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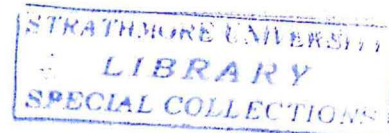
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**An Assessment of Employees' Perception on Factors Influencing the Performance of
Existing Mergers and Acquisitions in the Aviation Industry in Kenya**



Ismail Anwarali Yakub

MBA/096461

**A Dissertation Submitted to Strathmore University Business School in Partial
Fulfillment of the Requirements for the award of Masters in Business
Administration (MBA) Degree**

MAY, 2019

DECLARATION

I declare that this work 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 dissertation contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Ismail Anwarali Yakub

May 2019

Approval

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ABSTRACT

The purpose of this study was to determine the employees' perception on the factors influencing the performance of existing Mergers and Acquisitions (M&A) in the aviation industry in Kenya. The specific objectives that acted as a guide for this study included: to investigate the influence of firm size on performance of existing M&A in the aviation industry in Kenya, to determine the influence of corporate culture on performance of existing M&A in the aviation industry in Kenya, to establish the effects of legal and regulatory compliance on performance of existing M&A in the aviation industry in Kenya, to find out the influence of management structure on performance of existing M&A in the aviation industry in Kenya. The descriptive survey research had a targeted population of 403 staff working in all the 6 aviation firms. Thirty per cent (30%) of the entire staff population of staff in the six firms were chosen using stratified random sampling method. The sample size was therefore 121 possible respondents. The research instrument was a questionnaire while helped collect primary data. Data collected in this study analysed via quantitative and assembled to form the final findings and interpretations. Data gathered quantitatively from various close-ended questions will be classified into various groups and an analysis done. The SPSS program helped calculate the expected parameters. Descriptive statistics revolve around charts, graphs as well as the frequency percentages was utilized in measuring the central tendencies and reporting the data assembled from the findings extracted from the close-ended items. Above the inferential statistics like regression analysis other forms of analysis such as ANOVA and correlation was used. The study concluded that; there was a rise in the number of various firms outlet in the recent past, the staff are aware that there are a series of product diversity potential consumers enjoy since the merger and/or acquisition, the staff were aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses. The shared norms as well as the beliefs in studied firms have helped them to stand at a good position in the aviation industry their organization have shared values and assumptions which are well articulated in the strategic plan being implemented, the management in their aviation firm is responsible to the harmonization of different types of cultures. It was noted that; the legal policies governing the operations of their firm are simple and understandable; the government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm. Finally, the study noted that; there is an adequate management structure in place in the firms that articulates on the operations of employees the management structure categorization is effective defining each role of the staff in the M&A, the staff have experienced challenges associated with the division of roles/duties by top management in this organization.

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LIST OF ABBREVIATIONS AND ACRONYMS

CAK:	Competition Authority of Kenya
CBK:	Central Bank of Kenya
COMESA:	Common Market for Eastern and Southern Africa
GDP:	Gross Domestic Product
LTD:	Limited
M&A:	Mergers and Acquisition
NSE:	Nairobi Stock Exchange
SPSS:	Statistical Package for Social Sciences
U.S:	United States
USA:	United States of America
USD:	United States Dollars

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DEDICATION

I wish to dedicate my research project to my family and friends. Special gratitude goes to my loving wife Sumaiya, children (Ilhaam and Aisha) and parents, late father Anwarali Yakub and my mother Zohrabanu Abdulshakur who is constantly encouraging me. My sisters have also been instrumental in my research work as they have never left my side.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In modern day, technology and globalization has brought a lot of changes which has increased competition among various aviation firms. To stay relevant in this competitive environment, aviation firms in different corners of the world are using new strategies such as mergers and acquisitions (M&A), joint ventures and strategic alliances (Cortés, García & Agudelo, 2015). The strategy of mergers and acquisition is popular among many organizations and has been used to achieve a sustainable competitive advantage by many firms (Kumar, 2009). In the aviation sector, players are faced with intense pressure to achieve sustainable competitiveness or close shop as the cost of fuel, assets and labor rises and the demand for their services decline. The industry is faced with recovery phases at different times and competition has increased due to the existence of low-cost carriers who continue to take more market share from the larger carriers in both the business and leisure travelers. Further, competition is expected to get stiffer as more players embrace new models of operations, innovation and more partnerships (Abbas, Hunjra, Saeed, Ehsan & Ijaz, 2015). According to Gaughan (2010) the competition experienced among many other identified and unidentified challenges have continued to hamper the performance of M&A in the aviation industry mostly in the developing countries than noted in the developed ones. Many of the airline organizations have tried to respond to this competition by coming up with narrowly focus strategy such as mergers and acquisitions which have enhanced their financial and non-financial performance. This can affect the loyalty of customers, profitability and experience of these airlines in the long term. In the future the sustainability of aviation firms business will be determined by their ability to use technology to exceed the expectations of their customers improving loyalty and improving the efficiency of their operations (Lock *et al.*, 2010).

Currently, the aviation industry is characterized by deregulation, liberalization and privatization which have had a significant impact on planning and decisions made. The firms associated with the aviation industry have also been affected which has seen them engage in cutting costs optimizing their productivity and leasing in the short term. Additionally, competition has forced some firms to be more innovative due to reduced customers and increased competition for them. Another factor affecting the industry is policies put up to regulate and deregulate the industry such as the open sky policy that has led to increased fair competition in the sector (RoK, 2012). The organizations in the sector have to react in line with the supply and demand and regulatory issues affecting the industry. The complexity of the industry need the firms to make proper plans and informed decisions when responding to the changes and future needs of the industry (Serpen, 2014).

In the international scene, aviation industry mergers and acquisitions (M&A) has become popular in recent years. Due to the much developed financial markets, mergers are common in developed countries more so in the U.S. M&A are often pursued to enhance profits or to improve the operations of the organizations. Many global aviation firms are taking up this strategy because of the advantages it brings to the players involved. The organizations that come together in a merge are often in the same sector (Franke, 2005). Baldwin (2013) points out that merges when done in the aviation sector can improve the bargaining power of the firms involved since the firms are able to pool their prices. When the firms charge higher prices to their customers and lower prices for the services then there is a possibility of higher profits for the players which is why most mergers are a success.

Studies in USA shows that corporate mismanagement has caused capital markets to react and in fact efficiency and returns to scale estimates for the aviation firms especially those that operate in USA have been the subject of several studies (Mahesh & Prasad, 2012). Brueckner, Lee & Singer (2013) reports that there were increased returns to network size and on the policy perspective airline deregulation in the USA have changed their attention from the benefits of size to the problems that result from due to the competition

degree in case of deregulated aviation sector. As the aviation market gets continuously matured in global market, innovating distribution channel has become an important issue and challenge. In whatever case the common thread underlying many M&A is that at least one of the parties is failing (Bishop, 2016). The argument that needs further debates is that, it is not business failure in itself that is critical but rather whether such failure affects assets of the existing market. Many aviation firms come together through M&A and acquire cooperate assets to minimize the costs of production, increase putput, enhance the quality of products, use new technology or provide new product (Panther, 2001). Studies from India have shown that M&A leads to financial efficiencies for aviation firms in that the firms can diversify their profits by acquisition of other organizations and their assets. Earning diversification lessens the variation in the firm's profitability, leading to decreased risk of bankruptcy and the associated cost (Gaughan, 2010).

Although there have been stagnant economies in past few years, many aviation firms in African Countries do not remain behind in the urge for growth. However, many of the firms have become increasingly reliant on mergers and acquisition rather than, through organic means (Elumilade, 2010). Recent reports published in Udo, Odoma and Belo-Osagie magazine shows there was decline in the number of and value of M&A in the aviation sector in Nigeria and this has been attributed to global vitality in competition resulting drop in forex earnings and uncertainty in the economy (Yakis-Douglas, Angwin, Ahn & Meadows, 2011). Similar to many other countries worldwide studies have shown that M&A are used in Ghana as growth strategies for aviation firms that wish to increase their market share and revenues (Adu-Darko and Bruce-Twum, 2014; Gatsi & Nyaketey, 2010). It is worth mentioning that aviation firms at times seek out under-developed, sick and threatened firms because of their potential in growing. In many African states, M&A activities have been witnessed in many key sectors of the economy including the aviation sector. According to Amegah (2012) M&A in Ghana had been unpopular due to much archaic entrepreneurial and business culture and political environment. Further studies conducted in Ghana show that investor confidence in the market had led to rise in M&A activities from 2004 to 2015 (Goodman AMC report,

2017). Despite data from aviation firms in Ghana on M&A is scanty, Goodman estimates that these transactions could have surpassed USD15 billion from 2004 to 2016 in the major mergers and acquisition (Data Monitor, 2009).

The Kenyan aviation industry is instrumental in the growth of the economy as data from IATA shows that the sector contributed 5.1% to the GDP (approximately Sh330 billion / \$3.2 billion) in 2016 (Oxford Economics, 2016). It was also responsible for providing support to 620, 000 employees some in the tourism sector. The registered aviation players in Kenya provide services to 4 million passengers and carry 201 thousand tons of freight annually. Most Kenyans use air transport to visit their families and friends in other countries while firms use it to ensure the speedy completion of business deals, to deliver goods and mail in far distances. The “Real World Wide Web”, which is the air transport network, provides speedy, reliable and practical air transportation services globally. The aviation firms registered in the country employ 6,000 workers and through the organization, more 8,000 jobs opportunities are created. Some of the job opportunities created are in the catering sector that deliver meals to those onboard and the suppliers who supply energy to the aviation firms. Additionally, due to the spending of those who are employees of the aviation firms and their supply chain a further 8,000 jobs are created. The total contribution of these organizations to the country’s GDP is around KES 7.1 billion. The indirect contribution of the sector to the economy is about KES 2.9 billion through its supply chain networks. The spending of the airline workers and the people in the companies supply chain network contributes around KES 3.1 billion to the Kenyan economy, therefore, the total approximated contribution of these organizations is more than KES 13.0 billion to the Kenyan economy while supporting 22,000 jobs in the country (Oxford Economics, 2011). Most aviation firms enhance their competitiveness through expansion of market share through mergers and acquisitions. In spite of the importance of the sector to the economy, existing mergers and acquisition experience challenges related to the firm size, corporate culture, management structure and the legal and regulatory settings of that govern their operations.

1.1.1 Performance Measures used in Aviation Firms

Mergers and acquisitions aim to produce synergies that can increase the growth of the merged firm, increase shareholder's wealth, improve profitability and revenue, improve the efficiency of production and enhance market power. Therefore, M&A should result to projects with positive net values. However, there are many studies showing that many M&A result to financial failures and low returns. Data shows that about 70 to 80 per cent of M&A lead to insignificant value that is not more than the annual cost of capital. Conservatives also depict a depressing picture as they estimate that 50% of the M&A that have happened in the last four decades have resulted to failure (Bruner, 2002). Despite the worrying statistics, M&A have continually increased from \$1.9 trillion in 2004 to a much higher record of \$4.35 trillion in 2009 (Reuters, 2010). The reason the M&A reduced in 2008 was because of the global financial crisis which saw them reduce to \$2.89 trillion, which was a break from five years of growth they had enjoyed in the past years. Some of the growth indicators included more jobs created, increased market share, higher revenue, higher sales, better innovations and higher profits which are achievable jointly or independently (IATA, 2013).

1.2 Statement of the Problem

The M&A are very popular among firms in the aviation industry seeking to achieve a sustainable competitive advantage. Vasilaki and O'Regan (2008) explain that in 2006 the value of acquisitions reached an all-time high of \$1.774 trillion. The major reasons that most companies chose to engage in M&A was shown to be the gaining increased market power, to access innovative competencies so as to reduce the risks that came with launching new products, achieve economies of scale and also improve their competitive advantage (Hitt et al., 2007). Unmanageable firm size, adoption of poor harmonized management structure and corporate, unpleasant government related policies among other reasons contributes to financial challenges that occur due to information asymmetries, to achieve synergy and to get new knowledge to ensure the survival of the firm (Fluck & Lynch, 1999).

The aviation industry does provide significant support to the Kenyan economy. However, this contribution has been fluctuating and not in such a way increasing averagely from year to year. For example, in 2005, the contribution was at 5.2%, year 2006 contribution was at 9.0%, the year 2009 contribution was a low 4.0% and the year 2013 also low at 3.6% (Delloite, 2011 & RoK, 2014; Oxford Economics, 2011). This contribution to the country's GDP by the aviation industry declined from 11.6% in 2008 to 10.4% in 2012, (Odero & Reeves, 2014).

