

relates to the general objective of assessing whether M&A contribute to growth of law firms.

2.2.2 Synergy Theory

Synergy brings forward the concept that "1+1=3". This means there is great advantage over firms merging in that it helps to achieve great gains only if merger is efficient and leads to better performance (Garzella and Fiorentino, 2014). This is because they exchange technical know-how, combine their market share, increase capital base among others.

A firm performing better without merger joins effort with another firm performing better they end up being the best. There are basically three forms of mergers mainly operational mergers that involves improving revenue generation as well as cost reduction, the other one is the financial merger aimed at reducing cost of capital of the two firms(Garzella and Fiorentino, 2014).Finally, the last synergy is the managerial synergy which is achieved through better decision making due to integration of the two firms hence creating value and a competitive edge. This theory is relevant to our study in that it guides participants to consider the type of synergy they want and benefits to be derived (Lubatkin, 2013).In this study the two law firms when they formed an M&A became a synergy. It seeks to see if acquiring an M& A would lead to growth as a result of economic influence, building relationships and sharing knowledge.

2.2.3 Economic Production Theory

The rationale behind this theory is that firm merge in order to achieve economic benefits like increased market share, high revenue growth rate and profitability(Becker, 2017).

This theory suggests that merged firms can achieve higher economic benefit than firms operating alone. This theory works on the basis of cost function expressed as "profit = revenue - cost".

According to this theory mergers help in minimizing cost of the organization since the size of the firm becomes big enough to acquire goods on economic of scale. Merger increase efficiency hence increasing revenue of the firm hence maximizing on profit. Revenue rises simply because firm doesn't spend much time and resources searching for customers since they have increased market share through merging (Becker, 2017). This relates to the four specific objectives to see if M&A acquisition of the two law firms led to growth as was shown by increased market share, profitability and high revenue rate.

2.3 Empirical Review

This following section is a review of past studies done on the subject of mergers and acquisition on growth.

2.3.1 Preparedness in mergers & acquisition

Mergers always realize a combination between two or more companies by crossing their stocks, and thus concentrating on all the components of the companies involved in the operation of only one company. Nevertheless, as (Gomes et al, 2013) posit, most M&A deals fail to achieve the aimed synergies due to post-merger integration which covers various enterprise wide integration efforts. Major concerns of such post-merger integration efforts are in the post-merger integration planning which should prepare the involved enterprises for the post-merger integration.

Gomes et al, (2013) have postulated the merger-process decomposition where they decompose the merger-process into three phases: pre-merger phase that involve strategic planning, merger-day that calls for closing the deal and post-merger phase where postmerger integration occurs. This study focuses on the pre-merger phase to better prepare for the post-merger incorporation by examining the processes and intrigues that support the preparation of M&A and incorporation to enable risk reduction, cost and time.

(Trautwein, 2013) emphasizes on certain considerations to be made when preparing for M&A. These include management concerns such as the motive for merger, expectations and planning, having coherent integration strategy, involvement of information technology and systems in M&A planning and management of organizational

integration. Another consideration to be made falls in the line of Information systems that delve into the systems attributes, management of systems integration and interrogating the vision for the ICT as well as integrating the enterprise systems, level of data sharing, and technical compatibility. The last consideration for the preparation for the M&A involves the personnel issues that include the need for a stronger team for integration, apt leadership, individual attributes, structured channels that call for topdown communication of vision, strategies and planning for the M&A, as well as the psychosocial aspects of the employees such as remuneration benefits, retention among others, supporting programs such as advanced notification, extended benefits and outplacement activities.

Inoti et al, (2014) study focused on perceived effects of mergers and acquisitions on employee productivity in commercial banks in Kenya. The study looked and analyzed as

study objective, the type of mergers and acquisitions that the banks have adopted to achieve competitive advantage over its rivals. The study found out that a higher percentage of banks were either in acquisition then horizontal mergers and vertical mergers and most respondents had worked in the bank at the time of mergers or acquisitions. The study found that this is usually as stress and tension times for the employees for the both bank which leads to staff turnover, absenteeism due to the uncertainty. The study made the conclusion that before mergers or acquisitions management needs to have equal treatment to all staff. It should not create any sense of job insecurity so communication with regard to such a venture needs to be communicated at all times so that staff feels they are part of the team.

Onikoyi et al, (2014 research used descriptive design and relied on qualitative data. The research found that there is long run impact of merger and acquisition on economic growth in Nigeria. The study also recommends that Policy makers should implement a law or statute that will protect the rights and interest of the employees during and after any event of mergers and acquisitions.

A study by Onikoyi et al, (2014) on the effects of mergers and acquisitions on the performance of commercial banks in Nigeria covered the period of 2000-2010, the work evaluated the performance of the bank before and after mergers and acquisitions, the using pair sample t-test. The results showed that mergers and acquisitions had positive, significant effects on the performance of commercial banks in Nigeria. Based on the findings, the study recommended among others, that the Central Bank of Nigeria (CBN) should set and enforce capital adequacy standards for commercial banks.

2.3.2 Government intervention in the process of mergers & acquisition

Acquiring an organization or merging two different companies is a long and complex task, which introduces many obstacles and issues on different stages of the process from the initial negotiations to the actual integration (Moschieri&Campa, 2014).

Obstacles arise during all the stages of merger and acquisitions process. Howson, (2017) posit that there are many reasons that might lead to M&A failure during the pre-merger stage. This is based on the many intended deals that remain hidden and unknown for the public, especially during the early negotiations (Ireland, *et al.*, 2006). According to Marks and Vansteenkiste (2010) regulatory, legal and tax risks or issues can hinder the deal from taking place, especially in the more complex cross-border M&As. Environmental roadblocks can be present or simply the companies managerial team might be lacking the necessary qualities that were previously expected. Another premise for rejection of M & A is that the corporate cultures in each of the companies are very different and the integration will be very difficult or that the cultures are simply incompatible.

Another important aspect that can lead to failure of the M&A deal at the pre-merger stage is the governmental approval (Trautwein, 2013). Even if the formal regulations are followed when designing the deal, it is still possible for the government to intervene by not giving an approval for the transaction. IFLR (2015) states that all depend on the overall effects and consequences that the deal might have, relating to the size of the combining companies. If the responsible institutions, represented by the government, decide that the M&A deal is against the public interests or raises antitrust consideration, they can refuse to give their approval and therefore the transaction could not proceed.

Similarly, the reasons for failure during the post-deal stage have intrigued scholar such as Trautwein, (2013) who established that most of the reasons for failure are the ones that occur during the integration stage. Moreover, Farah, (2015) assert that they are easier to analyze and gather information for, than the ones that occur on the pre-deal stage. As such, most reasons leading to failure at the post-deal stage have their roots that can be traced back to the pre-deal stage. That is because the full investigation, negotiations and planning that take place before the transaction is closed, should be directed at taking care of the issues that can arise on the post-M&A phase (Galpin and Herndon, 2014).

