THE IMPACT OF STRATEGIC MANAGEMENT ON MERGERS AND ACQUISITIONS IN A DEVELOPING ECONOMY: A CASE STUDY OF NESTLE AND LEVER BROTHERS PLC.

BY

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY, ZARIA,

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DECLARATION

I hereby declare that this thesis *was* written by me and it is a record of my own research work. It has not been presented before in any previous publication for a higher degree. References made to publish literatures have been duly acknowledged.

_____ _____

Kabir Aminu Umar **Date**

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CERTIFICATION

This is to certify that this project title "The Impact of Strategic Management Mergers and Acquisitions ": A case study of Nestle and liver Brothers P/c. By KABIR, Aminu Umar meets the regulations Governing the award of the degree of Master of business Administration (MBA,) of Ahmadu Bello University, Zaria and ii is therefore approved for its contributions to knowledge, and literary presentation.

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ABSTRACT

This research work examined the impact of strategic management as a tool of achieving an effective and efficient merger and acquisition. The companies are established by their owners as an investment centre to generate return on their investment through their growth strategies. i.e. a combination of two companies into one larger company, which aims at minimizing cost, and at the same time maximizing profit and wealth of the shareholders of the company.

Regrettably, not only have most of these companies failed to achieve these laudable objectives, but also some of them had disappeared from business of economic environment after their merges and acquisitions.

Several reasons have been adduced for the abysmal performance of some of these companies. Prominent among these had been the inability by those at the helm of affairs i.e. management to recognize the impact/role of strategic management and apply same to the operations of their companies.

To carry out this research, both primary and secondary data were extensively collected, secondary data were extensively used. Copies of questionnaires were administered to the respondents of Nestle and Liver Brothers Plc under study. Data collected were analyzed by the use of tables, simple percentages amid chi-square. Findings were made in the course of the study, prominent among them included. That, strategic management played a very important role in the success, growth and survival of the companies, particularly where mergers are concerned.

CHAPTER ONE

INTRODUCTION

1.1 Background Of The Study

In this contemporary economy, it has been noted that the business of most organization is not dependent only on the financial resources available, or the numerical strength of the work force but as a result of the managerial ability, competence and management style adopted in such organization.

This explains why in present times stories are abound of failures, abysmal performance and on some occasion total collapse or winding-up of several business organization. So many reasons have accounted for this, one is globalization and technology and another is Mergers and Acquisitions (M & A).

The paradox is that globalization, technology and M .~ A advances, open Up new opportunities even as they threaten the status quo. ‘1 he history of mergers contains enough tragedy to terrify the most resilient organization. The diversification wave around the world in 1960’s and 1970’s famously ended in tears and break-ups. Yet despite claims that lesson had been learnt, the 1990’s merger wave was as damaging as any before it. Shareholders in acquiring firms typically gain less from mergers than shareholders in acquiring firms. But according to a study, Rene Stulz (2001) of Ohio State University and two fellow economist found out that acquiring shareholders lost $216 billion- over 50 times what they lost in real terms in 1 980’s, although they spent only six times as much. Strikingly, these losses were concentrated in just 87 deals **iii** 1 998-2001. In total, mergers during that period actually destroyed some $134 billion of shareholders wealth. Many of the most disastrous mergers have been the result of chief

executives excessive ambition. The chairman Daimler (1999), Jorgen Shrimp's acquired of Chrysler, or Time Warner Gerry Levis Merger deal with America- onLine (AOL).

In the past few years there has been so much hostility on Merger & Acquisition from investors and outside directors that the typical boss would propose anything other that doing a Merger. Today profit ;~ souring, balance sheets strengthened amid corporate governance reforms implemented. Investors amid outside directors are increasingly asking the boss not what lie is doing to get the firm back on track but how lie plans to expand it.

In this environment, Merger proposals are once again, enthusiastically received. These changes are throwing companies into state of confusion, regarding strategy on whether bosses would curb their imperial ambitions enough to proposed only deals that truly make business sense, whether boards and investors have mastered the courage to question a boss's merger plans thoroughly or equally not to put him under such pressure that lie proposes a merger out of desperation and whether working together, shareholders or chief executive are better abbe to spot the difference between a faddish merger and a useful one. Also to protect profits, companies have primarily responded by cutting their cost, re-engineering their processes, and downsizing their work forces. Yet, even companies that succeed in cutting their costs may fail to increase their revenues if they lack strategic vision and strategic know-how.