Despite aviation firms having various reasons for a merger and acquisition like increasing their overall performance, confirmatory research linking M&A to aviation firm's overall performance has been little or else has been conducted from the West countries in U.S. Hence, how mergers and acquisitions influence aviation firm' overall performance does not have empirical backing as not many studies have been on the topic and the findings have been mixed, depicting a research gap (Vaara, 2002; Vermeulen and Barkerma, 2001). Locally, only a few studies have been done. For example, Mulei (2011) focused on corporate governance practices in the aviation industry in Kenya; Mwikya (2013) studied on time service delivery in registered aviation firms in Kenya. Kweyu (2010) looked at the influence of corporate culture on financial performance of registered aviation firms in Kenya. Irungu (2012) focused on the effect of information technology (IT) adoption and the financial performance of registered aviation firms in Kenya. As a result, none of the studies took an in-depth analysis on the factors influencing the overall performance of existing M&A. The intent of this study was to assess the employees' perception on the factors influencing the performance of existing M&A in the aviation industry in Kenya.

1.3 Objectives of the Study

1.3.1 General Objectives

The main objective for the research was to assess the employees' perception on the factors influencing the performance of existing M&A in the aviation industry in Kenya.

1.3.2 Specific Objectives

The study was guided by the below research specific objectives:

- i. To investigate the influence of firm size on performance of existing M&A in the aviation industry in Kenya
- ii. To determine the influence of corporate culture on performance of existing M&A in the aviation industry in Kenya.
- iii. Establish the effects of legal and regulatory compliance on performance of existing M&A in the aviation industry in Kenya.
- iv. To find out the influence of management structure on performance of existing M&A in the aviation industry in Kenya.

1.4 Research Questions

The study was guided by the following research questions:

- i. What is the influence of firm size on performance of existing M&A in the aviation industry in Kenya?
- ii. What is the influence of corporate culture on performance of existing M&A in the aviation industry in Kenya?
- iii. What are the effects of legal and regulatory policies on performance of existing M&A in the aviation industry in Kenya?

- iv. What is the influence of management structure on performance of existing M&A in the aviation industry in Kenya?

1.5 Scope of the Study

The research scope was the six (6) existing registered M&A in the aviation industry in Kenya. According to Competition Authority of Kenya (CAK, 2018) annual report, there are six (6) M&A in the aviation sector in Kenya. All the six M&A in the aviation sector in Kenya, all of which happen to have their headquarters in Nairobi County. The target population was all the combined 403 staff (top, middle and lower level staff) working in all the 6 aviation firms. The selection of the staff was made considering those knowledgeable of the day to day operations geared towards the performance enhancement of the firms they represent since the M&A. These are the ones that were supplied with the research tools to provide their opinion on influencers of the existing M&A overall performance.

1.6 Significance of the Study

1.6.1 Aviation Firms in Kenya

This study may be significant to the managers in the aviation firms in Kenya. In this case, the management may use the results to draw up new policies or strategies towards addressing the challenges or benefits associated with the studied determinants. At the same time, the management may be in a position to come up with a new model that may govern its operations based on the factors studied in this document among others. These findings may set the reference point to aviation firms that are intending to acquire or merge to enhance on their overall performance.

1.6.2 Government of Kenya and Other Policies Makers

This study may be significant to the government of Kenya and especially through the ministry and agencies concerned with the registration and operations of aviation firms in Kenya. The results may also be of significant to other policy makers and donors in that they may understand more on how firm size, corporate culture, legal policies and

regulatory as well as how management structure influences the performance of existing M&A in the Kenyan aviation industry.

1.6.3 Academicians and Researchers

The findings to be obtained from this study may play a significant role to researchers and scholars as they will be added to the existing set of knowledge and information related to the aviation industry and associated issues. They may also necessitate further research in the same field as well as in the related research fields especially in the aviation sector among others.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents literature reviewed in regard to performance of aviation firms and related issues influencing the same. Herein presented are arguments and reports by other authors and academicians. The chapter was divided into theoretical review and empirical review. Besides, the chapter presents the conceptual framework and research gaps.

2.2 Concept of Mergers and Acquisitions

A merger is said to be the combining of forces by two or more organizations to improve operations (Kovacich & Halibozek, 2005). The move which is voluntary sees the firms work as a single firm. It leads to cash payments and the swap of stocks into one big firm. The swap in the stocks leads to the sharing of the firm's risks by the shareholders. According to Kovacich and Halibozek (2005) an acquisition or a takeover, a purchase combination or a buyout where the firm referred to as predator or the acquirer acquires the operations of the target firm. In this combination the acquiring firm proposes a move to purchase the other firm and if the target firm agrees, it comes under the operations and management of the predator (McLaughlin, 2010). The organization that seeks to acquire the other is referred to as the acquiring firm while the one acquired is known as the target firm. In many of the acquisitions arrangements, the larger of the two firm's buys the other firm by coming up with a price for buying the firm and once this is agreed upon the target firm is bought.

Beccalli and Frantz (2013) definition of M&A's is a way in which two or more organizations seek a strategy to establish their long term operations, resource allocation and action plans. One of the obstacles firms that want to be part of a merger or acquisition face is identifying a profitable niche to base their operations to maximum their long term profits. Beccalli and Frantz (2013) notes that a merger is said to be the coming up together of two organizations who are almost of the same size to become of

organization. The merger is characterized by friendly use of resources and assets and their restructuring. Most mergers are friendly arrangements that are given a nod by the shareholders and directors of both firms.

The merger sees two organizations come together where the acquiring firm provides securities to the other firm shareholders and the acquired firm shareholders accept the securities in exchange for their stocks in the firm that loses its entity. As explained by Amegah, (2012) mergers happen when two organizations are at an agreement to combine their operations in line with the legal requirements in the country or state under which the merger is incorporated. Adu-Darko, et.al (2014) notes that in such an arrangement, the acquiring concern is not a person but the cooperation and the exchange is made in terms of shares and not cash. There is need for approval from the management of the merging firms if a merger is to be successful. For many laws there must be more than a simple majority approval for the merger to be considered. Acquisition on the other hand is the acquiring of share capital of one firm by the other firm in exchange for loan stock, cash or ordinary shares. According to Andrade and Stafford (2011) most modern organizations use M&A to increase the value and size of the firm. Most firms prefer M&A to other methods because this is a cheaper and faster means of increasing the firm's value.

2.3 Theoretical Review

The theories that acted as a guide to this study include the differential efficiency theory, financial synergy theory, and the hubris theory as discussed in the section below;

2.3.1 Differential Efficiency Theory

This model was developed by Trautwein (1990). According to this model, firms that are more efficient are likely to acquire less efficient organizations and gain more when they improve their efficiency. The acquiring firm is said to have better managerial competencies. Differential efficiency is a factor that is considered in mergers where the firms come from related industries and there is an improvement need pointed out. The theory further purports that one of the reasons a merger is necessary is to improve efficiency. For example, if the management of company A is efficient and the

management of company B is not then a merger can be instituted allowing company A to acquire company B and to improve the efficiency of company B. The theory further points out that if a firm operates at a lower level than the optimum, then it is better if the firm is acquired by another company. Further, if the management of a firm does not management it effectively, there is always the possibility that another firm will take over the management. This theory is effective in explaining the reasons for a takeover and it is also useful in reducing the cost of a takeover since the acquiring company will be able to expand the operations of the other company by the efficient utilization of resources. However, a risk exists especially if the acquiring company pays a high price to get the target firm but there is no efficient use of the resources which leads to declined efficiency of operations than expected.

The theory explains that some organization operate below their abilities which leads to low efficiency. Such organizations are faced with the possibility of being taken over by more efficient organization in the industry. Firms that are more efficient have the ability to identify low efficiency operating firms that have the potential to bring in more profits. They also have the managerial capabilities to improve the operations of the target firms. However, a problem occurs if the acquiring organization overestimated their ability to improve the efficiency of the target firm. The result is that the acquiring firm will pay a high price to acquire the target firms or the acquirer may fail to get its value back since they will not get good returns from the targeted firm after the acquisition. The hypothesis on managerial synergy is an extension of the differential efficiency theory. According to the hypothesis, if a management team has great competencies in management than those needed by the current firm, they may opt to use their resources to get a less efficiency firm that may be at this predicament due to insufficient resources. This creates a synergy as they acquire managerial resources are combined with the non-managerial organization capital of the firm acquired. Since such resources are invisible and cannot be divided a merger allows for them to be combined and efficiently used. Even if there is no opportunity for the organization to expand in its industry, a merger allows it to give the resources it needs to expand in another area or industry. If it does not have the skills

needed to expand in another sector, it will try to acquire an organization in this industry which has capital but lacks managerial efficiency.

According to the theory, mergers will only happen if they can produce sufficient synergies for the merger to be of benefit to all the parties involved (Trautwein, 1990). The mutual expectation of gains leads to the friendly proposition to merge. In case there is no positive gain, the parties of merger agree that they would not be part of the acquisition and that the bidder once he realizes the gains are not positive will not go on with the deal.

The theory points out that both firms are likely to gain when they merge (Banerjee and Eckard, 1998) evidence this suggestion. Chatterjee (1986) points out that 'operative synergies' and 'efficiency gains' are different since these are possible due to the achievement of economies of scale and scope. The operating synergies in mergers are there even before the merger due to economies of scale and the activity levels the organizations operate in are not good enough to allow the firm to enjoy economies of scale. The gains in efficiency are achieved due to the operating synergies achieved through economies of scale, transfer of knowledge and economies of scope.

Pandey (2008) notes that the coming together of two or more firms results in improved performance since there are cost reductions and the efficient use of resources. This is achieved due to achieved synergies, economies of scale and improved operations in the economies. A merger can also lead to a higher market share for the new firm. Additionally, a M&A can be done to enable the firm to become a monopoly in the industry. During horizontal and conglomerate M&As., the new firm gains market power by discouraging potential entrants, reduction of supply and the cross-subsidizing of goods and services (Trautwein, 1990). The advantages achieved are also known as collusive synergy (Chatterjee, 1986). Monopoly lowers competition since the organization can charge high prices for their products or lower the purchase price of products from suppliers. This theory is useful for this study as it points out the possibility of firms operating below their abilities and having low efficiency can be acquired by firms with better managerial efficiency. Firms with greater efficiency in the same industry are able

to identify the less efficient firms that have potential for increased operations and profits. The managerial efficiency characterizing these firms allows them to acquire the less efficient firms and improve their operations. This theory has the indication that a merger and acquisition resulting to a large firm size will be able to sustain and enhance its efficiency to a great extent including its overall performance.

2.3.2 Financial Synergy Theory

This theory purports that financial synergy happens due to the lower costs achieved from internal financing compared to external financing costs. The theory looks at the differences occurring to merging organizations due to availability of internal capital and internal investment opportunities and not because of the differences in managerial capabilities. An organization in a less profitable industry will have large cash flows due to the limited investment opportunities. On the other hand, a growing industry will have more investment opportunities and less internal capital to finance the investments. When the firms merge the cost of capital is reduced since there are internal funds available and there is the possibility to reduce costs such as the floating costs and better use of capital. When firms that have different cash flow capabilities and investment opportunities may get to have synergies and reduce their cost of capital. Additionally, they may get tax savings from the merger. The merger may also lead to a higher debt capacity than the individual firm's debt capacity before the merger occurs. According to the theory if the acquirer has a higher cash flow rate, the acquired firm will get more capital from the acquiring firm which improves the formers ability to invest (Grave, Vardiabasis & Yavas, 2012). The theory therefore points out that it is prudent for the firms in the M&A to work on challenges; for example, cash flow management challenges, investment management challenges and finance allocation challenges arising due to the merger that touch on the firm size, structure, culture among other external and internal challenges. It is therefore an indication from the theory that firm size, management structure, culture must be harmonized to ensure that performance is realized through the synergy.

2.3.3 The Hubris Theory

Roll (1986) came up with the Hubris theory. It purports that managers will have good intentions when they seek to increase the value of the firm but their overconfidence results to over-estimation when it comes to synergies creation. The theory uses a psychological approach to explain M&A. The theory points out that the acquiring firm management over rates its capability to evaluate potential target firms. This overconfidence leads to errors which are costly to the acquiring firm. The acquiring firm has too much confidence in their managerial capabilities which makes them pay more to acquire the target firm. This leaves the winning bidder in a winner-curse situation which further leads to higher chances of failure (Hayward & Hambrick, 1997).

In case there is an auction, the bid that wins is often higher than the estimated value of the firm which leads to a positive evaluation error. This is what is referred to as the winners-curse. The winner is said to be cursed since he paid more money than the worth of the company. The theory further notes when a M&A announcement is made, the bidding organizations shareholders get to lose while the shareholders of the target firm experience a win when it comes to the prices of the firm shares. The reason is because an announcement increases the share price of shares in the target firm as the shareholders readily and willingly transfer their shares to the acquiring firm in exchange with the premium price that the acquiring organization offers (Trautwein, 1990). There is overrating when it comes to the acquisition price which increases the risk of failure. This is the explanation behind the winners curse hypothesis which suggests that the value offered at an auction for the target firm is much higher than the actual valuation price. The theory is useful for the current study as it points out that the management with a sound structure in a given M&A will always result to implementing effective policies to avoid the risk of a potential failure.