In a case of a merger, just as (Weber and Tarba, 2013) assert, two consenting firms agree to combine their operations on a relatively equal basis and combining of the original socio-technical systems of the merging organizations. Nevertheless, M & A often create winners and losers at both the organizational and personal levels. This is premised on the fact that one culture unseats the other, as an employee outweigh another in terms of skills and expertise. Studies by Hickman et al, (2018) and Nahavandi et al,(2013) show that cultural complexity is a clear factor at the forefront of the minds of the managers in different corporate organizations, because it comes in so many diverse forms. Hickman et al, (2018) established that national cultural differences between an acquirer and target are normally viewed as detrimental to effective collaboration and integration.

A study by Omondi (2016) on effect of merger and acquisition strategy on competitive advantage of ICEA and Lion Group, Kenya adopted the casual research design framework and data was collected through both primary and secondary data collection methods. The study found that mergers have a statistically significant effect on fundamental value of the merged or acquired entity hence competitive advantage.

Farah (2015) adopted a descriptive study design using event study model to analyze the relationship existing between the accounting ratios (ROA and ROE) as measures of financial performance. The study found that that merger and acquisition events results into either increase or decrease in the financial performance. Similarly Lubatkin's(2013) study on merger and acquisition as a growth strategy in business organization showed that merger and acquisition is an effective and efficient growth strategy in business organization.

Using a survey of companies incorporated in Nigeria under the Companies and Allied Matters Act [1990], Akinbuli and Kelilume, (2013)supported the idea that mergers and acquisitions are not a prima facie solution to the problem of financial distress in corporate organizations.

The government is concerned with the protection of customers from exploitation, and for this reason, it has come up with the antitrust law that ensures there is fair competition (Sullivan et al, 2015). This law is responsible for ensuring that monopolies are not formed in any acquisitions. The government tries to eliminate the possibility of monopolies since it knows some of the limitations of monopolies like exaggerating prices to increase their profit margins (Sullivan et al, 2015). In cases where substitute firms

exist the government allows mergers to occur and looks for ways to support the substitute producing firms to ensure that there is stiff competition thus consumers' protection.

2.3.3 Economic influence of mergers & acquisition

According to Sarala et al, (2016) mergers and acquisitions take place for many strategic business reasons, but the most common reasons for any business combination are economic at their core. Benefits such as increased capabilities that come from expanded research and development opportunities or more robust manufacturing operations or any range of core competencies a firm wants to increase. Similarly, businesses may want to combine to leverage costly production operations as was the case in the acquisition of Nokia by Microsoft. Capability may not just be a particular department; the capability may come from acquiring a unique technology platform rather than trying to build it.

Companies may decide to merge in order to gain a better distribution or marketing network (Powell, 2003). A firm may want to expand to different markets where a similar company is already operating, rather than start from scratch; the firm may just merge with the other company. This distribution or marketing network gives both companies a wider customer base practically overnight. An example of such acquisition was Japanbased Takeda Pharmaceutical Company's purchase of Nycomed, a Switzerland-based pharmaceutical company, in a deal valued at over US\$ 13 billion in order to speed market growth in Europe (Trautwein, 2013). In Kenya most mergers occur in the Banking and Insurance sectors rather than in the legal fraternity and other economic sectors.

Gathecha's study which used a descriptive research design (2013) concluded that there is a positive announcement effect on shares traded as a result of mergers and acquisitions. Mailanyi, (2014), who used a causal research design, concluded that majority of the companies under study were established through mergers rather than acquisition. The study further found that there is a significant relationship between pre and post-merger financial performance of oils companies. Farah, (2015) used a descriptive research design where banks' performance was analyzed before and after the merger to determine whether there was any effect on the financial performance. The study found out that there was improvement in financial performance after banks merger.

2.3.4 Building of Relationship and Shared knowledge

Knowledge transfer can thus be argued to be important in any types of acquisitions that aim to create synergies (Wheelen et al, 2017) Hence it is perhaps not surprising that acquisitions are commonly justified by gaining access to or creating new knowledge because they provide an opportunity for learning. Transferring knowledge across borders shows that mergers and acquisitions involve more knowledge transfer than expected. Trautwein, (2013) found that companies were more likely to acquire a business when their aim was to acquire or transfer knowledge that was closely related to their core business.

Various factors have been found to influence the efficiency of knowledge transfers including characteristics of the knowledge that is transferred, organizational characteristics, post-acquisition integration mechanisms that support knowledge transfer

and finally individuals' willingness to share and make use of knowledge (Marks & Vansteenkiste, 2010). The type of knowledge that is transferred distinguishes between explicit and tacit knowledge, although a number of other classifications have been created. Robertson (2006) averred that explicit knowledge can be described as knowledge in its most simple form, which is easy to codify and to teach while tacit knowledge, which lies on the other end of the spectrum, is more difficult to transfer because it is highly embedded in the context in which it has been shaped, and can for example be found in the routines and procedures of an organization. A resource based perspective it can be argued that it is socially embedded knowledge, which is highly tacit, rare and difficult to imitate. It is against this premise that this study seeks to establish how HHM Oraro firm built shared knowledge.

Mailanyi (2013) who focused on the effect of merger and acquisition on the financial performance of oil companies in Kenya concluded that there is decrease of financial performance of oil companies in Kenya following a merger or acquisition process. A regression analysis was conducted to establish the relationship between financial performance and the independent variables that is the liquidity, solvency, debt to equity ratio, profitability and efficiency of the merged/acquired oil companies in Kenya. Another study by Lubatkin (2013) utilized a regression model to predict the relationship between M&A and firm growth. The findings revealed that there is a significant positive relationship between Return on Assets and firm growth. Also, Joash and Njangiru's (2015) study on the effect of mergers and acquisitions on financial performance of banks found out that the mergers and acquisitions raised the shareholders' value of the

merged/acquiring banks in Kenya. The study further revealed that the main reason why most banks merged or acquired was to raise their profitability.

2.4 Summary of Literature Review and Research Gaps

Based on the review of the literature, proper preparation of mergers and acquisition enhances growth of law firms. Most researchers such as Mailanyi (2013) concentrated on effects of mergers and acquisition on financial performance, and most researchers have different opinions and findings on mergers. It was therefore evident that the studies determining the relationship between mergers and acquisition and the growth of law firms in Kenya remained elusive.