In most viable organizations, there is always the record of efficiency, effectiveness, higher productivity and profit maximization. While it is otherwise in some of the operations of their contemporaries. One of the reasons behind the successful performance of business organization is the application of the principles of strategic

management in the operations of their organizations by top level managers, in today's environment of Mergers amid acquisitions.

As noted by Wheelen (1989) "many managers of today's business organization failed because the managers refused to manage them strategically.

They made decisions based on long standing rules! policies or standard operating procedures. They failed to realize that they must look into the future as they plan their organization wide objectives, initiate strategies or set policies. They failed to realize that they rose above their training and experience in such functional/operational areas as accounting, marketing production or finance and grasped the overall future of the organization."

One would be tempted to ask at this juncture, what exactly strategic I management is or why strategic management is relevant for (lie success of any business organization?

According to Thompson (1987). "Strategic Management is the process whereby managers establish organizations objectives; develop strategies to achieve these objectives in the light of all the relevant internal amid external environmental circumstances". So far the recent merger activity has mostly been characterized by the sort of strategic management that experience suggests are likely ~ create shareholders value.

Also in his opinion, Wheelen (1989) defines "strategic management as (lie set of managerial decisions and actions that determines the long run performance of an organization. It includes strategic formulation, strategic implementation, and evaluation and control". He adds that most managers who studied strategic management

emphasised the monitoring and evaluation of environmental opportunities and constraints in the light of the organization's strengths. and weaknesses. Ifezue (1999) sees strategic management as the development of long run master-plans amid the strategies for the implementation and survival and growth of the business organization.

Consequently, the successful operation of any business organization such as a conglomerate cannot be achieved without recourse to the Concept of strategic management.

This is because, it is the pivot on which their success or failure revolves. Ifezue further explains that many of today's business managers made profits because they came up with the right products at the right time and strategic thinking amid planning. Many past formal strategic thinking amid planning and wise management decisions carried these organizations where they stand in today's business environment. More amid more corporate organizations are turning to formal planning system to guide their course of actions.

This research, aims specifically at analyzing the impact of strategic management on mergers and acquisition, and the alternative mode of growth on the size effect resulting from the achieved growth. In other words, the research seeks to determine whether mergers and acquisition on the one hand, and strategic management direction and policies /strategies on the other are related. In the second section of this study, we started by reviewing the relevant literatures on strategy and management relationship formulation and implementation, hierarchy, its historical development and prospects. We then link this to existing research/literature on mergers and acquisition (expansion and growth) on performance In the following section, the hypotheses would be tested

and results confirming our hypotheses would be shown. Finally summary, conclusions and recommendation for the study will be drawn and suggestion avenues for further research made.

1.2 **Statement Of The Problem**

Effective amid efficient corporate decision making demands a thorough and intelligent understanding of the various dimensions that impinge on corporate performance and success. The various dimension concern question on how, what, where, when, who whom and why of those cognate issues which if successfully managed, help *in* organization success, growth) merger and acquisition and development.

In addition to the relevant questions being asked decision have to be made in organization at units amid functions, since efficiency altimetry determine corporate success, growth amid development. Also important are those variables which are not under the control of organizational efficiency and effectiveness. Therefore, there is the need for conglomerate companies to have adequate understanding of these relevaiit functions and variables the methods for their integration, and how they can be determined, applied amid monitored for organizational survival, growth and development.

The main problem of this study is to access the roles of strategic management as tool in achieving organizational objectives in conglomerate companies and the impact it has on merger amid acquisitions,. Companies are floated to generate returns to her shareholders (the growing use of shares, rather than cash, as payment in acquisitions) regrettably, not only have most of these companies failed to achieved there laudable

objective, amid a good number of them have not only found it difficult to maintain their status quo but gone to the extent of foreclosure.

The emergence of strict adherence to the concept strategic management is making it much easier for firms to sell their non core businesses amid for corporate buyers to offload quickly unwanted parts of their businesses. Increasingly, strategic managers are continuously working for their firms to course up a target before a deal is done, which increases the likelihood of success. (The Economist: 2005).

However unsuccessful firms managers failed to appreciate the importance of chanting a clear organizational course and being good managers. They backed the instinct for strategic management thinking amid had ignored lesson implicit in the saving that “when one had no idea of where one is going, then one cannot realize that any road can lead there (Pearce 1991).

The discrepancies in the operational ability of these firms help to identify the major problem that strategic management is indispensable tool for the successful Duration of such companies and it is in appreciation of roles/benefits inherent in strategic management in conglomerates (with relation to mergers and acquisitions informed the study on the subject matter).