2.4 Empirical Literature Review

2.4.1 Firm Size & Performance of Mergers and Acquisitions

There has been a policy debate on the advantages of large and small sized aviation organizations. The claims made is that most of the small aviation organizations play an important role when it comes to spurring economic growth and job creation since they encourage competition and bring innovative products in the market. Firm size has been described as employees per establishment, employees per company, sales per firm, and value added per firm. The boundary of a firm is the legal entity of firm, in accordance with Hart's definition of the firm (Andrade, Mitchell & Stafford, 2010). In the U.S. data shows that large aviation organizations have high leverage ratios compared to small firms. Data shows that in almost all countries leverage has a favorable relationship with the size of the firm.

Larger sized aviation firms have more resources, enjoy more economies of scale and should experience a better post-acquisition process. Their growth leads to increased goodwill and more profits. Therefore they are an attractive choice when it comes to M&A processes. A year after a merger, it is expected that large aviation firms will have better M&A results compared to smaller aviation firms (Beccalli & Frantz, 2013).

Discussions of the relationship between firm size and the performance of a firm have been there especially in industrial economics and business studies. Research done in the past by Borenstein (2010) put more emphasis on the need for economies of scale and how to improve efficiencies in organizations. Hypothetically, there was a significant association between firm size and financial performance of aviation firms in Kenya. Gorton, Kahl & Rosen (2009) provides evidence that in an industry with firms of same size, anticipation of value that increase mergers opportunities leads to defensive acquisitions. Furthermore, data from past research shows that relative firm size determines the way firms react to economic shock.

2.4.2 Corporate Culture & Performance of Mergers and Acquisitions

Corporate culture is the behaviors and beliefs exhibited by the employees in a firm that determine the interaction between the management and the workers and the handling of the firm operations. The culture can be found in the hours of work, hiring practices, employee benefits, turnover, the setup of the office, customer satisfaction practices, the way customers are treated and every aspect of the business operations. The benefits of a firm culture for the management are pointed out and more is highlighted on the hidden nature of the firm culture and the need to create awareness around the firm culture so as to manage the challenges that come about due to the hidden nature of culture. Culture is shown as practices that have to do with people and the style and unique ways that people in a firm do things or expressive the non-rational ways of the firm (Deal & Kennedy, 2012).

Knowing each other through organizations members networks can allow for post-merger integration interactions due to different reasons. The culture of two firms that know and depend on each other is likely to be almost similar before a merger. They will also have an almost similar management structure and frame references. There is evidence to suggest that people perceptions are influence by the people they interact with (Salancik & Pfeffer, 1978). Those that have network ties may have the same views when it comes to the structuring and management of the firm. A firm's culture is said to be strong if its practices are widely shared among the firm members. Some of the antidotes of a given culture include the rituals and organizational stories shared in the firm. The strength of the culture values used among of the firm employees is used to predict the future financial performance of a firm.

Weber and Tarba (2011) carried out a case study on acquisition of German exemplified post-merger integration aspects that arise due to culture clash among the amalgamating firms in the high-tech sector. The methodology adopted was qualitative research design because they needed in depth explanation of the topic under study. They found that corporate culture distance promotes firm integration which improves firm financial performance.

Gordon and DiTomaso (2012) after doing a follow-up study showed that a strong culture could also be used to predict the short-term performance of a firm. In another almost similar study Denison's (1984) definition of cultural strength was the inverse of standard deviations across the instrument scales. The 11 US aviation organizations surveys were correlated in terms of their asset and growth rates for the next five years.

Weber and Yedida (2011) investigated effects of cultural difference assessment and measurement in all the stages of M&A. They found corporate culture enhance the acquirer's decisions in making the right choice in the target firms. In the study the authors concluded that successful mergers and acquisition often depends on measurement of cultural differences. Angwin (2011) in his study found that acquirers from other countries critically consider cultural assessment while undertaking due diligence (Denison & Ko, 2016).

The firm culture can be seen in the organizations structure, goals, strategies, approach to customers, community, investors and work. Therefore, culture is an important component of any enterprise that succeeds or fails. Other related concepts that are highlighted in the same breath as culture include cooperate image which is what the public sees in terms of the firm culture and cooperate ethics which are related to the firms values. The culture of the firm does affect its operations. It is also defined as practices that flow from the top management to the junior workers down there. Therefore, the flow is downward and outward. For most firms, the culture is embedded in the firm as it was set very early or by the founder or a charismatic practice. As these practices become institutionalized in the firm, the culture becomes part of the firm and habits that newcomers learn. Therefore, changing the culture from the top is difficult, can only be achieved under strong leaders and takes a lot of time (Denission & Ko, 2016).

Denison, Haaland, and Goelzer (2004) explain that culture does affect the performance of the firm but not all aspects of culture effect is the same. The effects are different according to regions which show that the culture of the firm is also impacted by the culture of the region. Further, Clarke (2006) points out that a safe climate in a firm is affected by the safety record of the firm.

Culture can be seen in the means by which people set goals, perform activities and use the needed resources to achieve their goals. Culture also impacts the way people perform their responsibilities, act and perceive opportunities and threats that impact the firm. The findings of Adkins and Caldwell (2004) indicate that there was a favorable association between job satisfaction and the extent to which employees felt they fitted in the culture and subculture of where they were employed. If a mismatch exists between the firm culture and what the employees feel should be the culture of the firm, there is likely to be negative results including decline in job satisfaction, increased turnover, stress at the workplace and strain on the job.

The culture of the firm has also been shown to impact on the employee's creativity, reporting of unethical practices, extent of the employee motivation. However, there is need for further research to prove these findings. A mediating factor between the association between firm culture and performance is high turnover rates. If a firm shows an unhealthy work environment and decreased performance, it may be an indication of the need for a culture assessment (John, 1992).

As explained by Selart and Schei (2011) when a firm lacks a healthy culture, or needs a change in culture, the process of change is difficult. The existing culture can hinder change more so if the employees are aware of their roles and what they expect from the firm. According to their findings, 70% of change in the firm is not successful due to the culture of the organization. The reason behind this is that the culture and structure of the firm showed an imprint of past periods in persistent and high levels of inertia. A change in culture may be needed to reduce the turnover rates in the firm, change the behavior of workers, improve the achievement of goals, improve customer satisfaction levels, provide quality customer service, change the firm objectives, improve the firm growth and achieve better firm performance. The factors that impact culture change include the competitors in the industry, external environment, change in industry standards, size of the employees, technology, nature of the worker force, firm history and management.

2.4.3 Legal and Regulatory Policies & Performance of Mergers and Acquisitions

The global aviation transport industry operations are under a complex Bilateral Air Services Agreements (BASAs) framework. The 1944 Chicago Convention is behind the organization of this international air transport. The motivation behind the regulation of this transportation industry is to ensure the national flag carriers are protected which is the explanation behind how most countries react to the aviation industry liberalization (Abeyratne, 2011). In the past, the BASAs, which has set some restrictions on the firms capacity and frequency has led to insufficiency in the industry. These restrictions discourage competition due to the route sizes put up and the rules on the designated carriers not to offer additional services than those specified by BASAs.

The BASAs also points out that the designated aviation organizations should be owned and controlled by the two parties. This is why it is difficult for foreign firms to set up aviation organizations in the bilateral nations. The owning of aviation firms by local companies negatively affects the local capital markets. In most of the developing nations, the capital market is not fully grown which means it cannot provide enough capital for the growth of capital intensive airlines. Additionally, foreign firms with aviation businesses do not have sabotage rights which limit competition in the market to only locally owned firms. Globally, most of the aviation firms were established as the national flag carriers when the countries changed from colonialism to independent states (Bowen and Leinbach, 2010). The disintegration of the East Africa regional airline by the name the East African Airways Corporation (EAAC) in 1977, led to the establishment of national carriers. The countries based in the East African region could not raise private capital to create their own aviation firms that could meet the goals of the countries. Some of the function that national carriers in other carriers performed included promotion of tourism, integrating the national territory, provision of skilled employment, giving high wages to the employees and promoting international traded, encouraging foreign policies and provision of defense services.

The goal of the profit sector of profit maximization is usually in conflict with the national goals of the countries (Bowen and Leinbach, 2010). This led to high regulation of this

industry in both the international and local markets. This discussion showed that the use of bi-lateral approach by the East African countries in regard to their aviation airlines has been a detrimental move in the growth of the aviation industry in the region. The coming up with regulations for the industry is a move that can lead to efficient and competitive air transport network in the region and also promote economic globalization in the region. Looking at the challenges of BASAs, many countries recognize that the bilateral framework used in the East Africa region has a lot of limitations and that there is need to come up with processes that can promote genuine liberalization of the aviation industry (Bowen and Leinbach, 2010).

Andrade, Mitchell & Stafford (2011) investigated impact of major deregulation in eight sectors and found that deregulation triggers takeover activities. According to them deregulation created new investments opportunities for the sector, it removes long-standing barriers on M&A which might have adversely affected the industry and lastly deregulation is well-defined in the time and parties affected.

Mergers and acquisitions involves such entities including aviation companies and other regulated industry players, require regulatory approval from the relevant regulators if they result in change of control or in some cases when certain thresholds are exceeded. In Kenya, there is a fairly detailed regulatory framework for both mergers and takeovers. For instance, Competition Act, Capital Markets (takeover & mergers) Regulation 2002, the Companies Act, 2015 as well as COMESA competition regulation all govern mergers and acquisitions in Kenya. The law governing mergers and acquisitions in Kenya is characterized by overlaps, duplications, multiplicity of laws and regulatory bodies. In some instances, the regulations and legal policies makes it a hindrance to the achievement or success of aviation sector mergers and acquisitions.

According to Weber and Yedida (2012) compliance regulatory challenges arise when two firms have different compliance levels which become hard for the other to integrate. In this case, guidelines, policies and procedures are important for the success of the business and if the acquiring organization is global, training and education must be done to ensure the employees understand the new compliance policies.

The Kenyan Civil Aviation Authority (KCAA) is crucial as it allows for the establishment of the right air transport system. Additionally, the authority ensures that the system is sustainable for the transport system. The authority is also the regulatory so it ensures there are regulations that can ensure the growth and healthy competition in the aviation industry. Additionally, the authority also provides services in air navigation and trains courses related to aviation at the East African School of Aviation. The authority supports the country's air transport and the enabler of the infrastructure. The mandate of the authority as indicated in the Civil Aviation Act No. 21 of 2013 is: provision of license to the aviation firms, development, planning and coming up with safe and efficient use of the airspace; enabling the sound development of the civil aviation industry; establishing and maintaining of a system that allows for the marking and registration of civil aircraft; giving the government advice related to civil aviation; facilitating and giving the needed support to accident in the Kenyan airspace and helping to conduct investigations; provision and coordination of search services; investigating incidents that are said not to be serious incidents or accidents.

KCAA is also mandated to provide security, safety and regulation of civil aviation firms in the country; dealing with unlawful behavior that affects aviation security; putting up and maintaining programs related to State Safety Security Programs; provides certification to aircraft operators; Enforces the approved standards of aircrafts; provides license and monitors aeronautical personnel; provides technical services to enable the design installation and modification of radio, electronics and other equipment that enables the provision of navigation services; ensures the integrity of operations; provision and distribution of aviation based publications as stipulated in the civil Aviation Act, providing accurate, reliable, comprehensive, timely air transport data to help in planning and the making of decisions; approving provision of certificates and licenses of organizations maintaining aircrafts and regulating the aviation training institutions among other duties (KCAA, 2017).

2.4.4. Management Structure & Performance of Mergers and Acquisitions

A management structure needs a clear policy for it acts as a guide in a firm as it provides the reporting structure that governs the firm workflow. When a firm has a well laid out structure, it is easier to add any created position in the firm and also it provides flexibility and room for growth. When there is no structure, workers struggle to know who is in charge and they are also at a loss on the people responsible for the different tasks in the firm. An organisation structure provides a clear way of doing things and guide for reporting which leads to enhanced operational efficiency. When a management structure exists, different firm departments are able to focus their energy on the tasks at hand. A clear management structure also provides a roadmap for the internal responsibilities of the different employees and acts as a guide on how entry level workers can advance their career in the firm. Coming up with the structure enables there to be enough employees who are skilled to reach the objectives of the firm, as they accomplish their well-explained responsibilities. Each of the employees knows their job description which has their responsibilities and the position they hold in the firm (Atkinson, Schaefer & Viney, 2000).