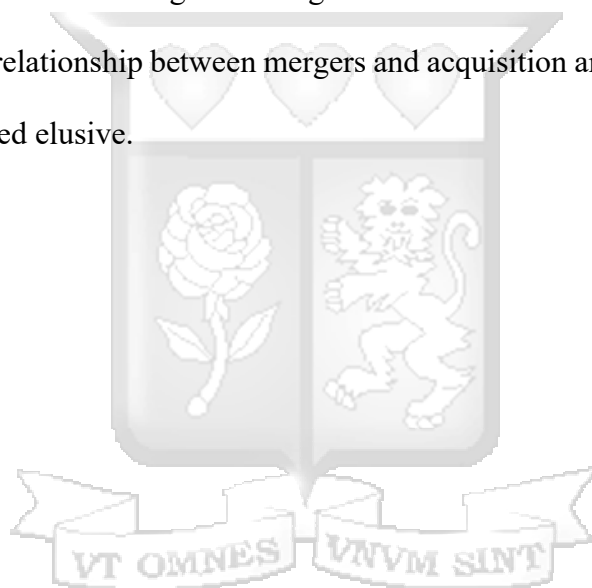


Table 1: Summary of Empirical Literature Review

<p>Onikoyi et al, (2014)</p>	<p>Impact of Merger and Acquisition on the Growth of Nigerian Banking Industry. The research used descriptive design and relied on qualitative data.</p>	<p>The research found that there is long run impact of merger and acquisition on economic growth in Nigeria.</p>	<p>The research was done in different location.</p>	<p>Current study focuses on the law firms in Kenya.</p>
<p>Anderibom and Obute (2015)</p>	<p>The effects of mergers and acquisitions on the performance of commercial banks in Nigeria.</p>	<p>The results showed that mergers and acquisitions had positive, significant effects on the performance of commercial banks in Nigeria.</p>	<p>The research was done in different location. Different variable were used.</p>	<p>This study will focus on mergers and acquisition on growthlaw firms in Kenya.</p>
<p>Joash, & Njangiru (2015)</p>	<p>Perceived effects of mergers and acquisitions on</p>	<p>The study found out that a higher percentage of</p>	<p>The population used was</p>	<p>The central focus of this study is on</p>

	employee productivity in commercial banks in Kenya	banks were either in acquisition then horizontal mergers and vertical mergers and most respondents had worked in the bank at the time of mergers or acquisitions	different from the current population.	effect of mergers and acquisition on growth law firms in Kenya.
Wanjiku (2017)	Effects of mergers and acquisitions on growth of insurance firms in Kenya.	The findings showed that the variable with highest significance on growth of Insurance firms is profitability.	The study used different variables.	The current study focuses on the preparedness in merging and acquisition.
Omondi (2016)	Effect of merger and acquisition strategy on competitive	The study found that mergers have a statistically significant effect	The study used different variables. The study	The current study focuses on law firms unlike

	<p>advantage of ICEA and Lion group, Kenya.</p>	<p>on fundamental value of the merged or acquired entity hence competitive advantage.</p>	<p>used different population.</p>	<p>insurance firms.</p>
<p>Farah (2015)</p>	<p>Effect of mergers and acquisitions on the financial performance of commercial banks in Kenya.</p>	<p>The study found that that merger and acquisition events results into either increase or decrease in the financial performance.</p>	<p>The study used different variables.</p>	<p>The current study focuses on preparedness, economic benefit among other variables.</p>

Lubatkin (2013)	Merger and acquisition as a growth strategy in business organization.	The finding of the study shows that merger and acquisition is an effective and efficient growth strategy in business	The study used different research design.	The current study will use descriptive research design.
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		organization.		
Akinbuli and Kelilume, (2013)	The effects of mergers and acquisition on corporate growth and profitability.	The results support the idea that mergers and acquisitions are not a prima facie solution to the problem of financial distress in corporate organizations.	The research was done in different location.	Current study focuses on the law firms in Kenya.

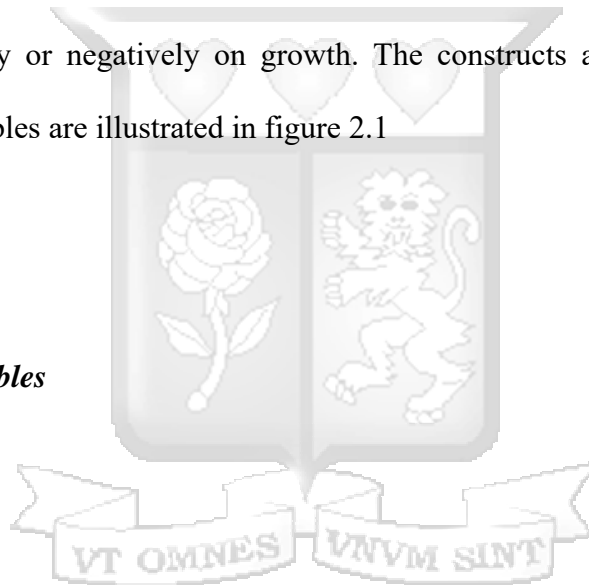
Gathecha (2013)	The information content of mergers and acquisition announcement for listed companies at Nairobi securities exchange.	The study concludes that there is a positive announcement effect on shares traded as a result of mergers and acquisitions.	The research was aimed at effect of announcement of mergers and acquisition.	The current study focuses on effect of mergers on growth.
Mailanyi, (2014)	Effects of mergers and acquisitions on financial performance of oil	The study found that there is a significant relationship	The research was done on different industry.	The current study is focuses on law firms.
	companies in Kenya.	between pre and post-merger financial performance of oils companies		

Source: Researcher(2018)

2.5 Conceptual Framework

Conceptual framework analysis offers a procedure of theorization for building conceptual frameworks based on grounded theory method. The above literature review led to the following conceptual model showing the relationship between the independent variables of preparedness in mergers & acquisition, specific interventions necessary for mergers & acquisition, economic influence of mergers & acquisition, building of relationship and shared knowledge and the dependent variable is growth. The intervening variables are factors such as government policies, political influence and level of inflation which can impact positively or negatively on growth. The constructs and relationships between researches variables are illustrated in figure 2.1