1.3 Research Questions

The following research questions will be used to determine the state of strategic management and its applicability, roles, potentials, benefits, problems and constraints encountered in its implementation, the overall effects and impact when applied to compare its overall impact on mergers and acquisitions amid performance conglomerates.

1. To what extent are the firms aware of the concept of the strategic management in decision-making and the prospects and benefits?
2. What is (lie impact of strategic management in achieving organizational objectives?
3. To what extent is strategic management relevant for the successful performance of companies in Nigeria?
5. How does the applicability of strategic management survival of companies as a going concern?
5. To what extent does a firm performance relate to its size positively
6. How does Nigerian environment make strategic management unnecessary for the Nigerian firm irrespective of organization conservation?
7. What problem do firms encounter in the course of implementing strategic decisions?

1.4 Objective Of The Study

1. To examine the relevance of strategic management in the successful performance of firms in Nigeria.
2. To determine the impact of strategic management in achieving organization objectives, such as mergers and acquisition amid performance.
3. To ascertain the benefits deriving from strategic management.
4. To establish that mergers amid acquisitions as a current mode of growth and expansion.

5. *T*o establish the problems, which confront managers in the application of strategic management, amid to suggest recommendations on how these problems could be tackled?

1.5 Hypothesis Of The Study

Though the research will focus on mergers and acquisition that result in increasing the size of the firm in its industry i.e. horizontal mergers amid acquisition. Similarly the study will examine the fundamental concept of strategic manage emit amid its impact on corporate objective of mergers and acquisitions. The empirical setting for the study, selected conglomerates (Nestle Nigerian and Lever brothers Plc.) were chosen because of the unambiguous size impact of most mergers and acquisitions or alliances between incumbent firms.

Based on previous literatures reviews, we formulated the following hypothesis for our study.

Hypothesis 1

Hi: Businesses which do develop a formal strategic management system will be more effective in achieving their objectives than those that do not.

Ho: Businesses which do not develop a formal strategic management system will be more effective *in* achieving their objectives than those that do.

Hypothesis 2

Hi: Mergers fail to come to be amid fail after consummation more frequently for human reason than for financial and managerial concepts and strategies.

Ho: Mergers fail to come to be and fail after consummation more frequently for financial and managerial concepts amid strategies than for human reason.

1.6 **Limitation Of The Study**

A review of related literature like books journals, official reports etc do not only help our understanding of the research problems. and formulation of the hypotheses and it is also a vital source of data. However, in the course of this research, a number of constraints were encountered.

First, the depth of qualitative data to sift through for meaningful information ~testing reliability valid validity of the data and unwillingness of persons concerned to release data.

Second, the paucity of indigenous literature as regards mergers and conclusions under the Nigerian environment poses a problem to this research.

Finally and very importantly, a major limiting factor lies in the apathy of Nigerian firms to release necessary information relevant to their strategic management decision plan. The prevalent suspicion which surrounds the researcher that lie may be acting on behalf of their competitors complicates these finding, amid no doubt question the accuracy of data obtained. Nevertheless, it must be noted that this problem or issue of accuracy of research findings is a common problem.

Notwithstanding, all these limitations and difficulties, it has been possible to carryout a reasonable pleasing amid interesting research amid that the findings of the research shall still remain valid.

1.7 **Scope Of The Study**

The scope of this study covers the concept of strategic management, definitions, process, applications, history and criticisms. The focus will be on mergers and acquisition as a growth strategy in strategic management, with particular emphasis on Its size performance relationship.

1.8 **Significance Of The Study**

As previously mentioned, the forces of globalization and technological advancement have weighty effects on the trends of modern business. Hence companies willing to be of much impact must take tremendous steps in dealing with issues as they arise and are foreseeable. A research of this nature could be significant for a number or reasons:

1) It will create and reinforce the need awareness of strategic management as a management concept that companies should embrace in order to improve the quality of decision-making.
2) It will help companies identify strategic management as an important mergers amid acquisition and improved performance.
3) It will highlight the roles of strategic management in Nigerian companies.
4) It will help companies look into future amid reduce if possible eliminate future uncertainty associated with the Nigerian business environment.
5) It will help companies set up functional standards that will help in bridging the performance gap in their awareness for the improvement amid competition for the firm's superiority.
6) it will highlight the prospects of strategic management

7) It will show how strategic management decision impact on mergers an acquisition and whether mergers amid acquisitions impact on performance.

8) It will discuss strategic management process in the Nigerian environment.

9) It will contribute to body of knowledge amid leave room for future research work.