Organizational structure provides a guide on how the workers in the firm are supposed to coordinate and carry out their responsibilities. In case the precursor's structure is similar to the former firm then workers will find it easy to follow the new structure as it will be very similar to the old structure. When a M&A leads to the creation of a new organization, then the new firm must come up with a well-laid down structure especially if the two firms structures were different. The new adopted structure will be new to some of the members of the management. This means they will have to take time to learn it and adjust to it. This change may not be easy for every member of the organization. This is why M&A created by organizations with similar structures may do well compared to M&A created by firms whose structures were different (Weber and Tarba, 2011).

Jomo, Oloko and Orwa (2017) examined determinants of profitability of airlines in the aviation industry in Kenya in which organizational culture was an aspect. They employed both census and descriptive modes sampling the researchers targeted 6000 employees

working in the aviation sector. Their results reveal that management structure increase profitability of the aviation firms in Kenya.

Organizations in the aviation industry have differing structure arrangements. The leverage ratio which is the associates number divided by the partner's number is an important component in the service industry. This ratio is related to the competition degree, division of labor and the possibility of getting a promotion among the associates (Galanter and Palay, 1991). It also impacts on the firm culture as high leverage organizations are likely to be less collegial and highly bureaucratic compared to their counterparts the low leverage organizations (Starbuck, 1992). When a M&A is created by organizations whose leverage ratios differ, there will be structural adjustment challenges to some of the employees. For instance, challenges are bound to exist in case the merger is made up of a high leverage firm and an organization made up of partners alone. The partners in the latter organization will face challenges when it comes to dealing with the associates such as when training and interacting with them and even leaving some of the decisions making responsibilities to inexperienced associates. On the other hand, when the merging firms have the same leverage ratio, similar routines and cultures, then the members won't find it hard to become part of the new organization.

2.5 Research Gaps

This chapter reviewed previous literature related to the effects of mergers and acquisition on performance of the aviation firms. While much has been written on, these studies have focused on M&A; little has been done in the aviation sector especially from overall performance perspective. It is notable from the studies that mergers and acquisitions forms ways in which two or more firms, under separate managements pool their resources to form a single organization. It is important also to note that performance outcomes may not be the same because the management structures may differ under the two transactions. A review of previous studies shows a gap still exists and hence the present study seeks to fill this gap by examining M&A in Kenya's aviation sector.

2.6 Conceptual Framework

A conceptual framework helps the readers of a study understand the research direction. The aspects of firm size include the number of outlets, product diversity as well as the associated benefits and all these in one way or the other negatively or positively influences the overall performance of an organization. The type of corporate culture relative to the shared beliefs, values and norms including assumptions influence poor or good performance of a merger and acquisition. There are legal and regulatory those are government oriented or organizational based and these may positively or negatively influence the performance of existing M&A in any given sector. Finally, the management structure of a merger and/or acquisition if not harmonized may in a way lead to poor performance of a firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This current chapter gives us the methodology used to meet the objectives of this study in the following order; design of research, target population, sample size and sampling procedures, techniques for collection of data, analysis of the collected data, research tool reliability and validity and the ethical considerations.

3.2 Research Design

Dul and Hak (2008) described research design as the step by step format followed when collecting and analyzing data with an aim of achieving the set objectives for the study. Mugenda (2010) explains that a research design gives the layout to be followed in a bid to answer the questions of research. This study used descriptive survey research design. As Mugenda and Mugenda (2010) explain, descriptive research design is referred to as the research method that illustrates the features of a phenomenon or a population that is being investigated. This methodology emphasizes on the 'what' and not on the 'why' of the subject area. In this respect, the main focus of this methodology is the description on the nature of the demographic element without necessarily focusing on the 'why' a particular phenomenon is occurring. Therefore, it describes the subject matter of the study, situations, behavior or the phenomenon rather than the reasons as to why it happens.

Descriptive research responds to questions that relates to when, where, who, what and how they are linked to specific research questions. Therefore, it attempts to assemble irrefutable and quantifiable information that can statistically analyze a set of predetermined subject or audience. Descriptive research is helpful when describing and observing a phenomenon or a research subject without altering the variable(s) in any case. Descriptive research design approach help in gathering information about the

influence status of employees' perception on the factors influencing the performance of the target mergers and acquisitions in the aviation industry in Kenya.

3.3 Target Population

As pointed out by Ngechu (2004), a population is made up a defined set of elements, individuals, services, events, group of households or things that are under investigation. The scope of this study was mergers and acquisitions in the aviation industry in Kenya. According to the Competition Authority of Kenya (CAK, 2018) annual report, there are six (6) M&A in the aviation sector in Kenya. All the six mergers and acquisition are in the aviation sector in Kenya all of which happen to have their headquarters in Nairobi County. The target population (unit of analysis) was all the combined 403 staff working in all the 6 aviation firms. The selection of the staff (top, middle and lower level staff) is based on the fact that they are more aware of the day to day operations geared towards the performance enhancement of the firms they represent since the M&A. These are the ones that were supplied with the research tools to provide their opinion on factors influencing the performance of their mergers and acquisitions.

Table 3.1: Target Population

No	Firm	Total Staff Population	Percentage of the Total Population
1	Phoenix aviation Limited	59	15
2	Airworks Kenya Limited	39	10
3	Safarilink Aviation Limited	107	27
4	Skymax Aviation Limited	46	11
5	DAC Aviation Limited	111	28
6	Lady Lori Limited	41	10
	Total	403	100

Source: (Human Resource Departments of the Firms, 2019)

3.4 Sample Size and Sampling Procedures

A sample is a subject of a particular population (Mugenda & Mugenda, 2010). Sampling refers to the process that is used in research where a given number of the sampled population is chosen from the total population (Mugenda & Mugenda, 2010). The sampling used during research is affected by the type of analysis and some of the sampling techniques include systematic sampling, observational sampling and simple random sampling among other sampling techniques like purposeful sampling. According to Mugenda and Mugenda (2010), a sample size of 30% or above is adequate for any academic research. The stratified random sampling method was used to choose 30% of the entire staff population (top, middle and lower level staff) in the six firms. The sample size therefore 121 as distributed in the Table 3.2 below;

Table 3.2: Sample Size

No	Firm	Total Staff Population	Sample Size (30% of Target Population)
1	Phoenix aviation Limited	59	18
2	Airworks Kenya Limited	39	12
3	Safarilink Aviation Limited	107	32
4	Skymax Aviation Limited	46	14
5	DAC Aviation Limited	111	33
6	Lady Lori Limited	41	12
	Total	403	121

Source: (Researcher, 2019)

3.5 Data Collection Method

The collection of data in research is important since it provides reliable and true information from which research conclusions can be made (Kombo & Delno, 2011). The tool for data collection in this study was a questionnaire. As noted by Kombo & Delno, (2011) a questionnaire is a preferred research tool since it allows a research to collect a lot

of data within a limited time frame; it also gives the participants to provide true and anonymous data. A questionnaire was designed to be used by the employees chosen who belonged to the aviation organizations. It was made up of close ended questions. The questions asked which sought comprising of the top, middle and lower level staff were clear and written in such a way that they could be understood easily. The research tool was essential for this study as it gave the research reliable data to be used in answering the research questions. The researcher personally supplied the research questionnaires where he ensured that all the top, middle and lower level staff participated. In this case, the researcher used the drop and pick later method to give the respondents ample time. The sampled respondents were given up to 4 days to respond.

3.6 Data Analysis

Data collected in this study was analysed via quantitative approach and assembled to form the final findings and interpretations. Data gathered quantitatively from various close-ended questions was classified into various categories and analysed. The responses were further coded by allocating identifiable symbols, figures numerical or other signs (Creswell, 2009). The SPSS program Version. 22.0 was used as the main statistical tool of calculating the expected parameters. Descriptive statistics revolve around charts, graphs as well as the frequency percentages were utilized in measuring the central tendencies and reporting the data assembled from the findings extracted from the close-ended items. Besides, inferential statistics like regression analysis other forms of analysis such as ANOVA, regression and correlation were also used.

3.6.1 Correlation Analysis

Correlation analysis is a statistical tool that is applied while determining the degree of linkage between two variables (Cooper & Schindler, 2008). This analysis has been regarded as the initial step while developing statistical models that are aimed at establishing the associations or relationships among various independent variables. Upon developing the correlation matrix that is used to analyze the association among the independent variables and helping in developing a predictable multiple models, the

researcher will carry out a multiple regression analysis. Correlation analysis helps to identify any possibility of Multi-collinearity. A correlation value of 0 illustrates that there is no possibility of any association between any two independent variables. Further, if the correlation index is ± 1.0 it shows that there is a negative or a positive association among the variables (Hair *et al.*, 2010). The values were interpreted between negative 1 and positive 1, where $-ve 1$ represents a negative perfect relationship, 0 represents lack of relationship among the variables while $+1$ will illustrate a perfect positive relationship. The association will be regarded as weak when r ranges between ± 0.1 to ± 0.29 , medium when r ranges between ± 0.3 to ± 0.49 , and strong when r is ± 0.5 and above.

3.6.2 Multiple Regression Analysis

To test if there existed a significant association between the variables informed the researcher to conduct multiple regression analysis which helps to deduce the existing association between the study's dependent variable and one or more independent variables (Hair *et al.*, 2010). This study will employ a multiple linear regression analysis using firm size, corporate culture, legal and regulatory policies, management structures as the independent variables and performance of aviation industry in Kenya as the dependent variable respectively.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$, where,

Y = Performance of existing M&A in the aviation industry in Kenya

β_0 = Intercept

X_1 = Firm Size

X_2 = Corporate Culture

X_3 = Legal and Regulatory Policies/Compliance

X_4 = Management Structure

$\beta_1, \beta_2, \beta_3$ and β_4 are the coefficients of the regression

ε = the error Term

3.7 Research Quality

According to Donald (2006) a pilot study, is a pre-test research carried out in small scale to assess time, feasibility, cost, and difficult scenarios and also to allow improvement on the validity and reliability of the research before the main study can be conducted. A pre-test is a small scale version of the intended study carried out to filter and improve the

methodology techniques, such as the instruments and data collection processes (Burns & Grove, 2009). A pilot study constituted 10 staff from DAC Aviation Limited who were requested to participate.

3.7.1 Validity of the Instruments

Mugenda and Mugenda (2010) defined validity as the accurateness of inferences provided by the findings of the study. Validity is the extent to which the findings got from the analyzed data representing the phenomenon under review. To ensure the research tool was valid, the opinion of the supervisors and experts in the area of research was sought in regard to the instrument of research. The researcher consulted the supervisor in Strathmore University Business School to reliably guide the researcher to develop valid instruments with regard to the face validity, construct validity and content validity. Construct validity shows the viability of the test how it measures up to its targets. Face validity pertaining to the attractiveness and appeal to the eyes of the tools.

3.7.2 Reliability of the Instruments

Bonett and Wright (2015) define reliability as the extent to which a research tool provides consistent findings after more than one trial. A test-retest technique was used for testing reliability where the same measure was used in similar participants at different times. This was done after a difference of one or more weeks. Respondents constituted 10 staff from DAC Aviation Limited. These were not required to participate in the actual study. This is based on the fact that the staff working in the said firm which is a merger and/or acquisition has the same characteristics with the ones working in the other aviation firms. The instruments were administered and repeated to the same participant after a week. Correlation Co-efficient (r) between the scores of the questionnaires administered was calculated. Cronbach's alpha measures internal consistency or the extent of relationship among different items in a group. It also quantifies scale reliability. Bonett & Wright (2015) recommend that a coefficient of 0.7 and above is acceptable for any academic research. In this case, all Cronbach values obtained were above 0.7.

3.8 Ethical Considerations

Neumann (2013) defined ethical considerations as ways of conduct that are acceptable in a given study or profession. Ethics as a branch of philosophy is related to a person's conduct that guides them to behave the way they do. The researcher took into account three research considerations; ethical issues that have to do with subjects of the study and ethical issues that dealt with the research process. A research permit from the National Commission for Science, Technology and Innovation (NACOSTI) was obtained to help with the study. An introduction letter as well as a clearance was obtained from the Ethical Review Body of Strathmore University Business School and permission from the aviation firms all of which accompanied the questionnaires. The researchers upheld high ethical and integrity standards especially when dealing with human subjects.

The respondents were briefed on the data the researcher needed from them, why this data was necessarily, the way it would be use, how the respondents should become part of the research and how the findings would impact on them. In this study, the researcher never misused any power over the subjects; whether intellectual, legal, expertise or authority to ask the research subjects to perform activities that could put them in trouble or stigmatize them. Respondents were made aware that the study was for academic purposes only and that their anonymity was guaranteed. The identity of the individual was not disclosed which means that actual names or pseudo names will also not be used. The researcher used other ways to code the instruments without asking for the respondents' names or other identifying information.