Independent variables



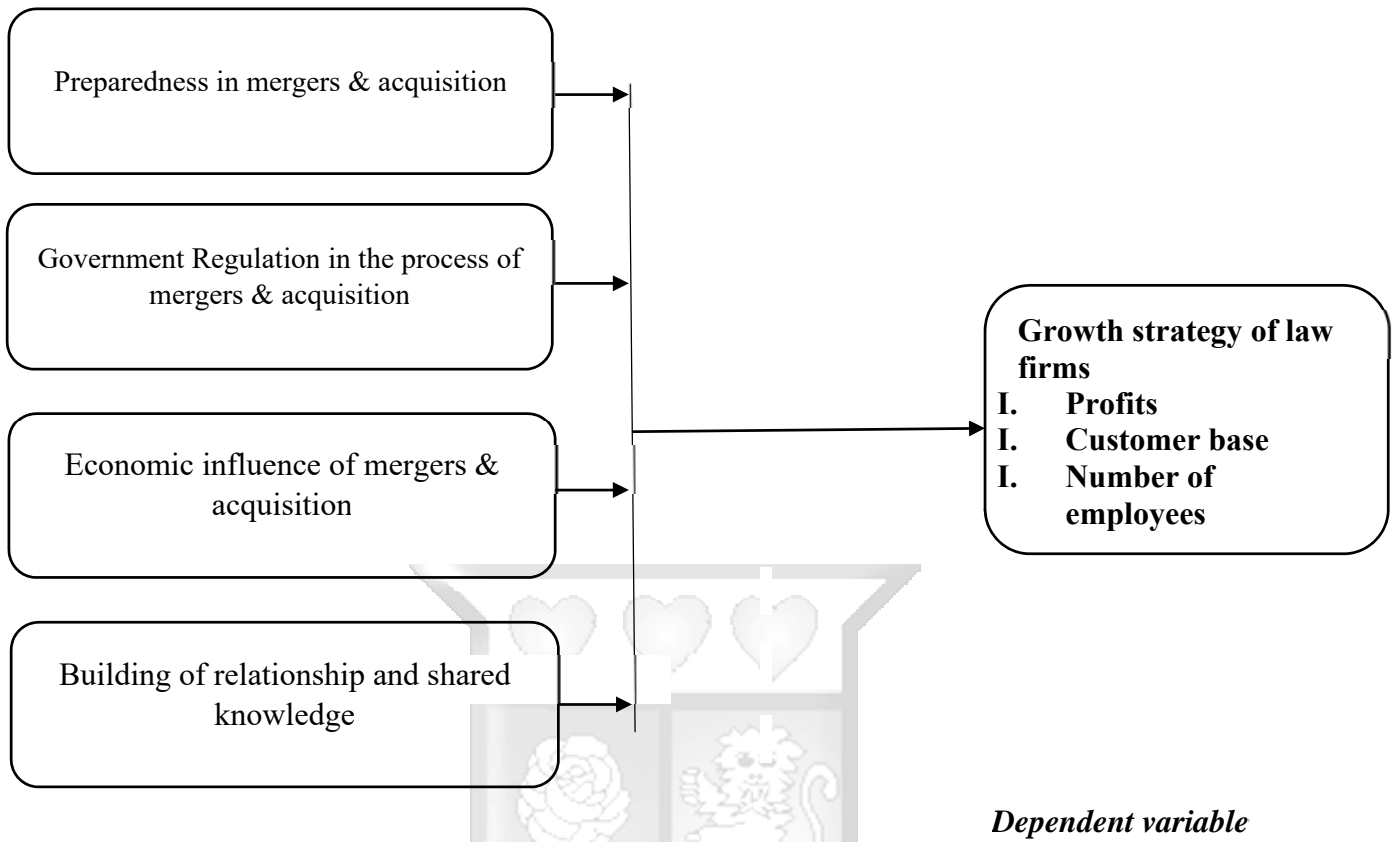


Figure 2.1: Conceptual Framework

Source: Researcher (2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research design and methodology that was used to carry out the research. It presented the target population, sample design, data collection and data analysis.

3.2 Research Design

A research design is a framework for conducting the business research project. It details the procedures necessary for obtaining the information needed to structure or solve business research problems. The study used descriptive research design. Nassaji, (2015) argues that descriptive research studies are designed to obtain information concerning the current situation and other phenomena and wherever possible to draw valid conclusion from the facts discussed. This design was suitable for this study since through data collection and analysis it drew conclusions based on the findings.

3.3 Population and Sampling

3.3.1 Target population

The target population refers to real or hypothetical set of people, events, or objects to which a researcher wishes to generalize the results of the research (Fowler, 2013). The study targeted 700 respondents including partners, associates, paralegals and subordinate staff HHM Oraro in this M&A in Nairobi County.

Table 2: Target population

Category	Number	Proportion
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Partners	80	11.43%
Associates	120	17.14%
Paralegals	320	45.71%
subordinate staff	180	25.71%
Total	700	100%

Source: Research (2018)

3.3.2 Sampling design and study sample

Sampling design is the process of selection of appropriate number of subjects from a defined population (Fowler, 2013). The study employed stratified random sampling technique to select seventy (70) respondents that include partners, associates, paralegals, and subordinate staff in the law firm. This constitutes 10% of the target population.

If the target population is large (700), then this study will use 10% of the population, is appropriate as a sample (Fowler, 2013)A stratified sample is a sampling technique in which target population is divided into different subgroups, and then randomly selects the final sample proportionally from the different strata. In this study, population was heterogeneous because firm's employees belong to different departments. Heterogeneous population was divided into homogeneous subgroup, by dividing the departments into different strata and randomly select the sample of 70 respondents. In this study, population was heterogeneous because firm's employees belong to different levels or departments.

Table 3: Sample Population

Category	Population size	Sample size (10%)
Partners	80	8
Associates	120	12
Paralegals	320	32
subordinate staff	180	18
Total	700	70

Source: Research, 2016

3.4 Data collection techniques

The study used primary data to investigate how mergers, acquisition as a strategy for growth. In this study questionnaire were used as our preliminary technique for data collection that was to provide primary data. The respondents' perceptions on the study variables were obtained from a self-administrated questionnaire conducted with staff involved in the budgeting process. The 70 self-administered questionnaires were either electronically or hand delivered. The questionnaire includes a combination of openended questions and closed-ended questions.

3.5 Pilot study

A pilot study was undertaken. A pilot test or study is undertaken in order to detect any weaknesses in the structure and system in order to enhance proxy data for selection of a probability sample. This were conducted to assist to identify problems that the researcher may encounter in the process and also ensure the questions put across are clear to respondents and ensure validity and reliability of the instrument.

3.5.1 Data validity

Ott and Longnecker, (2015) argued out that validity is the evaluation of the extent to which a research instrument gives out consistent outcome or feedback repeatedly. Pilot study was undertaken on 10(ten) respondents picked randomly from which 10 (ten) questionnaires were issued. Twos (2) mailings were issued repeatedly during pilot study in order to improve the response rate of the respondents before issuing the actual instrument to allow pre-testing of the research instrument. Cronbach's alpha for each value was established using SPSS software and measured against each other at a cut off value of 0.7 which is widely accepted as the basis. According to table 4.5 all the values were above 0.7 which confirms that the data collection instrument was reliable.

Table 4: Reliability test

Variable	Cronbach's alpha
preparedness in mergers & acquisition	.7985
government intervening in the process of mergers & acquisition	.8279
economic influence of mergers & acquisition	.7689
building of relationship and shared knowledge	.8167

Source: Researcher (2018)

3.5.2 Reliability

The concept of reliability is used in research to confirm whether the various tools used for assessment gives out very consistent results. To ensure that this research is reliable SPSS were used to test Cronbach's alpha which is a correlation coefficient. Bonett and Wright, (2015) confirms that if alpha value is greater than 0.7 therefore we conclude that the questionnaire is reliable.

3.6 Data Analysis and Presentation

Ott and Longnecker, (2015) argued that data analysis as the process for bringing out the order, the structure and the meaning to the huge data gathered. The Collected data were edited, classified, coded and analyzed. This were done using descriptive and inferential statistics which included the mean, frequency, percentages , standard deviation and multiple linear regression model. Data were analyzed using statistical package for social science (SPSS).