1.9 DEFINITION OF RELEVANT TERMS

1) Management: The Direction of human behaviour towards a particular goal or objective, or the control and coordination of all activities within a business so as to work towards a particular goal or objective. (Kate & Gubellini 1983)

2) Strategic Management: Is the development and maintenance of viable relationship between the organisation and environment through the development of corporate purpose, objective and goals, growth strategies and business portfolio plans for organization's wide operations (Ifezue 1999).

3. Corporation: A form of business in which ownership is vested on shares of stock and an owner's liability is limited to his investment. Corporations of formed under state laws (Kate & Gubellini 1983).

4) Conglomerate: A Corporate merger of heterogeneous businesses which retails autonomous operating control in its various division and is financially controlled at the top executive level (Kate Gubellini 1983)

5) Merger: The combining of two or more organizations into one. (Kate & Gubellini 1983)

6) Strategy: The determination of the basic long term goals and objectives of an enterprise, amid the adoption of causes of action and the allocation of resources necessary for carrying out these goals. (Kate & Gubellini 1983)

7) Growth Strategies: “A growth strategy is one that a firm pursues when it increases the level of its objectives higher than an extrapolation of the past level into the future(Glueck 1980).

8.) Competition: A market condition where there are very large members of producers of a good who serve very large numbers of consumers. No producer or consumer controls price here. (Kate & Gubellini 1983)

9) Benchmarking: A mark made on something such as a post used as a point for measuring things.

CHAPTER TWO:

LITERATURE REVIEW

2.0 INTRODUCTION

The essence of this chapter is to review some salient literatures that have some degree of relevance to the subject matter under study. As a result of the *ideas,* submissions, opinions and definitions of would be highlighted. As 1983) observe “we must be prepared to learn more 1L.n we can understand”. there are so many sources which could the sighted to illustrate the impact of management in achieving organizational objective such as strategic and acquisitions. The work summarized here, is limited primarily to mostly associated with strategic management and mergers and acquisitions. To this end, therefore, this chapter is divided into different subheading to enhance the successful achievement of this study.

2.1 Definition of Strategy: Formulation and Implementation.

The basic task of the Chief Executive Officer (CEO) amid Executive team is to provide overall directions to the whole enterprise. An organizational strategy must be appropriate for its resources, circumstances and objectives.

Reflecting on the military roots of strategy, the American heritage dictionary defines strategy “as the science and art of military command as applied to the overall planning and conduct of large scale combat operations”.

The planning theme remains an important component of most management definition of strategy. Chandler (1987) defines strategy as “the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”.

Similarly, Quinn (1984) defines strategy as “the pattern or plan that integrates an organization’s major goals, policies, and action sequences into a cohesive whole”.

Along this line, Williams (1984) sees strategy as “a unified, comprehensive and integrated plan designed to ensure that the basic objectives of the enterprises are achieved”

Strategy therefore is concerned with matching company’s strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. A good corporate strategy should integrate or an organizational, policies, and action sequences into a cohesive whole.

2.1.1 Strategy Formulation and Implementation

Strategic management can be seen as a combination strategy formulation and strategy implementation. Bambooweb (2005) describes the process of strategy formulation as “Doing a situation analysis, both internal and external, both micro-environmental and macro-environmental. Concurrent with this assessment, objectives are set. This involves crafting vision statements (long term) mission statement (medium term) overall corporate objectives (both financial and strategic) strategic business unit objectives and tactical objectives”.

According to Bornbooweb,(2005) “these objectives should be in the light of situation analysis, suggests a strategic plan. The plan provides the details of to obtain these goals.” This three-step strategy formation process is sometimes to as determining where you are now, determining where you want to go, men determining how to get there. These three questions are the essence of strategic planning.

Furthermore, Bombooweb (2005) sees strategy implementation as:

- Allocation of sufficient resources (financial, personal time, computer system support)
- Establishing claim of command or some alternative structure (such as cross function terms).
- Assigning responsibility of specific tasks or process to specific individuals or groups.
- It also involves managing the process. This includes monitoring result comparing to benchmarks and the best practices, evaluating the efficacy and efficiency of the process, controlling the variances, and making the adjustments to the process as necessary.
- When implementing specific programs this involves acquiring the requisite resources developing the process, draining, process testing, documentation and integration with legacy processes.