The researcher avoided physical or psychological harm by deviating from using embarrassing queries, showing shock or disgust during data collection, forcing the participants or using threats when asking questions in an attempt to cause anxiety and fear among respondents. In addition, respondents were not forced to remember any unpleasant occurrences against their will that could cause resentment or discomfort.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

This chapter presents the data analysis, interpretation and presentation of findings on employees' perception on the factors influencing the performance of the target mergers and acquisitions in the aviation industry in Kenya. The analysis was presented in the order of the specific objective. The SPSS program was used in the computation of the results.

4.2 Response Rate

The below Table 4.3 shows the response rate of the study as computed based on the from the respondents who participated.

Table 4.3: Response Rate

Responses	Frequency	Percentage
Responded	107	88
Not responded	14	12
Total	121	100

The researcher supplied a total of 121 questionnaires to the respondents. According to the results displayed in the Table 4.3 above, a total of 107 filled in the questionnaires whereas 14 of them never filled in or the questionnaires they were supplied with were returned in faulty mode and were never used in the analysis. The response rate in this case was 88% which is enough rate to make inferences as pointed out by Mugenda and Mugenda (2010) that an adequate response rate should be 75% of 75% or above is adequate for an academic research.

4.3 General information of the respondents

4.3.1 Gender of Respondents

The study wanted to find out the gender of the respondents. On this question, the results indicated that 63% of the respondents were male whereas 37% were female. This was an implication that the researcher avoided as much as possible to avoid gender bias. The results on gender of respondents are also as shown in the Figure 4.2 below;

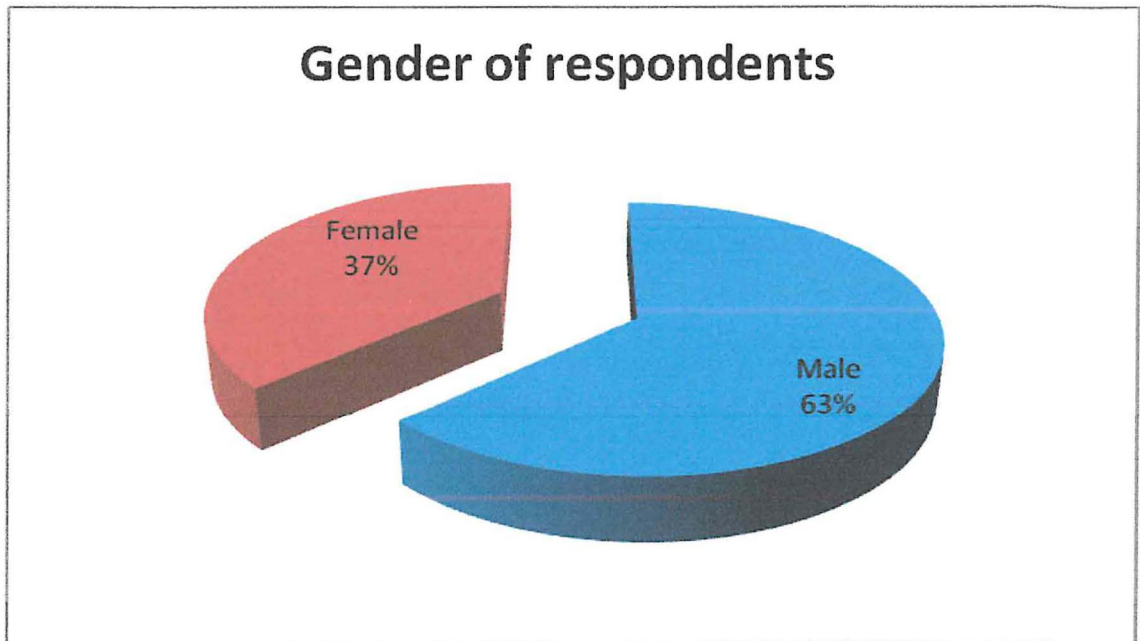


Figure 4.2: Gender of Respondents

4.3.2 Highest Level of Education of Respondents

The researcher wanted to establish the highest level of education of respondents in the targeted aviation firms in Kenya. According to the findings 47% of the respondents were graduates with a University level of education, 43% had College certificates whereas the rest as shown by 10% had Secondary level education respectively. This shows that the sampled respondents were in a position to well understand the questions asked by the researcher. The results are also displayed in the figure below.

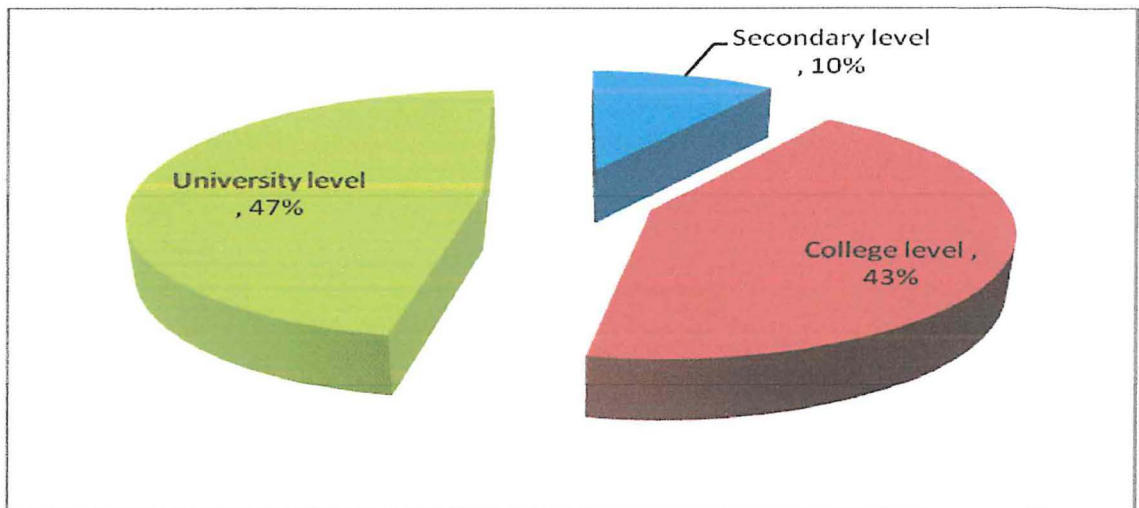


Figure 4.3: Highest level of Education of Respondents

The researcher wanted to deduce the age bracket of the participants as can be seen in the Table 4.4 below.

Table 4.4: Age Bracket of Respondents

Age bracket of Respondents	Frequency	Percentage
21 to 30 years	23	21
31 to 40 years	55	51
41 - 50 years	21	20
Over 50 years	8	7
Total	107	100

According to the findings, most of the participants as shown by 51% were aged between 31-40 years, 21% said 21-30 years, 20% said 41-50 years whereas only 7% who said that they were aged above 50 years respectively. It implied that most of the staff sampled and took part in the study were middle aged.

4.3.3 Duration staff had worked for their organization

The researcher wanted to deduce the duration respondents had worked for their organization. According to the findings, the researcher established that 43% of the respondents had worked in the organization for a period of 2-3 years, 32% said 3-4 years, 16% said 1-2 years whereas 9% said that they had worked in the organization for a period

of 5 years or above. This implied that most of the staff in the targeted aviation firms had worked for the organizations for an ample period giving them experience towards the issues affecting the performance. The results on duration are as shown in the Figure 4.5 below;

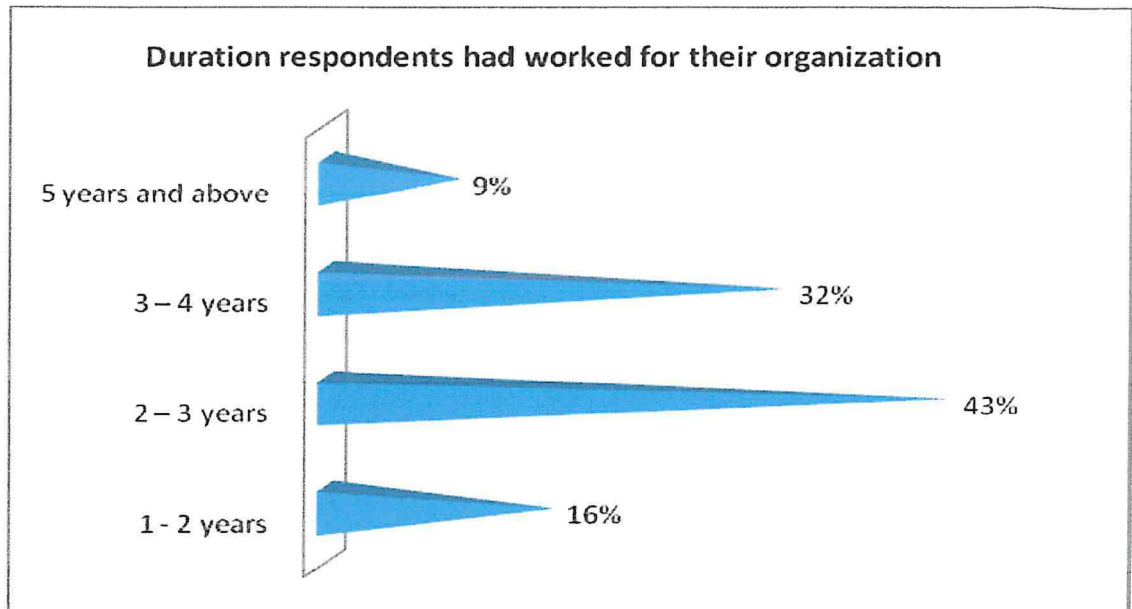


Figure 4.4: Duration Respondents had worked for their Organization

4.4 Firm Size and Performance of Mergers and Acquisitions in Aviation Industry

The section below present’s findings related to influence of firm size on performance of Mergers and Acquisitions in Aviation Industry in Kenya.

4.4.1 Respondent’s extent of satisfaction on the influence of firm size on the performance of their M&A in the recent past

The study wanted to establish the respondent’s extent of satisfaction on the influence of firm size on the performance of their organization in the recent past. According to the results displayed in the Figure 4.5 below, 52% of the participants showed that they were satisfied on the influence of firm size on the performance of their organization in the recent past; 20% were very satisfied, 13% were dissatisfied, 13% were undecided

whereas 2% said that they were very dissatisfied on the influence of firm size on the performance of their M&A in the recent past.

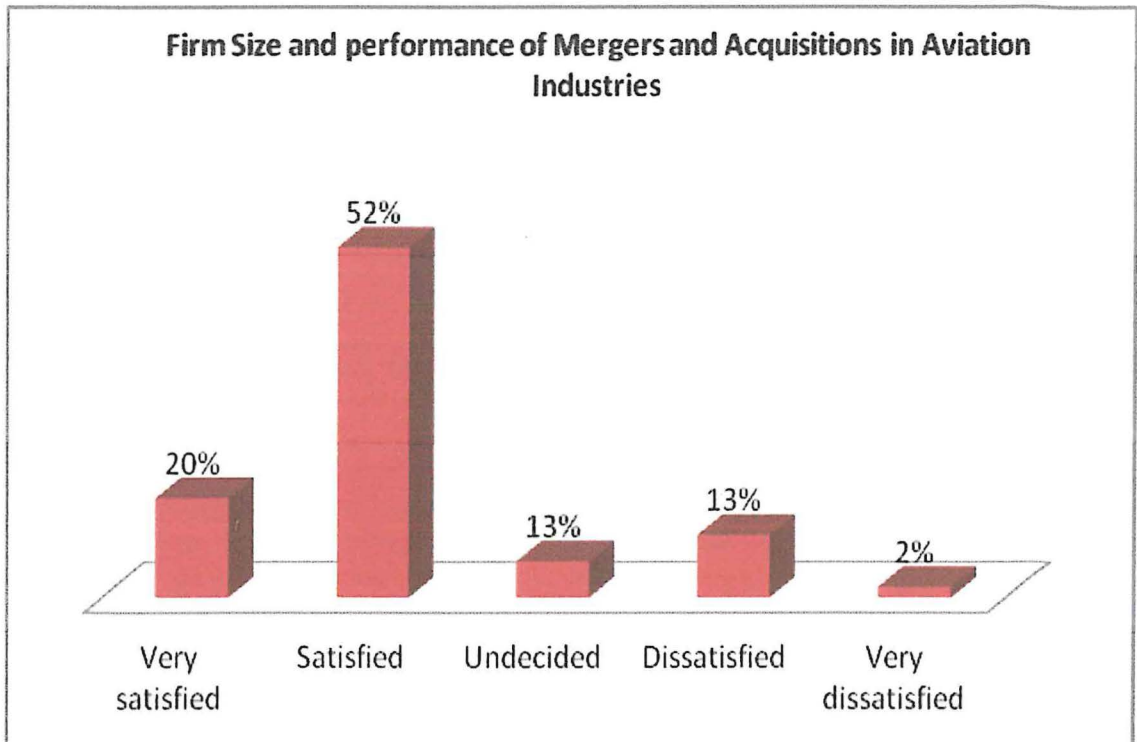


Figure 4.5: Firm Size and performance of Mergers and Acquisitions in Aviation Industry

Table 4.5: Respondents level of agreement on the following statements that regards to the influence of firm size on the performance of the organization

Statements	Strongly agree	Agree	Moderately agree	Disagree	Strongly disagree	Mean scores	Std. dev
There has been an increase in the number of our firms outlet in the recent past	29	70	0	1	0	2.73	.0733
I am aware that there are a series of product diversity potential consumers enjoy since the merger and/or acquisition	16	69	15	0	0	2.99	.0869
I am aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses.	24	66	4	3	3	2.80	.1788
The management understands and resolves well on firm size issues in this organization	10	39	26	23	2	3.58	.0935
This aviation firm does not always enjoy superior economies of scope and scale and usually face a better post-acquisition process.	22	38	23	10	7	3.07	.0810
There is a policy that guides the activities related to firm size adopted by this organization which ensures the overall performance	11	86	1	1	1	2.90	.0919

The Table 4.5 above depicts findings on the respondents' level of agreement on the following statements that regards to the influence of firm size on the performance of the organization. According to the findings, most of the participants were in agreement that; there has been an increase in the number of firms' outlet in the recent past as shown by 70%, the staff are aware that there are a series of product diversity potential consumers enjoy since the merger and/or acquisition as shown by 69%, the staff were aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses as shown by 66%, the management understands and resolves well on firm size issues in the organization as shown by 39%, the aviation firm do not always enjoy superior economies of scope and scale and usually face a better post-acquisition process as shown by 38% and that; there is a policy that guides the activities related to

firm size adopted by this organization which ensures the overall performance as shown by 86% respectively.