3.6.1 The model specifically for the study

Multiple regression analysis model was used to bring out the relationship between independent variables and the dependent variable (growth). To establish the relationship between the independent variables (preparedness in mergers & acquisition, specific interventions necessary for mergers & acquisition, economic influence of mergers & acquisition and effect of the building of relationship and shared knowledge involved in mergers & acquisition and the dependent variable of the study. The regression analysis further showed how much of growth is explained by the independent variables. The ANOVA showed if the model is fit for the study. From the coefficients of determination

the statistically significant variables and thus make an inference. The regression equation was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ell$$

Where Y= Growth strategy. β_0

= regression intercept;

$\beta_1, \beta_2, \beta_3$ & β_4 = Coefficients of the model

β_1 = preparedness in mergers & acquisition

β_2 = Government interventions necessary for mergers & acquisition

β_3 = economic influence of mergers & acquisition

β_4 = effect of the building of relationship and shared knowledge involved in mergers & acquisition.

ℓ = Random error

3.7 Ethical Issues in Research

The researcher is pursuing a Master's degree at Strathmore University. The study was purely an academic research for the same at Strathmore School of Business. Participation in this study was voluntary. The research participants had the right to withdraw from the study at any time without victimization.

The researcher assured the respondents that the information given is only to be used for the research purpose and treated with utmost confidentiality. The researcher also asked the respondents not to include their names on the questionnaires to ensure anonymity of their respondents.

The researcher informed the participants about the purpose of the study. The researcher also gave them an opportunity to ask questions related to the study and also request them to sign the consent form indicating that they are willing to take part in the study. Participation is voluntary

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data. This chapter presents the findings of the study as analysis and discussion in every finding. The data concerning the general information from the respondents is first presented. The rest of the chapter is presented in order of the specific research objectives. The researcher issued out seventy (70) questionnaire. All the 70 questionnaires issued were returned fully filled representing 100% response rate. (Fowler, 2013) recommended at least a response rate of 60%. Therefore, the response rate was adequate. The 100% response rate was attribute by follow-ups done by the researcher through telephone calls and frequent mailings issued repeatedly.

4.2 Demographic Characteristics of the Respondents.

This section analyses the background information of the respondents from the law firms with respect to gender, job position and their working experience.

4.2.1 Gender

The respondents were required to indicate their gender either male or female. Among the seventy (70) respondents 34 were men representing 48.9% of the entire population while only 36 out of 70 were females representing 51.1%.

4.2.2 Level of education

The respondents were required to indicate their level of education from which they were required to choose whether they had attained PHD, master's degree, undergraduate degree and diploma or certificate level of education. 57.1% of respondents had only acquired undergraduate degree with only 25.7% having acquired a Master's degree. 11.4% had acquired diploma and certificates while 5.7 % had acquired PHD. This indicates that majority of the respondents had acquired degree and above.

4.3.3 Pre-merger and acquisition company destination

The respondents were required to indicate their destination initially they were working before merger and acquisition took place. 57% of respondents were initially working at Oraro and Company Advocates while 43% were working at HHM.

4.3.4 Experience

The respondents were required to indicate their level of experience they had acquired from the list ranging from 0-5 years, 6-10years and 11 years and above. Majority of the respondents represented by 42.9% had experience ranging between 6- 10 years of experience in work while 40% had more than 11 years of working experience with only 17.1% had experience ranging between 0-5 years. This indicates that majority of respondents had the requisite experience in work and therefore could express valuable opinion.

4.3.5 Current position in the firm

The respondents were required to indicate the position they held after the merger took place. The findings indicate that out of the seventy respondents targeted, eight (8) of them were partners, twelve (12) were associate, eighteen (32) were paralegal and thirty two (18) were subordinate staff.

Table 5: Demographic Characteristics.

		Frequency	Percent
Gender	Male	34	48.9
	Female	36	51.1
	Total	70	100.0
		Frequency	Percent
Level of	PHD	4	5.7

Education	Master's Degree	18	25.7
	University Degree	40	57.1
	Diploma/Certificate	8	11.4
	Total	70	100
		Frequency	Percent
Law firm previously worked for.	HHM	30	43
	Oraro and Company	40	57
	Advocates.		
	Total	70	100
		Frequency	Percent
Experience	0-5years	12	17.1
	6-10years	30	42.9
	>11	28	40
	Total	70	100
		Frequency	Percent
Current Position	Partner	8	11.4
	Associate	12	17.1
	Paralegal	32	45.7
	Subordinate	18	25.7
	Total	70	100

4.4 Preparedness in mergers & acquisition and growth

The respondents were asked their opinion on the level of agreement or disagreement on how fully signed an appropriate Non-Disclosure Agreement (“NDA”) before merging led to growth, how hiring an investment banker before integration led to growth, how compatibility test on the two business before merging led to profitability and how proper planning before merging and acquisition led to increased customer base. A measure on five (5) LikertScale. The range was strongly disagree (1) and strongly agree (5).The findings indicate that fully signed an appropriate Non-Disclosure in mergers and acquisition and growth scored a mean of 4 for an agreement and a standard deviation of 1.2155 indicating of minimal variation from the mean.

This indicates that fully signed Non-Disclosure Agreement (“NDA”) before merging is important and it leads to growth of business. This confirms that failure to have NDA signed may impair successful mergers and acquisition leading to redundant growth. The findings indicate that the respondents were uncertain if hiring an investment banker before integration is what led to growth at a mean of 3.0 and a standard deviation of 1.23107. Compatibility test on the two businesses before merging as what led to profitability scored a mean of 3.5 for a neutral and a standard deviation of 1.23619 indicating a minimal variation from the mean. Proper planning before merging and acquisition as what lead to increased customer base scored a mean of 3.0 for neutral and a standard deviation of 1.40241. This confirms that the respondents were undecided on compatibility test must be undertaken in order to ensure successful merging and acquisition for growth.

Table 6: Preparedness in mergers & acquisition and growth

	Mean	Standard deviation
Fully signed an appropriate Non-Disclosure Agreement (“NDA”) before merging is what led to growth.	4.0	1.2155
Hiring an investment banker before integration is what lead to growth.	3.0	1.23107
Compatibility test on the two business before merging is what lead to profitability.	3.5	1.23619
Proper planning before merging and acquisition is what lead to increased customer base.	3.0	1.40241
Source: Researcher(2018)		

4.5 Government interference & acquisition and mergers & acquisition The respondents were asked their opinion on the level of agreement or disagreement on responsible institutions represented by the government fail to give the approval of integration, regulatory, legal and tax risks or issues has hindered the integration from taking place, companies’ managerial team might be lacking the necessary qualities that were previously expected and environmental roadblocks can be present during merging

and acquisition. A measure on five (5) Likert Scale. The range was strongly disagree (1) and strongly agree (5).