Strategy formation and implementation in an on-going, never - ending, integrated process requiring continuous reassessment and reformation. It involves a complete pattern of action amid reactions. It can not be partially planned strategy be well planned, and emergent, dynamic and interactive. Some schools of feel that there are critical points at which a strategy must take a new order to be in step with changing business environment. These critical often lead to strategic decisions of merging or acquiring. Abell (1993), a strategist, has suggested that “understanding the dual nature of strategic in (short and long term strategies) is the least understood part of the process

He claims that “balancing the temporal aspect of strategic planning requires the use of dual strategies simultaneously” (both short and long term strategies)

2.2 **The Strategy Hierarchy**

In most large corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest applying to all part of the firm . It gives direction to corporate values, corporate culture, corporate goals and corporate missions.

According to Anand and Singh (1997) “under corporate strategy there are functional or business unit strategies: functional strategies include marketing strategies, new product development, human resource strategies, financial strategies, legal strategies and information technology management strategies. The emphasis is or short and medium term plans and is limited to the domain of each department’s functional responsibility. Each functional department attempts to do its part in meeting overall corporate objective, and hence to some extent their strategies are derived from broader corporate strategies”.

However Burt and Limmack (2001) *in* their study of Takeovers amid shareholder return in the retail industry feel that “a functional organizational structure is not an efficient way to organize activities, and found that the strategic business units (SBUs) are more efficient.” They define a strategic business unit as “a semi autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, living decisions and ~ pricing settings.

They claim that an SBU “is treated as an internal profit centre by corporate headquarters”. And that “each S.B.U is responsible for developing its business strategies, strategies that must be **in** tune with broader strategies”.

The lowest level of strategy is operational strategy. It is very narrow **in focus** and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Drucker (1 954) in his theory of management by objectives. (MBO). Fuller (1 983) in his work, The implications of learning course for form strategy and public policy, noted that “operational level strategies are informed by corporate level strategies, but since the turn of the millennium there has been a tendency in some firm to revert to a dimplier strategic structure. This is being driven by information technology and knowledge management systems should be used for share information amid create common goals.”

Strategy, therefore, is concerned with reconciling the need for organization stability and continually in a turbulent commercial and public service world of globalization, Conflicting demand competition resources must be reconciled;
use of different resources such as capital, premise, Technology, information, and expertise has to be harmonized.

The study of the impact of strategic planning becomes pivotal here, as it helps to expatiate further on the importance in strategic management.

2.3 Historical Development of Strategic Management Birth of Strategic Management

Strategic management as a discipline originated in the 1950s amid the 60s, although there were numerous early contributors to the literature, the three most influential pioneers were Alfred Chandler, Igor Ansoff and Peter Drucker. In (1976) Igor Ansoff built on Chandlers work by adding a range of strategic concept and investing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare **future** opportunities and challenges. In his classic corporate strategy *(1965)* he developed the "gap analysis" still used today in which we must understand the gap ~between where we are currently and where we would live to be, their develop hat he called "gap reducing action"

Peter Drucker (1973) was a prolific strategist theorist, author of dozens of management books, with a career spanning five decades. His contributions to strategic management were many but two are most important. Firstly lie stresses the importance of objectives. An organization without clear objectives is live a ship without a rudder. As early as *1954* lie was developing a theory of management based on objectives. This evolves into his theory of "management by objectives" $_{1}$(MBO). According to Drucker, the procedure of setting objective, amid monitoring your progress towards them should permeate the entire organization, top to bottom. His other seminal contribution was in predicting the importance of what we call intellectual capital. He predicted the rise of what lie called the "knowledge worker" and explained the consequences of this for management. He said that knowledge work is non-hierarchical. Work would be carried

out in teams with the person most knowledgeable in the task at hand being the temporary leader.

2.3,2 Growth and Portfolio Theory

In the I 970s much of the strategic management dealt with size, growth and portfolio theory. The PIMS study was a long term study, started in the 1990s and lasted for 19 years, that attempted to understand the profit impact of market share PIMS). Started at General Electric, moved to Harvard in the early I970s and then moved to the strategic planning institute in the late 1970s, it now contains decades of information On the relationship between profitability amid strategy. Their initial conclusion was unambiguous. The greater a company's market share, the greater will be their rate of profit. The high market share provides volume and economic scale. It also provides experience and learning curve advantages.

The combine effect is increase profit. There was also research that indicated that a law market share strategy could also be very profitable, Schumacher (1973), Woo and Cooper (1982) Levenson (1984) and later Traverso (2002) showed how smaller niche players obtained very high returns. But by the early 1980s, the paradoxical conclusion was that high market share and low market share companies were often very profitable most of the companies in between were not. This was sometimes called the whole in the middle problem.