4.5 Corporate Culture and Performance of Mergers and Acquisitions in Aviation Industry

The section below present's findings related to influence of corporate culture on performance of Mergers and Acquisitions in Aviation Industry in Kenya.

4.5.1 Respondents' extent of satisfaction on influence of corporate culture on the performance of their M&A in the recent past

The researcher wanted to find out the respondents' extent of satisfaction on influence of corporate culture on the performance of their M&A in the recent past. According to the findings displayed in the Figure 4.6 below, 63% said that they were satisfied by the influence of Corporate Culture on Performance of Mergers and Acquisitions in Aviation Industries, 20% were very satisfied, 5% undecided, 10% dissatisfied, 3% said they were very dissatisfied respectively.

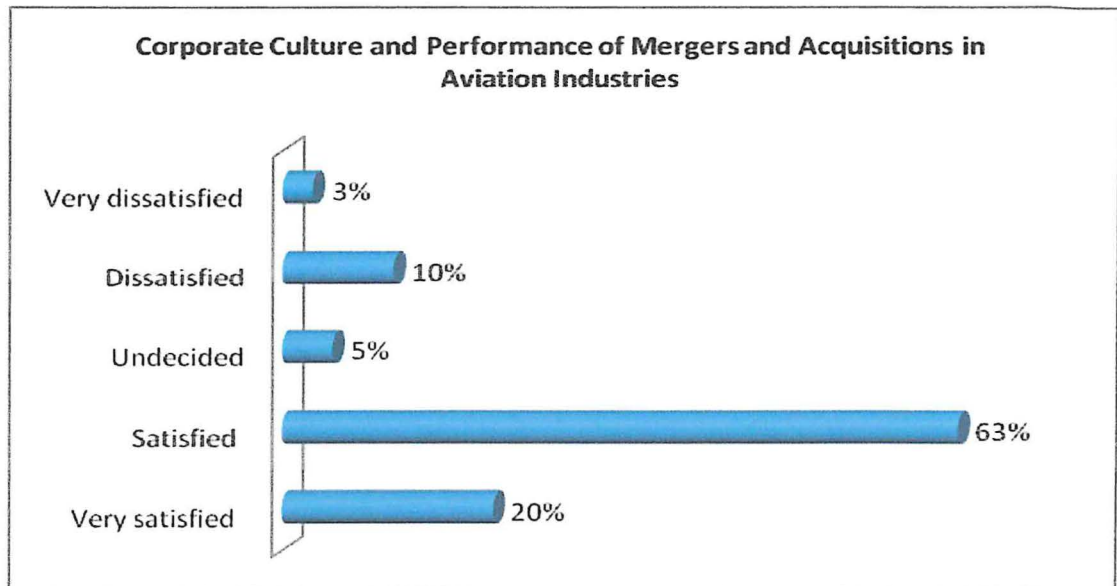


Figure 4.6: Corporate Culture and Performance of Mergers and Acquisitions in Aviation Industry

The researcher sought to determine the level of agreement of the participants to statements that regarded to the influence of corporate culture on the performance of their M&A.

Table 4.6: Respondents level of agreement on statements that regards to the influence of corporate culture on the performance of the organizations

Statements	Strongly agree	Agree	Moderately agree	Disagree	Strongly disagree	Mean scores	Std. dev
The shared norms as well as the beliefs have helped this firm to stand at a good position in the aviation industry in Kenya	8	90	1	1	0	2.95	.0120
This organization have shared values and assumptions which are well articulated in the strategic plan being implemented	13	50	35	1	1	3.22	.1023
The management understands and resolves well on corporate culture issues in this organization	11	49	38	1	1	3.27	.2033
The management in this aviation firm is responsible to the harmonization of different types of cultures	7	77	12	2	2	3.05	.1110
There is a policy that guides the activities related to corporate culture adopted by this organization which ensures the overall performance	10	76	10	2	2	3.00	.0022

The results indicate that majority of the participants agreed that; the shared norms as well as the beliefs have helped their firm to stand at a good position in the aviation industry in Kenya as shown by 90%, this organization have shared values and assumptions which are well articulated in the strategic plan being implemented as shown by 50%, the management understands and resolves well on corporate culture issues in this organization as shown by 49%, the management in their aviation firm is responsible to

the harmonization of different types of cultures as shown by 77% and that; there is a policy that guides the activities related to corporate culture adopted by their organization which ensures the overall performance as shown by 76% respectively.

4.6 Legal & Regulatory Policies and Performance of Mergers and Acquisitions in Aviation Industry

The section below present's findings related to influence of Legal & Regulatory Policies on performance of Mergers and Acquisitions in Aviation Industry in Kenya.

4.6.1 Respondents' extent of satisfaction on the influence of legal and regulatory policies on the performance of their M&A in the recent past

The researcher wanted to find out the respondents' extent of satisfaction on the influence of legal and regulatory policies on the performance of their M&A in the recent past. According to the findings in Figure 4.7 below, 50% of the respondents said that they were satisfied on the influence of legal and regulatory policies on the performance in the recent past, 18% said very satisfied, 16% were undecided, 15% dissatisfied whereas 2% said that they were very dissatisfied respectively.

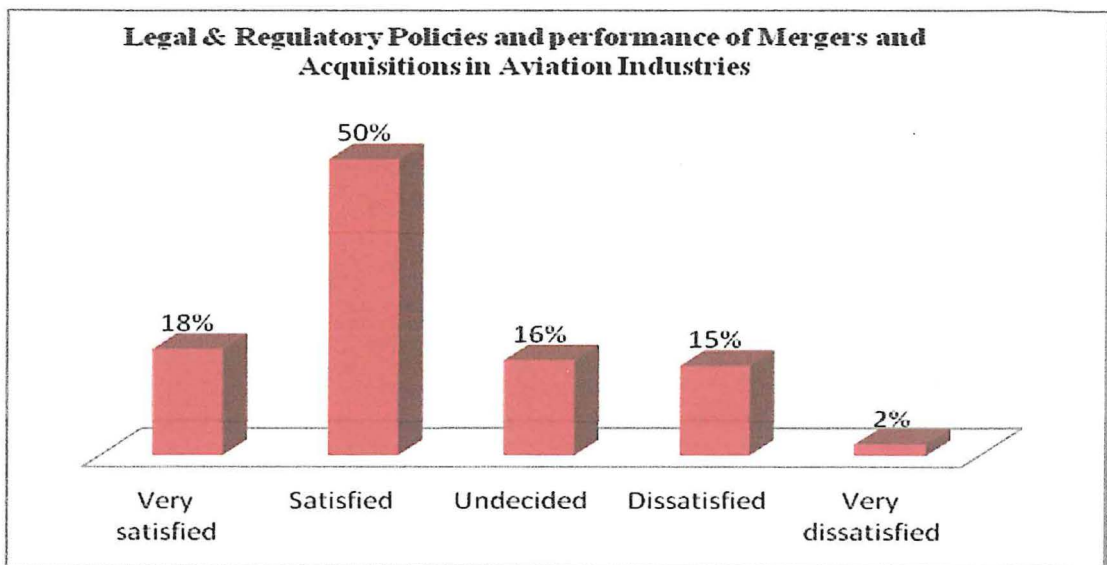


Figure 4.7: Legal & Regulatory Policies and performance of Mergers and Acquisitions in Aviation Industry

The Table 4.7 depicts findings on the respondents' level of agreement on statements that regards to the influence of legal and regulatory policies on the performance of their M&A.

Table 4.7: Respondents level of agreement on statements that regards to the influence of legal and regulatory policies on the performance of their organization

Statements	Strongly agree	Agree	Moderately agree	Disagree	Strongly disagree	Mean score	Std. dev
The legal policies governing the operations of this firm are simple and understandable	11	88	1	0	0	2.90	0.190
The government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm.	15	84	1	0	0	2.86	0.186
There has been a mutual understanding on contractual agreements legalities.	15	79	2	2	2	2.87	0.671
The management understands and resolves well on legal and regulatory policies in this organization.	18	70	12	0	0	2.94	0.194
There are no cases of disagreement between this firm and the government requirements towards regulatory requirements as articulated in the KCAA.	24	66	4	6	0	2.92	0.322
There is a policy that guides the activities related to legal and regulatory policies adopted by this organization which ensures the overall performance.	24	64	7	2	3	2.81	0.081

According to the results displayed, most of the participants were in agreement that; the legal policies governing the operations of their firm are simple and understandable as shown by 88%, the government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm as shown by 84%, there has been a mutual understanding on contractual agreements legalities as shown by 79%, the management understands and resolves well on legal and regulatory policies in this organization as shown by 70%, there are no cases of disagreement between this firm and the government requirements towards regulatory requirements as articulated in the

The researcher wanted to establish the respondent's level of agreement on statements related to the influence of management structure on the performance of their M&A as shown in the Table 4.8 below;

Table 4.8: Respondent's level of agreement on statements related to the influence of management structure on the performance of their organization

Statements	Strongly agree	Agree	Moderately agree	Disagree	Strongly disagree	Mean score	Std. dev
There is an adequate management structure in place in this firm that articulates on the operations of employees	6	88	2	2	2	2.96	.0196
The management structure categorization is effective defining each role of the staff in the M&A	16	74	10	0	0	2.94	.0869
I have experienced challenges associated with the division of roles/duties by top management in this organization.	23	66	10	1	0	2.89	.0798
The management understands and resolves well on management structure issues in this organization	10	82	4	2	2	2.94	.19294
New or hired employees are able to adjust or modify their activities through learning	11	79	10	0	0	2.99	.0919
There is a policy that guides the activities related to management structure adopted by this organization which ensures the overall performance	20	69	10	1	0	2.92	.0829

The Table 4.8 above depicts findings on respondent's level of agreement on statements related to the influence of management structure on the performance of their organization. According to the findings, most of the participants were in agreement that; there is an adequate management structure in place in this firm that articulates on the operations of employees as shown by 88%, the management structure categorization is effective defining each role of the staff in the M&A as shown by 74%, the staff have

experienced challenges associated with the division of roles/duties by top management in this organization as shown by 66%, the management understands and resolves well on management structure issues in this organization as shown by 82%, new or hired employees are able to adjust or modify their activities through learning as shown by 79% and that there is a policy that guides the activities related to management structure adopted by this organization which ensures the overall performance as shown by 69% respectively.

4.8 Performance of Aviation Firms

The researcher wanted to establish the respondents view on the extent to which some performance measures been enhanced in the Targeted existing M&A in the aviation sector in the recent past.