The findings indicate that responsible institutions represented by the government fail to give the approval of integration scored a mean of 3.0 for a neutral and a standard deviation of 1.25282 indicating of minimal variation from the mean. This indicates that a group of respondents agreed while others did not that responsible institutions represented by the government failing to give the approval of integration hinders growth of business. The findings indicate regulatory, legal and tax risks or issues has hindered the integration from taking place scored a mean of 4.0 for agreement and a standard deviation of 1.23107.

The study reveals that most of respondents agreed that regulatory, legal and tax risks or issues hinders the integration of firms. Companies' managerial team might be lacking the necessary qualities that were previously expected scored a mean of 3.0 for neutral and a standard deviation of 1.23107. Environmental roadblocks can be present during merging and acquisition scored a mean of 3.5 for a neutral and a standard deviation of 1.23619. This confirms that the respondents did not all agree that environmental roadblocks is major hindrance to successful mergers and acquisition.

Table 7: Government interference

	Mean	Standard deviation

Responsible institutions represented by the government fail to give the approval of integration.	3.0	1.25282
Regulatory, legal and tax risks or issues has hindered the integration from taking place	4.0	1.15873
Companies' managerial team might be lacking the necessary qualities that were previously expected.	3.0	1.23107
Environmental roadblocks can be present during merging and acquisition.	3.5	1.23619

Source: Researcher(2018)

4.6 Economic influence and mergers & acquisition

The respondents were asked their opinion on the monetary policy affect the successful mergers and acquisition, international transaction has influence on growth of firms after mergers and acquisition, expectations and speculations determine success of mergers and fiscal policy in place have an impact on mergers and acquisition. A measure on five (5) Likert Scale. The range was strongly disagree (1) and strongly agree (5).The findings indicate that monetary policy affect the successful mergers and acquisition scored a mean of 2.0 for disagreement and a standard deviation of 1.13490 indicating of minimal variation from the mean.

The findings indicate international transaction has influence on growth of firms after mergers and acquisition scored a mean of 2.0 for disagreement and a standard deviation of 1.05697. Expectations and speculations determine success of mergers and acquisition scored a mean of 4.1 for agreement and a standard deviation of 1.01183. Fiscal policy in place have an impact on mergers and acquisition scored a mean of 2.0 for disagreement and a standard deviation of 1.13490.

Table 8: Economic influence and mergers & acquisition

	Mean	Standard deviation
Monetary policy affect the successful mergers and acquisition.	2.0	1.13490
International transaction has influence on growth of firms after mergers and acquisition.	2.0	1.05697
Expectations and speculations determine success of mergers and acquisition.	4.0	1.01183
Fiscal policy in place have an impact on mergers and acquisition.	2.0	1.13490

Source: Researcher(2018)

4.7 Building of Relationship and Shared knowledge

The respondents were asked their opinion on the post-acquisition integration mechanisms support knowledge transfer, proper training and orientation is conducted to all employees and proper communication of operational rules and new working procedures is done. A measure on five (5) Likert Scale. The range was strongly disagree (1) and strongly agree (5).

The findings indicate that post-acquisition integration mechanisms support knowledge transfer scored a mean of 3.0 for neutral and a standard deviation of 1.19384 indicating of minimal variation from the mean. The findings indicate proper training and orientation is conducted to all employees scored a mean of 2.5 for a disagreement and a standard deviation of 1.40127. Proper communication of operational rules and new working procedures is done scored a mean of 2.4 for disagreement and a standard deviation of 1.48707.

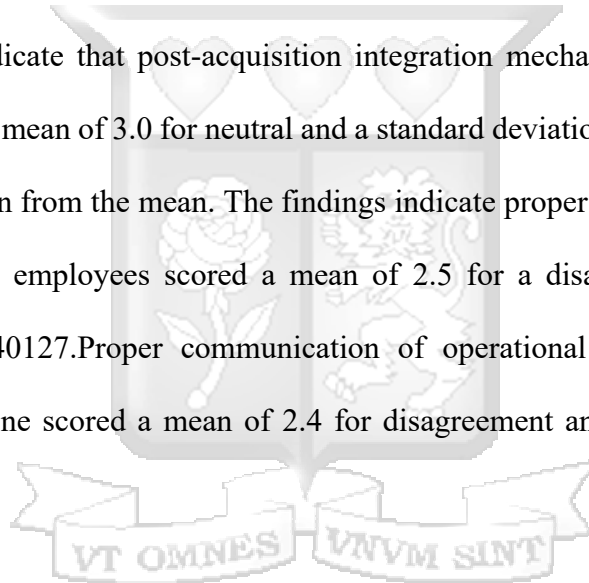


Table 9: Building of Relationship and Shared knowledge

	Mean	Standard deviation
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Post-acquisition integration mechanisms support knowledge transfer.	3.0	1.19384
Proper training and orientation is conducted to all employees.	2.5	1.40127
Proper communication of operational rules and new working procedures is done.	2.4	1.48707

Source: Research (2016)

4.8 Regression analysis

The researcher conducted a linear multiple regression analysis in order to test how preparedness in mergers & acquisition influence growth, how government intervention in the process of mergers & acquisition affect growth, how economic influence of mergers & acquisition influence growth and how building of relationship and shared knowledge affect growth. SPSS was used to code and compute measurement of multiple regression for the study.

Table 10: Model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475 ^a	.225	.178	.62307

a. Predictors: (Constant), Building of relationship and shared knowledge, Economic influence, Preparedness, Government intervention

Source: Research (2016)

The adjusted R^2 is the coefficient of determination. This value explains how growth varied with preparedness in mergers & acquisition, government intervention in the process of mergers & acquisition, economic influence of mergers & acquisition, building of relationship and shared knowledge. The four independent variables that were studied, explain 22.5% of the growth of law firms as represented by the R^2 . This therefore means that other factors that influence growth other than the four in our study contribute 77.5% of the growth giving room for further research to investigate the other factors (77.5%) that affect growth of law firms.

Table 11: ANOVA

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.337	4	1.834	4.725	.002 ^a
	Residual					
	Total	25.234	65	.388		
		32.571	69			

a. Predictors: (Constant), Building of relationship and shared knowledge, Economic influence, Preparedness, Government intervention

b. Dependent Variable: Growth

Source: Research, 2016

According to Ott and Longnecker, (2015), ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups or samples at a selected probability level. An independent variable is said to be a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. The regression analysis also yields an F-statistic where if the calculated F-value is greater than the critical or tabled F-value, the prediction will be rejected. In this study, the significance value is .002 which is less than 0.05 thus the model is statistically significant in predicting preparedness in mergers & acquisition, government interference in the process of mergers & acquisition, economic influence of mergers & acquisition, building of relationship and shared knowledge.