One of the most valuable concepts in the strategic management of multidivisional companies was portfolio theory. In the previous decade Harry Markowitz and other financial theorists developed the theory of portfolio analysis. It was concluded that a

broad portfolio of financial assets could reduce system risk. In the 1970s marketers extended the theory to product portfolio decisions and managerial strategist extended it to operating division portfolios. Each of a company's operating divisions was seen as an element in the corporate portfolio. Each operating division (also known as Strategic Business Units) was treated as a semi-independent profit center with its own revenues, cost, objectives and strategies. Several techniques were developed to analyzed the relationship between elements in a portfolio. Bolton Consulting group analysis, for example was developed by the Boston Consulting Group in the early 1970s.

This was the theory that gave us the wonderful image of a Chief Executive officer sitting on a stool milking a "cash cow". Shortly after that the General electric multi factorial model was developed by General Electric. Companies continue to diversify until the 1980s when it was realized that in many cases portfolio of divisions was *worth* more as separate completely independent

2.3.3 The Marketing Revolution

The 1970s saw the rise of the marketing oriented firm. From the beginnings capitalism it was assumed that the key requirement of business success was of high technical quality. If you produce a product that worked well and durable, it was assumed you have no difficulty selling them at a profit. This called the production orientation; and it was generally true that product could be sold without effort. This was highly due to the growing numbers of affluent amid class people that capitalism had created. But after the untapped demand the Second World War was saturated in the 1950s it became obvious

products were not selling as easily as they were. The answer was to concentrate on selling. Time 1950s and 1960s is known as the sales era and the grindery philosophy of business of the time is today called sales orientation. Richard Pascale and Tom Peters and Robert Waterman in (1970) released a study respond to the Japanese challenge head on.

Peter and Waterman (1973) asked, “what makes an excellent company?” looked at 62 companies that they thought were fairly successful. Forty-three companies passed the test. They then studied these successful companies and in “In search of Excellence “that there were 8 keys to excellence that shared by all 43 firms. They are:

- A bias for action
- Customer focus
- Entrepreneurship
- Productivity through people
- Value oriented Chief Executive Officers
- Stick to the knitting
- Keep things simple and lean
- Simultaneously centralized and decentralized.

2.3.4 Gaining Competitive Advantage

The Japanese challenge shook the confidence of the western business but detailed comparisons of the two management styles and examination westerners that they could overcome the challenge. The 1986s amid early 1990s plethora of theories explaining exactly how this could be done. They cannot all be detailed here, but some of the more important strategic advances of the decade are explained by the following

authors. Gary H.(1980) and C.K lad (1990) declared that strategy needs to be more active amid interactive. showed how important it was to know that one or two key things that your does better than the competition (Hamel G & Prachaladi C.K. (1990).

One of the most influential strategists of the decade was Michael Porter He introduced many new concepts including; *5* forces analysis, generic strategies. the value chain, strategic groups, and clusters. In *5* forces analysis lie ties time forces that shape a firm's strategic environment. It is like the SWOT with structure and purpose; it shows how a firm can use these forces to a sustainable competitive advantage. Porters' generic strategies detail the ion between cost minimization strategies, product differentiation strategies, market focus strategies. Although he did not introduce these terms lie showed importance of choosing one of them rather than trying to position your company between them. He also challenged manager to see their industry in terms of a chain. A firm will be successful only to the extent that it contributes to industries value chain. This forced management to look at its operations from customers' point of view. Every operation should be examined in terms of what it adds in the eyes of the final customer.

1989 Richard Lester and the researchers at the Management Information eccrinology Industrial performance center identified seven "best practices" and concluded that firms must shift away from the mass production of low cost dized product. The search for best practices is also called benchmarking Camp R. 1989). This involves determining where you need to improve, finding organizational that is exceptional in this area, (lien studying the company and best practices to your firm. A large group of theorist felt the area western business was lacking was product quality.

People like W. Edwards (1982) Joseph M. Huran (1992) and Armnand Feignbawn (1983) gave us improvement techniques like Total Quality Management (TQM), bus improvement, lean manufacturing, Six sigma, amid Return on Quality (ROQ).

An equally large group of theorists felt that poor customer service was the People like James Haskett (1988) Earl Sassar (1995), William Davidow(1989) Len Schlesinger (1991), A. Praurgmnan (1988), Len Berry (1995), Jane Brundage (1993), Christopher Hart and Christopher Lovelock (1994) us fishbone diagramming, service charting, Total customer service (TCS), the profit chain, service gaps analysis, the service encounter, strategic service mapping and service teams their underlying association was that no better source of competitive advantage than a continuous stream of lighted customers.