Table 4.9: To what extent has the following performance measures been enhanced in the organization in the recent past

Performance measures	Very great extent	Great extent	Moderate extent	Little extent	Very little extent	Mean score	Std. dev
Increased Profitability	1	32	56	6	5	3.57	102.57
Reduced Costs	7	34	45	11	3	3.54	96.54
Customers Satisfaction	11	23	46	19	1	3.71	92.71
Improved Management Quality	22	19	57	2	0	3.39	81.39
Increased Asset Base	4	17	60	15	4	3.78	99.78
Improved Capital Adequacy	14	19	44	13	10	3.36	89.36
Increased Number of Staff	23	33	34	5	5	3.11	80.11
Increased Number of Customers	3	38	43	16	0	3.72	100.72
Increased Number of Flights	2	34	51	12	1	3.71	101.71

According to the findings displayed in the Table 4.9 above, most of the participants were in agreement that there has been moderate increase; profitability, reduced costs,

customers' satisfaction, improved management quality, increased asset base, improved capital adequacy, increased number of staff, increased number of customers and increased number of flights as shown by 56%, 45%, 46%, 57%, 60%, 44%, 34%, 43% and 51% respectively.

4.9 Perception of Factors influencing the Performance of Existing M&A in the Aviation Industry in Kenya

4.9.1 Results Based On Model of Estimation

The table below presents the model of estimation on the relationship between the studied variables.

Table 4.10: Model of Estimation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.997 ^a	.994	.993	.08978	.994	3437.1	3	3	.000

a. Predictors: (Constant), Firm size, Corporate culture, Legal & Regulations Policies and Management Structure

b. Dependent Variable: Performance of existing M&A in the aviation sector in Kenya

Adjusted R squared is coefficient of determination that shows the changes in the dependent variable as a result of variations in the independent variables. As can be seen from the above Table 4.10, the adjusted R value was at 0.993, showing a change of 99.3% on dependent variable. This indicates that the model was a good fit in Firm Size, Corporate Culture, Legal & Regulatory Policies and Management Structure. In addition, the adjusted multiple coefficient of determination of 0.993 indicates the high joint impact of the explanatory variables. It means that 99.3% of changes in performance of existing M&A are explained by the changes in firm size, corporate culture, legal & regulatory policies and management structure whereas 0.7% of changes in performance of existing M&A in the aviation sector in Kenya are explained by other factors such as location and

demographic factors among others. This can be confirmed by the high figure of F value of 3437.1 which implies a high joint explanatory ability.

4.9.2 Results based on ANOVA test

The section below presents the Analysis of Variance (ANOVA)

Table 4.11: Analysis of Variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	166.214	5	27.702	3437.147	.000 ^b
	Residual	1.072	133	.008		
	Total	167.286	139			
a. Dependent Variable: <i>Performance of existing M&A</i>						
b. Predictors: <i>(Constant), Firm Size, Corporate Culture, Legal & Regulatory Policies and Management Structure</i>						

The findings of the ANOVA are as shown in the above Table 4.11. The p-value was at 0.000 which is lower than 0.05. from the regression analysis findings the model was significant when it comes to predicting the performance of existing M&A at 95% confidence level based on predictor variables firm size, corporate culture, legal & regulatory policies and management structure.

4.9.5 Correlations among the various factors influencing performance of existing M&A in the Aviation Industry in Kenya

The Table 4.15 below presents the correlations among the various factors influencing performance of existing M&A in the aviation industry in Kenya.

Table 4.12: Pearson Coefficient Correlations

		Firm size	Corporate culture	Legal and regulatory policies	Management structure
Firm size	Pearson Correlation	1	.241**	.386**	.359**
	Sig. (2-tailed)		.004	.000	.000
	N	107	107	107	107
Corporate culture	Pearson Correlation	.241**	1	.486**	.441**
	Sig. (2-tailed)	.004		.000	.000
	N	107	107	107	107
Legal & Regulatory Policies	Pearson Correlation	.386**	.486**	1	.927**
	Sig. (2-tailed)	.000	.000		.000
	N	107	107	107	107
Management Structure	Pearson Correlation	.359**	.441**	.927**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	107	107	107	107

** Significance level at 95% Level of Confidence

The researcher used Pearson's correlation coefficient test at alpha level 0.05 to determine the relationship between each of the independent variables (Firm size, Corporate Culture, Legal & Regulatory Policies and Management Structure). Table 4.15 indicates a significant association among the study's independent variables Firm Size, Corporate Culture, Legal & Regulatory Policies and Management Structure ($r=0.750$, $P=0.000$). Correlation analysis done also indicates a significant association at the 0.05 level (2-tailed).

4.9.6 Regression model on factors influencing Performance of existing M&A in the Aviation Industry in Kenya

The Table 4.13 below presents the combined regression model on factors influencing Performance of existing M&A in the Aviation Industry in Kenya.

Table 4.13: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.752	.024		154.661	.010
Firm size	.899	.009	1.226	99.883	.000
Corporate culture	.002	.003	.006	.708	.040
Legal and regulatory policies	2.580	.032	3.489	81.314	.012
Management structure	1.100	.032	4.688	7.736	.030

a. Dependent Variable: *Performance of existing M&A in the Aviation Sector in Kenya*

As shown in the Table 4.13, the regression equation model for the study was of the form; $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ where Y = Dependent variable (Performance of existing M&A in the Aviation Sector in Kenya), β_0 = Constant (The intercept of the model), β = Coefficient of the X variables (independent variables), X_1 = firm size, X_2 = corporate culture, X_3 = legal and regulatory policies, X_4 = management structure. The figures in the above table were generated through the use of SPSS data analysis and established the following regression equation; $Y = 3.752 + 0.899X_1 + 0.002X_2 + 2.580X_3 + 1.100X_4$. The study found that when independent variables (X_1 = firm size, X_2 = corporate culture, X_3 = legal and regulatory policies, X_4 = management structure) were kept constant at zero, Performance of existing M&A in the Aviation Sector in Kenya will be at

3.752. A rise by a unit in firm size will result to a rise in Performance of existing M&A in the Aviation Sector in Kenya by a factor of 0.899; a rise by a unit in corporate culture will result to a rise in Performance of existing M&A in the Aviation Sector in Kenya by a factor of 0.002, a rise by a unit in legal and regulatory policies will result to a rise in Performance of existing M&A in the Aviation Sector in Kenya by a factor of 2.580, while a rise by a unit in management structure will lead to increase in Performance of existing M&A in the Aviation Sector in Kenya by a factor of 1.100. The Table 4.13 also shows that the X variables (independent variables), X_1 = firm size, X_2 =corporate culture, X_3 = legal and regulatory policies, X_4 = management structure with Y= Performance of existing M&A in the Aviation Sector in Kenya were significant at 5% level of significance and 95% level of confidence at .000, .040, .012 and .030 respectively.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The current chapter gives a summary of the research results, conclusions and recommendations on employees' perception of the factors influencing the performance of existing M&A in the aviation industry in Kenya. The objectives of the study was to investigate the influence of firm size on performance of existing M&A in the aviation industry in Kenya, to determine the influence of corporate culture on performance of existing M&A in the aviation industry in Kenya, establish the effects of legal and regulatory compliance on performance of existing M&A in the aviation industry in Kenya and to find out the influence of management structure on performance of existing M&A in the aviation industry in Kenya.

5.2 Discussion of Findings

The section below presents the discussion of findings, conclusions and recommendations based on the objectives;

5.2.1 Firm Size and Performance of Mergers and Acquisitions in Aviation Industry

The first objective of this study was to establish the influence of firm size on performance of existing M&A in the aviation industry in Kenya. According to the results, 52% of the participants said that they were satisfied on the influence of firm size on the performance of their M&A in the recent past. The outcome show that most of the participants agreed that; there has been an increase in the number of the firms' outlet in the recent past shown by 70%, the staff are aware that there are a series of product diversity potential consumers enjoy since the merger and/or acquisition shown by 69%, the staff were aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses as shown by 66%, the management understands and resolves well on firm size issues in the organization as shown by 39%, the aviation firm do not always enjoy superior economies of scope and scale and usually face a better post-

acquisition process as shown by 38% and that; there is a policy that guides the activities related to firm size adopted by this organization which ensures the overall performance as shown by 86% respectively. Research indicated in the literature by Borenstein (2010) is consistent with the findings for it put more emphasis on the need for economies of scale and how to improve efficiencies in organizations. Gorton, Kahl & Rosen (2009) provides evidence that in an industry with firms of same size, anticipation of value that increase mergers opportunities leads to defensive acquisitions. The literature adds that data from past research by Gorton, Kahl & Rosen (2009) shows that relative firm size determines the way firms react to economic shock. Larger sized aviation firms have more resources, enjoy more economies of scale and should experience a better post-acquisition process. Their growth leads to increased goodwill and more profits. Therefore, they are an attractive choice when it comes to M&A processes. A year after a merger, it is expected that large aviation firms will have better M&A results compared to smaller aviation firms (Beccalli & Frantz, 2013).

5.2.2 Corporate Culture and Performance of Mergers and Acquisitions in Aviation Industry

The second objective was to establish the influence of corporate culture on performance of Mergers and Acquisitions in aviation industry in Kenya. On this, the study found out that 63% of the respondents said that they were satisfied by the influence of corporate culture on performance of their Mergers and Acquisitions in the recent past. The outcome of the research indicated that most of the participants agreed that; the shared norms as well as the beliefs have helped their firm to stand at a good position in the aviation industry in Kenya as shown by 90%, this organization have shared values and assumptions which are well articulated in the strategic plan being implemented as shown by 50%, the management understands and resolves well on corporate culture issues in this organization as shown by 49%, the management in their aviation firm is responsible to the harmonization of different types of cultures as shown by 77% and that; there is a policy that guides the activities related to corporate culture adopted by their organization which ensures the overall performance as shown by 76% respectively. The results agree

with the literature by Selart and Schei (2011) who according to their findings reported that 70% of change in the firm is not successful due to the culture of the organization. The authors asserted that reason behind this is that the culture and structure of the firm showed an imprint of past periods in persistent and high levels of inertia. A change in culture may be needed to reduce the turnover rates in the firm, change the behavior of workers, improve the achievement of goals, improve customer satisfaction levels, provide quality customer service, change the firm objectives, improve the firm growth and achieve better firm performance. Culture can be seen in the means by which people set goals, perform activities and use the needed resources to achieve their goals. Culture also impacts the way people perform their responsibilities, act and perceive opportunities and threats that impact the firm. The findings of Adkins and Caldwell (2004) indicate that there was a favorable association between job satisfaction and the extent to which employees felt they fitted in the culture and subculture of where they were employed. The same as the findings in this research, Weber and Tarba (2011) carried out a case study on acquisition of German exemplified post-merger integration aspects that arise due to culture clash among the amalgamating firms in the high-tech sector where they found that corporate culture distance promotes firm integration which improves firm financial performance.

5.2.3 Legal & Regulatory Policies and Performance of Mergers and Acquisitions in Aviation Industry

The third objective was to investigate the influence of Legal & Regulatory Policies and Performance of Mergers and Acquisitions in aviation industry in Kenya. According to the findings, 50% of the respondents said that they were satisfied on the influence of legal and regulatory policies on the performance of their M&A in the recent past. According to the results displayed, most of the participants were in agreement that; the legal policies governing the operations of their firm are simple and understandable as shown by 88%, the government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm as shown by 84%, there has been a mutual understanding on contractual agreements legalities as shown by 79%, the

management understands and resolves well on legal and regulatory policies in this organization as shown by 70%, there are no cases of disagreement between this firm and the government requirements towards regulatory requirements as articulated in the KCAA as shown by 66% and that there is a policy that guides the activities related to legal and regulatory policies adopted by this organization which ensures the overall performance as shown by 64% respectively. The results on regulation and optimized satisfaction among the sampled participants concur with the literature by Abeyratne (2011) that the motivation behind the regulation of this transport industry is to ensure the national flag carriers are protected which is the explanation behind how most countries react to the aviation industry liberalization. The results on positive influence of regulations agree with the literature by Andrade, Mitchell and Stafford (2011) who investigated impact of major deregulation in eight sectors and found that deregulation triggers takeover activities. According to them deregulation created new investments opportunities for the sector, it removes long-standing barriers on M&A which might have adversely affected the industry and lastly deregulation is well defined in the time and parties affected.

5.2.4 Management Structure and Performance of Mergers and Acquisitions in Aviation Industry

The last objective was to determine the influence of management structure and performance of Mergers and Acquisitions in aviation industry in Kenya. The study found out that 52% of the respondents were satisfied with the influence of Management Structure on Performance of their Mergers and Acquisitions in the recent past. The outcome of the research indicated that most of the participants agreed that that; there is an adequate management structure in place in this firm that articulates on the operations of employees as shown by 88%, the management structure categorization is effective defining each role of the staff in the M&A as shown by 74%, the staff have experienced challenges associated with the division of roles/duties by top management in this organization as shown by 66%, the management understands and resolves well on management structure issues in this organization as shown by 82%, new or hired

employees are able to adjust or modify their activities through learning as shown by 79% and that there is a policy that guides the activities related to management structure adopted by this organization which ensures the overall performance as shown by 69% respectively. The results agree with the literature by Atkinson, Schaefer and Viney (2000) which stated that management structure needs a clear policy for it acts as a guide in a firm as it provides the reporting structure that governs the firm workflow. The same literature asserted that when a firm has a well laid out structure, it is easier to add any created position in the firm and also it provides flexibility and room for growth. When there is no structure, workers struggle to know who is in charge and they are also at a loss on the people responsible for the different tasks in the firm. Atkinson, Schaefer and Viney (2000) findings added that an organization structure provides a clear way of doing things and guide for reporting which leads to enhanced operational efficiency. The balancing and improved satisfaction levels on management structure in the studied firms is supported by the literature by Galanter and Palay (1991) who reported in his findings that organizations in the aviation industry have differing structure arrangements. The leverage ratio which is the associates number divided by the partner's number is an important component in the service industry. This ratio is related to the competition degree, division of labor and the possibility of getting a promotion among the associates. The literature says that if these are balanced and division of tasks well distributed, then employees feel satisfied and able to work well to meet the aviation firms' overall performance goals (Starbuck, 1992).