Table 12: Coefficient of determination

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.442	.382		-1.158	.251
	Preparedness				2.204	
	Government	.141	.064	.254	1.354	.031
	Economic				3.970	
	Relationship	.123	.091	.197	1.131	.181
		.234	.059	.526		.000
		.101	.090	.162		.262

a. Dependent Variable: Growth

Source: Researcher (2018)

The researcher conducted a multiple regression analysis so as to determine the relationship between growth and the four variables. As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = -0.442 + 0.141X_1 + 0.123X_2 + 0.234X_3 + 0.685X_4 + \varepsilon$$

Where:

Y = growth of law firms

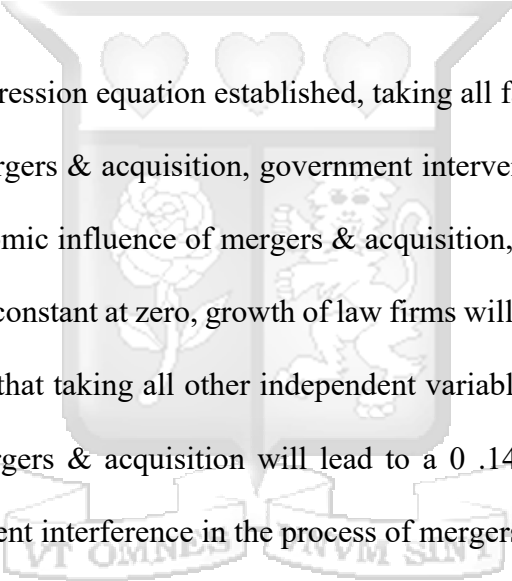
X_1 = preparedness in mergers & acquisition.

X_2 = government intervention in the process of mergers & acquisition.

X_3 = economic influence of mergers & acquisition X_4 =

building of relationship and shared knowledge.

ε = the error



According to the regression equation established, taking all factors into account (preparedness in mergers & acquisition, government intervene in the process of mergers & acquisition, economic influence of mergers & acquisition, building of relationship and shared knowledge.) constant at zero, growth of law firms will be -0.442. The data findings analyzed also show that taking all other independent variables at zero, a unit increase in preparedness in mergers & acquisition will lead to a 0.141 increase in growth; a unit increase in government interference in the process of mergers & acquisition will lead to a 0.123 increase in growth of law firms, a unit increase in economic influence of mergers & acquisition will lead to a 0.234 increase in growth of law firms and a unit increase in building of relationship and shared knowledge will lead to a 0.101 increase in growth of law firms in Kenya.

From the descriptive analysis there seemed to be an association between all independent variables and the dependent variables. However the inferential statistics (multiple linear regression) shows only preparedness and economic influence variables had a p-value of

less than 0.05. This infers that the two were the only statistically significant variables in explaining growth after the process of mergers & acquisition.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings discovered in the study, conclusion arrived at as well as the necessary recommendations and suggestions that are important for improving mergers and acquisition.

5.2 Summary of the Research Findings

The study set out to establish the effect of mergers and acquisition as a strategy on growth of law firms. The study was aimed at the qualitative features that influence success or failure of merging and acquisition. The following were the major area of concern: the level of preparedness, government interventions, economic influence and shared knowledge which formed the main variables of the study.

The findings of the study indicate that proper preparedness is very critical in success of mergers and acquisition of firms. This was further supported by the inferential statistics which showed this variable to be statistically significant. Focusing on proper preparedness indicate that fully signed an appropriate Non-Disclosure Agreement (“NDA”) before

merging led to growth, hiring an investment banker before integration led to growth, compatibility test on the two business before merging led to profitability and proper planning before merging and acquisition led to increased customer base. This involve proper feasibility study, engaging a financial consultant among other. This process is very important since majority of business are just merged without proper plan and they end up failing in the long run.

The study concludes that preparedness in mergers & acquisition influence growth on HH&M and Oraro law firms in Nairobi County since holding all the other factors constant a unit increase in level of preparedness will lead to 0.141 increase in growth. This is in line with study findings by (Trautwein, 2013) who emphasizes on certain considerations to be made when preparing for M&A.

On the area of Government intervention, statements relating on government intervention; responsible institutions represented by the government fail to give the approval of integration, regulatory, legal and tax risks or issues has hindered the integration from taking place, companies' managerial team might be lacking the necessary qualities that were previously expected and Environmental roadblocks can be present during merging and acquisition indicated a mean 3.1, 4.0, 3.1 and 3.5 respectively. This indicated that government intervention may influence growth of law firms in Kenya. The respondents were neutral in the three measures of government intervention except for regulations which they agreed on.

The study found out those Government interventions in the process of mergers & acquisition influence growth of HH&M and Oraro law firms in Nairobi County, since holding the other entire factors constant a unit increase in level of preparedness will lead to 0.123 increase in growth. This is in line with the findings by Marks, & Vansteenkiste (2010) who indicate that Regulatory, legal and tax risks or issues can hinder the deal from taking place, especially in the more complex cross-border M&As. However, government intervention was not a significant factor.

On the third objective, the study found out that statements on economic conditions; Monetary policy affect the successful mergers and acquisition, International transaction has influence on growth of firms after mergers and acquisition, expectations and speculations determine success of mergers and acquisition and Fiscal policy in place have an impact on mergers and acquisition scored a mean of 2.0, 2.3, 4.1 and 2.0 respectively. The study found out that the economic aspect that contributed to growth was expectations and speculations. Moreover, this variable was statistically significant.

The study concludes that economic influence of mergers & acquisition affect growth on HH&M and Oraro law firms in Nairobi County since holding all the other factors constant a unit increase in level of preparedness will lead to 0.234 increases in growth. These findings are in an agreement with the findings found out by Sarala et al, (2016) who found out that mergers and acquisitions take place for many strategic business reasons, but the most common reasons for any business combination are economic at their core.

Finally, on the statements regarding building of relationship and shared knowledge involved in mergers & acquisition; post-acquisition integration mechanisms support knowledge transfer, proper training and orientation is conducted to all employees and proper communication of operational rules and new working procedures is done scored a mean of 3.2, 2.5 and 2.4 respectively. The studies reveal that less is done regarding training and orientation and this deters successful mergers and acquisition. This process is perceived to be very expensive process but it is very important. Without proper relationship building and sharing of knowledge through training mergers and acquisition cannot enhance growth.

The findings of the study conclude that building of relationship and shared knowledge influence growth on HH&M and Oraro law firms in Nairobi County since holding all the other factors constant a unit increase in level of preparedness will lead to 0.685 increase in growth. However, variable was not statistically significant.

The study also concludes that specific interventions are necessary for a successful mergers and acquisition in order to enhance growth of the integrated firm. Acquiring an organization or merging two different companies is a long and complex task, which introduces many obstacles and issues on different stages of the process from the initial negotiations to the actual integration. This study was in agreement with the finding of Trautwein, (2013) who found that companies were more likely to acquire a business when

their aim was to acquire or transfer knowledge that was closely related to their core business. The four independent variables only explained 22% of growth of law firms.

5.3 Recommendations

According to the findings of the study the following recommendations in line with the study are very important. Before law firms opt for mergers and acquisition proper preparation must be done in order to enhance growth. This involves having fully signed an appropriate Non-Disclosure Agreement (“NDA”) before merging, the firm should hire an investment banker before integration takes place who can conduct feasibility study, a compatibility test on the two business should be done before merging and proper planning before merging and acquisition takes place.