2.5.5 Military Theorist

The strategy the Dolphin was developed in the mid 1990s to give guidance when to use aggressive strategies amid when to use passive strategies. A of aggressiveness strategies were developed. J. Moore (1993) used a similar instead of using military terms, lie created an ecological theory of amid prey a sort of Darwinian management strategy in which market interaction mimic long term ecological stability.

2.3.6 Strategic Change

Back in 1970 Alvin Toffler in Future Shock (Toffler .A. 1970) describes a towards accelerating rates of change. He illustrated how social and Jotzical norms have shorter lifespan with each generation, and lie questioner s ability to cope with the resulting turmoil and anxiety. In past generations change were always punctuated with times of stability. This allowed us to assimilate change and deal with it before the next change was upon us.

Waltz Water and Jim Taylor (1997) call this upheaval a 500-year delta. claimed these major upheavals occur every *5* centuries. They say we are making the transition from the Age of Reason" to a new chaotic "Age of Peter Drucker (1969) coined "Age of Discontinuity" to describe the way forces disruptions into the continuity of our lives. He identifies four sources of discontinuity; new technologies, globalization, cultural pluralism and the capital. Richard (Pascale, R. 1990) says relentless change that businesses continuously reinvent themselves. This famous maxim is tails live success" buy which he means that what as a strength yesterday the root of weakness today. We tend to depend on what worked and refuse to let go of what worked so well for us in (lie past. Prevailing strategies become self-confirming. In order to avoid this trap, businesses must stimulate a spirit of inquiry and healthy debate. They must encourage a creative process of self-renewal based on constructive conflict.

Adam Slywotsky (1996) shows how changes in the business environment *reflected in* value migrations between industries, between companies and within companies. lie claims that recognizing pattern is behind these value irrigations is necessary if we wish to understand the lie describes businesses as being in a state of "strategic anticipation" as they try to spot emerging patterns. Slywotsky and his team identify 30 patterns that have transformed industry after industry.

E. Dudik (2000) says that an organization must develop a mechanism for understanding the source amid level of complexity it will face in (lie future and then transform itself into a complex adaptive system in order to deal with **it.**

2.3.7 **Information Technology Driven Strategy**

Peter Drucker (1958) had theorized the rise of the “Knowledge Worker”. He describes how fewer workers would be doing physical labour and more would be applying their minds. John Nesbitt (1984) theorized that the future would be driven largely by information; companies that manage information well could obtain an advantage. However, the profitability of what lie calls the “information float” (information the company had and other desire) would be but disappeared s inexpensive computers made information more accessible. Daniel Bell (1985) examines the sociological consequences of information technology, while Gloria Schuck (1985) and Shoshanna Zuboff (1988) look at psychological factors. Doff~ in his five year study of eight pioneering corporations made the important distinction between “automating technologies amid “information technologies”. He ed the effect that both had on individual workers, managers and organizational structures. He largely confirmed Peter Druckers predictions three decades earlier, about the importance of flexible decentralized structure, work teams, knowledge and the central role of the knowledge worker. Zuboff also detected a new for managerial authority, based on knowledge (also predicted by peter which lie called “participative management”. Regis Mckenna (1997) mat life in the high tech information age is what lie called a “real time Events occur in real time. To ever more demanding customers now matters. Pricing will more and more become variable pricing changing transaction, often exhibiting first degree price discrimination. Customized to their needs, and ill be prepared to pay a premium price for it. He mat the new basis for competition will be time based competition. access to information system has allowed some managers to take a much comprehensive view of strategic management than ever before. The most of (lie comprehensive system is

balanced score card approach developed in !990s by Dr. Robert Kaplan (1990) (Harvard Business School) and Bauid Norton D, (1992). It measures several factors; financing, marketing, organizational development, amid new product development in order to 'balanced perspective"

2.4 Concept Of Strategic Management.

There is no consensus about the precise meaning of strategic mismanagement writers on the subject have a general thrust. Barney (1986) thinks c management is concerned primarily with relating the organizational to its mit, formulating strategies to adopt to that environment, amid assuring that implementation takes place. "He added that *"it* is a process that among involves llance of the changing environment (externally and internally in all major so far as the company is concerned (2) identification in that environment ties to exploit amid dangers to avoid (3) evaluation of company amid weakness of importance in formulating and evaluating strategies (4)(formulating missions and objectives *(5)* identifying strategies to achieve company evaluating (lie strategies and choosing those which will be implemented establishing amid monitoring processes to make sure that strategies are implemented" Thus (lie concept of strategies management involves establishing a framework to perform the various processes above. In addition, the of strategic management must embody all general management principles practices devoted to strategy formulation and its implementation in the organization

A significant feature of (lie concept of strategic management is its focus on top management strategic activities in contrast to more routine operational management. This is a new perspective that highlights (he importance, in both and practice, to a company of this process as well as its uniqueness with other managerial functions.