5.3 Conclusions

5.3.1 Firm Size and Performance of Mergers and Acquisitions in Aviation Industry

On the first objective, the study concluded that there was a positive significant relationship between firm size (independent variable) and performance of the existing M&A in the aviation industry in Kenya (dependent variable). The study concluded that most staff were satisfied on the influence of firm size on the performance of their M&A in the recent past. The study concluded that; there has been an increase in the number of our firms outlet in the recent past, the staff are aware that there are a series of product

diversity potential consumers enjoy since the merger and/or acquisition, the staff were aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses, the management understands and resolves well on firm size issues in the organization, the aviation firm do not always enjoy superior economies of scope and scale and usually face a better post-acquisition process and that; there is a policy that guides the activities related to firm size adopted by this organization which ensures the overall performance of the aviation firms.

5.3.2 Corporate Culture and Performance of Mergers and Acquisitions in Aviation Industry

On the second objective, the study concluded that there was a positive significant relationship between corporate culture (independent variable) and performance of the existing M&A in the aviation industry in Kenya (dependent variable). The study concluded that the staff that were satisfied by the influence of Corporate Culture on Performance of their Mergers and Acquisitions in the recent past. The study further concludes that; the shared norms as well as the beliefs have helped their firm to stand at a good position in the aviation industry in Kenya, their organization have shared values and assumptions which are well articulated in the strategic plan being implemented, the management understands and resolves well on corporate culture issues in this organization, the management in their aviation firm is responsible to the harmonization of different types of cultures and that; there is a policy that guides the activities related to corporate culture adopted by their organization which ensures the overall performance of a given aviation firm in Kenya

5.3.3 Legal & Regulatory Policies and performance of Mergers and Acquisitions in Aviation Industry

On the third objective, the study concludes that there was a positive significant relationship between legal and regulatory policies (independent variable) and performance of the existing M&A in the aviation industry in Kenya (dependent variable). The study concluded that the staffs were satisfied on the influence of Legal and

Regulatory Policies on the performance of their M&A in the recent past. The study further concluded that; the legal policies governing the operations of their firm are simple and understandable, the government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm, there has been a mutual understanding on contractual agreements legalities, the management understands and resolves well on legal and regulatory policies in this organization, there are no cases of disagreement between this firm and the government requirements towards regulatory requirements as articulated in the KCAA and that there is a policy that guides the activities related to legal and regulatory policies adopted by this organization which ensures the overall performance of a given aviation firm in Kenya.

5.3.4 Management Structure and Performance of Mergers and Acquisitions in Aviation Industry

On the last and fourth objective, the study concluded that there was a positive significant relationship between influence of management structure (independent variable) and performance of the existing M&A in the aviation industry in Kenya (dependent variable). The study concluded that the staff in the aviation firms were satisfied with the influence of Management Structure on Performance of their Mergers and Acquisitions in the recent past. The researcher concluded that; there is an adequate management structure in place in this firm that articulates on the operations of employees, the management structure categorization is effective defining each role of the staff in the M&A, the staff have experienced challenges associated with the division of roles/duties by top management in this organization, the management understands and resolves well on management structure issues in this organization, new or hired employees are able to adjust or modify their activities through learning and that there is a policy that guides the activities related to management structure adopted by this organization which ensures the overall performance of a given aviation firm.

5.4 Recommendations

The study recommends that the management of the aviation firms offer training to the staff so as to let them understand well on the aspects of firm size that positively or negatively influence the overall performance of aviation firms they are in charge of. In this case, the staff will be in a position to keenly avoid the negativities associated with the firm size aspects as well as efficiently understands on how they can be well effected to enhance both financial and non-financial measures of the aviation firms they work for.

The study recommends that the managers of the targeted aviation firms continue with the motive of ensuring that corporate culture is enhanced in the organization. The study recommends that the managers take charge and ensure that the staff adopt one harmonized corporate culture as well as avoid the interference of different culture for this has been found to influence the performance of existing M&A' to a large extent. In this case, the management should ensure that they adopt a culture that is harmonized while at the same time reflecting good practices related to other cultures that employees are associated with. For example, managers should not block employees who want to engage in morning prayers because his/her culture is not oriented for that position.

On legal and regulatory policies, the study recommends that the government be informed that there are aspects that still do not please the aviation sector investors and stakeholders. For example, the recent requirements for the aviation firms to fly outside the Country/Kenya is not so pleasing to many given that all the aviation firms have to undergo Phase V re-certification. In such cases, the government needs to harmonize and ease on operational regulations while at the same time ensuring their security of the operators especially given that some of them are foreign owned.

The study calls for a harmonized structure in the existing M&A to an extent that there are no negative influences of related issues on overall performance of aviation firms in Kenya. The government and related policy makers need to review policies governing the management and operations of aviation firms in Kenya. For example, a policy or a regulation should be created and enacted by ministry of transport or the parliament that

compels the aviation firms to post/publish their financial results. In this case, potential and existing clients will be in a position to understand the performance of the aviation firms which help them make decisions on which operator to engage with on matters of transport.

5.5 Recommendation for further studies

The study recommends that further study be done to establish whether there are other factors that influence the overall performance of aviation firms in Kenya besides the ones studied. The study further recommends that more aviation firms outlets be included in a similar study to extrapolate on their views on the extent to which the studied factors among others influence the performance of each aviation firm in Kenya.

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APPENDICES

Appendix I: Letter of Introduction

Ismail Yakub

P.O Box 41052-00100

NAIROBI

Dear Respondent,

**RE: AN ASSESSMENT OF FACTORS INFLUENCING THE PERFORMANCE
OF EXISTING M&A IN THE AVIATION INDUSTRY IN KENYA**

I am a Masters student pursuing Masters in Business Administration at Strathmore University Business School. I am currently writing a thesis on “An Assessment of Employees’ Perception on Factors Influencing the Performance of Existing M&A in the Aviation Industry in Kenya”. I am visiting your reputable organization with the attached questionnaire seeking to gather information as pertains to the study. You are assured that the data you provide in this research tool will be of academic use only and that your identity will be treated with confidentiality. I will be grateful for your cooperation and active participation to this study.

Yours faithfully,

.....

Ismail Yakub

Appendix II: Questionnaire

Section A: General

1. Gender

a) Male []

b) Female []

2. Highest level of education

a) Secondary level []

b) College level []

c) University level []

d) Others specify

3. Kindly indicate your age bracket

a) 21 to 30 years []

b) 31 to 40 years []

c) 41 - 50 years []

d) over 50 years []

4. Kindly indicate how long have you been working in this organization

a) 1 - 2 years []

b) 2 – 3 years []

c) 3 – 4 years []

d) 5 years and above []

Factors influencing the performance of Mergers and Acquisitions in Aviation Industries

A. Firm Size

5. How satisfied are you with the influence of firm size on the performance of your organization in the last five years?

Very satisfied []

- Satisfied
- Undecided
- Dissatisfied
- Very dissatisfied

6. Kindly indicate your level of agreement on the following statements that regards to the influence of firm size on the performance of your organization. Rate where 1= Strongly Agree, 2 Agree, 3 Moderately Agree, 4 Disagree and 5 = Strongly Disagree

Statements	1	2	3	4	5
There has been an increase in the number of our firms outlet in the recent past					
I am aware that there are a series of product diversity potential consumers enjoy since the merger and/or acquisition					
I am aware of a series of associated benefits accruing from firm size especially in the spread of risks and other related expenses.					
The management understands and resolves well on firm size issues in this organization					
This aviation firm does not always enjoy superior economies of scope and scale and usually face a better post-acquisition process.					
There is a policy that guides the activities related to firm size adopted by this organization which ensures the overall performance					
Any other					

B. Corporate Culture

7. How satisfied are you with the influence of corporate culture on the performance of your organization in the last five years?

- Very satisfied
- Satisfied
- Undecided
- Dissatisfied

Very dissatisfied

8. Kindly indicate your level of agreement on the following statements with regards to the influence of corporate culture on the performance of your organization. Rate where 1= Strongly Agree, 2 Agree, 3 Moderately Agree, 4 Disagree and 5 = Strongly Disagree

Statements	1	2	3	4	5
The shared norms as well as the beliefs have helped this firm to stand at a good position in the aviation industry in Kenya					
This organization have shared values and assumptions which are well articulated in the strategic plan being implemented					
The management understands and resolves well on corporate culture issues in this organization					
The management in this aviation firm is responsible to the harmonization of different types of cultures					
There is a policy that guides the activities related to corporate culture adopted by this organization which ensures the overall performance					
Any other					

C. Legal and Regulatory Policies

9. How satisfied are you with the influence of legal and regulatory policies on the performance of your organization in the last five years?

Very satisfied

Satisfied

Undecided

Dissatisfied

Very dissatisfied

10. Kindly indicate your level of agreement on the following statements with regards to the influence of legal and regulatory policies on the performance of your

organization. Rate where 1= Strongly Agree, 2 Agree, 3 Moderately Agree, 4 Disagree and 5 = Strongly Disagree

Statements	1	2	3	4	5
The legal policies governing the operations of this firm are simple and understandable					
The government's requirements on level of adoption of legal policies are a serious hindrance towards the overall performance of this firm.					
There has been a mutual understanding on contractual agreements legalities					
The management understands and resolves well on legal and regulatory policies in this organization					
There are no cases of disagreement between this firm and the government requirements towards regulatory requirements as articulated in the KCAA.					
There is a policy that guides the activities related to legal and regulatory policies adopted by this organization which ensures the overall performance					
Any other					

D. Management Structure

11. How satisfied are you with the influence of management structure on the performance of your organization in the last five years?

Very satisfied

Satisfied

Undecided

Dissatisfied

Very dissatisfied

12. Kindly indicate your level of agreement on the following statements with regards to the influence of management structure on the performance of your organization. Rate

where 1= Strongly Agree, 2 Agree, 3 Moderately Agree, 4 Disagree and 5 = Strongly Disagree.

Statements	1	2	3	4	5
There is an adequate management structure in place in this firm that articulates on the operations of employees					
The management structure categorization is effective defining each role of the staff in the M&A					
I have experienced challenges associated with the division of roles/duties by top management in this organization.					
The management understands and resolves well on management structure issues in this organization					
New or hired employees are able to adjust or modify their activities through learning					
There is a policy that guides the activities related to management structure adopted by this organization which ensures the overall performance					
Any other					

E. Performance of Aviation Firms

13. To what extent has the following performance measures been enhanced in your organization in the recent past (1 = very great extent, 2= great extent, 3= moderate extent, 4= little extent, 5= no extent)

Performance measures	1	2	3	4	5
Increased Profitability					
Reduced Costs					
Customers Satisfaction					
Improved Management Quality					

Increased Asset Base					
Improved Capital Adequacy					
Increased Number of Staff					
Increased Number of Customers					
Increased Number of Flights					

THANK YOU FOR YOUR PARTICIPATION

Final Decision Certificate

This document certifies that the study:

**"THE EFFECTS OF MERGERS AND
ACQUISITIONS ON
FINANCIAL PERFORMANCE OF AVIATION
FIRMS IN
KENYA "**

Principal Investigator: Mr. YAKUB, ISMAIL ANWARALI

Reference number: SU-IERC0334/19

Was reviewed and received the following status:

"done"

Additional Comments: Final decision: approved

Comments sent: --

Reviewer #1:

'None required'

Appendix IV: NACOSTI Permit Letter



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Email: dg@nacosti.go.ke
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When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/19/44276/28931**

Date: **25th April, 2019**

Ismail Anwarali Yakub
Strathmore University Business School,
P.O. Box 59857 - 00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*The effects of mergers and acquisition on financial performance of aviation firms in Kenya*" I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **23rd April, 2020.**

You are advised to report to **the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a **copy** of the final research report to the Commission **within one year** of completion. The soft copy of the same should be submitted through the **Online Research Information System.**


GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.