Government intervention can either frustrate or enhance growth of law firms. Government institution should reduce bottlenecks pertaining approving integration of firms to enhance efficiency. Government should create a good working environment of firms undertaking merging through reducing legal and tax constrains that create barrier of success of integration and finally environmental roadblocks should be minimized by the government.

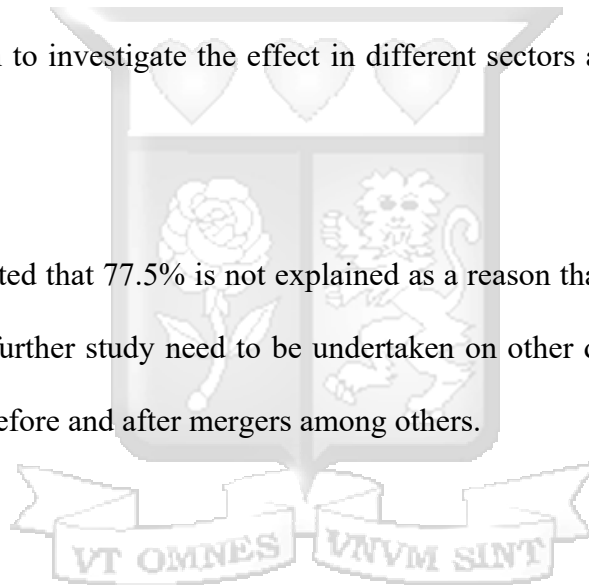
The firm should consider the prevailing economic conditions that may possibly deter success of the mergers and acquisition hence growth. In particular the firm should study the monetary and fiscal policy of the country and evaluate its impact to the firm.

The firm should conduct benchmarking with other successful merged firms, they should provide proper training and orientation to all employees and firms' new policies, rules and regulations should be communicated to all stakeholders.

5.4 Suggestions for Further Studies

The study was limited to the law firms that have undergone mergers/acquisition. However, there is need for more studies in other sectors to evaluate the effect of mergers and acquisition on operation and performance of these firms. A comparison study also needs to be undertaken to investigate the effect in different sectors as a result of mergers and acquisition.

The study indicated that 77.5% is not explained as a reason that influence growth of law firms therefore further study need to be undertaken on other different variables such as return on asset before and after mergers among others.



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APPENDICES

Appendix 1: Introductory Letter.

Dear Sir / Madam,

RE: COLLECTION OF RESEARCH DATA

My name is Maureen Beatrice Apunda. I am a master's degree student in Strathmore University. I am undertaking a research on the "mergers and acquisitions on growth of law firms: a case study of Hamilton, Harrison & Mathews, and Oraro company advocates in Nairobi county." I am gathering relevant information that will help me in conducting this research. I therefore request to have your response in regard to the questionnaires attached below. I want to offer you guarantee that the information that your about to offer will be used strictly for this research.

Thank you in advance.

Yours Sincerely,

Maureen Beatrice Apunda.

Appendix II: Questionnaire

Section A: General Information

Please tick one of the following below:

- 1) Kindly specify your Gender
 - ✦ Male
 - ✦ Female
- 2) What is your highest level of education?
 - ✦ Diploma/Certificate
 - ✦ University Degree
 - ✦ Master's degree
 - ✦ PHD
- 3) Which firm were you working for before
 - ✦ HHM
 - ✦ Oraro and Company Advocates
- 4) For how many years have you worked for the firm in question 3?
 - ✦ 0-5 years
 - ✦ 6-10 years
 - ✦ 11 years and above
- 5) Kindly indicate your current position in the firm among the list below.

✦ Partners []

✦ Associates []

✦ Paralegals []

✦ Subordinate staff []

Section B: Influence of the independent variables on the dependent variable

1. Kindly provide your opinion on your experience with the merger and acquisition process at HH&O. To what level or extent do you agree or disagree with the following statements.

Tick appropriately on the level of agreement/disagreement indicated in the tables below:

Objective 1: Determining how preparedness in mergers & acquisition influenced growth on HH&M and Oraro law firms.

No.	Preparedness Indicators	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Fully signed an appropriate Non-Disclosure Agreement (“NDA”) before merging is what led to growth.					
2.	Hiring an investment banker before integration is what lead to growth.					
3.	Compatibility test on the two business before merging is what lead to profitability.					

4.	Proper planning before merging and acquisition is what lead to increased customer					
	base.					

Objective 2: Assessing the government interference in the process of mergers

No.	Specific interventions Indicators	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Responsible institutions represented by the government fail to give the approval of integration.					
2.	Regulatory, legal and tax risks or issues has hindered the integration from taking place					
3.	Companies' managerial team might be lacking the necessary qualities that were previously expected.					
4.	Environmental roadblocks can be present during merging and acquisition.					

&acquisition on growth of HH&M and Oraro law firms in Nairobi County.

Objective 3: Evaluating the economic influence of mergers & acquisition on growth of HH&M and Oraro law firms in Nairobi County.

No.	Economic indicators	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Monetary policy affect the successful mergers and acquisition.					
2.	International transaction has influence on growth of firms after mergers and acquisition.					
3.	Expectations and speculations determine success of mergers and acquisition.					
4.	Fiscal policy in place have an impact on mergers and acquisition					

Objective 4: Examining the effect of the building of relationship and shared knowledge involved in mergers & acquisition on growth of HH&M and Oraro law firms in Nairobi County.

No.	Building of relationship and shared knowledge Indicators	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Post-acquisition integration mechanisms support knowledge transfer.					
2.	Proper training and orientation was conducted to all employees.					

3.	Proper communication of operational rules and new working procedures was done.					
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2. To what level or extent do you agree or disagree with the following statements. Please tick appropriately on the level of agreement/disagreement indicated in the table below:

Independent variable	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a) Preparedness in mergers & acquisition influence growth on HH&M and Oraro law firms.					
b) Specific interventions necessary for mergers & acquisition have an impact on growth of HH&M and Oraro law firms in Nairobi County					
c) Economic benefits due to merging & acquisition influence growth of HH&M and Oraro law firms in Nairobi County					
d) Building of relationship and					

shared knowledge involved in mergers & acquisition affect growth of HH&M and Oraro law firms in Nairobi County.					
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3. Any comments or suggestions on how mergers & acquisition could be made even better in favor of growth of HH&M and Oraro law firms in Nairobi County.?

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1. SECTION C: In the following statements, indicate your opinion by marking an

X or a check mark (✓) where appropriate.

2. a) Do you think politics has a role to play in the success of merging and acquisition?

Yes

No

b) If yes, what is the nature of the role played?

Positive

Negative

Explain you answer in (b) above

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3. a) Does the government policy influence the success of merging and acquisition?

Yes

No

b) If yes, what is the nature of the influence?

Positive

Negative

Please explain your answer in (b) above

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