Barney (1986) opines that central to strategic management is the process of g lie strategic thrusts and directions of the business in the eight of changing management amid devising strategies to achieve them. This reflects (lie fact (hat iii years the business environment has become increasingly turbulent, complex threatening. The result is that top management find it necessary to spend more time on environmental forces and company relationship with them. At the same time more amid more companies home grown significantly in size and exit. Managerial strategies to deal with such organizations are considerably not from operation strategies needed to administer smaller less complex iiomi. In addition most companies in the not too distant past success was when virtually the eiitire focus of (lie manager's job was on running the affairs of the company as efficient as possible. This is still true of some companies today. However, among most companies today, especially economies, it is not enough to be efficient in operating (lie business, but in a strategy to adopt to a company properly to its changing environment is for success.

Steiner (1981) remarks. "The increasingly time demand of strategies have forced top management's among the larger corporations to more of the operating authority for running the business to lower-level Somme companies have chief executive (CECs) who are concretized without side environmental forces, amid chief operating officer, (COO) concerned primarily with running (lie day - to - day affairs of (lie business. case,

as well as in others where there is no (COO) or its equivalent, more is usually being delegated to middle manager. This does not mean that is delegate responsibility over routine business operation amid are d over them, their managerial job is considerably different from that of the past

According to Glueck (1980)" The concept strategic management started getting into long-range planning which in turn evolved into strategic management". He added that notice should be given to the strategic planning is not (lie same as strategic management. Strategic as conceived in his book is a major aspect of strategic management, and it of strategic management. The two are inextricably interrelated. management involves more than planning per se.

Ansoff (1979, 1980), Bracker (1980) Chamon (1977) amid Ansoff, Declerck (1976) have described the development of strategic management, amid took a look at the historical development of strategic management. concept is still evolving and will comities to tinder go change. Nothing tile literature review implies any rejection of tested theories of effective

They can be embraced as appropriate within the concept of strategic management. The concept of strategic management is simply away to give needed a major fruition of top management of organizations. As the Publisher of Business week observed, "Strategic management has become the and emphasis iii the management of US corporations ... "Business week, 9178).

In essence. strategic management is a new perspective that highlights the both theory and practice, to a company of the need to pay more environment and the formulation of strategies to relate to it. To central role of strategies management in (lie

ebb and flow of fortunes with regards observed that some strategies have resulted in success for some companies, whereas other companies met with Disaster in choosing the wrong strategy. This point however does not diminish the fact that strategy and its implementation are of central importance to the success or failure of a company.

2.5 Definition of Strategic Management

Management experts have given their views amid definitions of what strategic about. However, what is noteworthy is that no viable organization has ever been found to maintain its viability or achieve remarkable success or optimal performance without recourse to the concept of This is because it is thought (lie concept of strategic management.. This is because it is thought the concept of strategic management that the success causing power of clear direction, good strategy, and effective implementation of organizational action plan is generally recognized. strategic management?

Thompson (1987) notes that “strategic management is the process whereby is the process where by managers established on organizations long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. *In* organizations, the strategic management function is perhaps the most fundamental and most important aspect of management and managing. It takes superior entrepreneurship (a well conceived strategic plan that positions the organization in the right way at the right time) and competent strategic implementation and execution to produce superior expansion and growth strategies i.e.

mergers and acquisition over the long run. A great strategic plan that is subsequently marred by poor execution result to how performance and a resultant collapse of the merger. The optimal condition is superior strategic management and strategy and strategy formation on the one hand, combined with first-rate implementation and execution on the other. The chances are excellent that when an organization has a well -conceived and executed strategy formation on the one hand, combined with first-role implementation and execution on the other. The chances are excellent that when an organization has a well-conceived and executed strategy, *it* will be a higher performer in all it strategic decisions.

In his opinion, *Ifezue (1999) sees strategic* management *"as* the development and *maintenance of viable relationship between the organization and* environment through the development of corporate purpose, objectives and goals, growth strategies, and business portfolio plans for organizations -wide operations. However, lie added that many of today's organizations made profits because they came up with the right products or services at the right time and at the right place rather than the consequences of effective strategic thinking and planning. However, management is recognizing that intuition alone is no longer enough for succeeding in today's environment. More and more organizations are turning to formal, planning systems to guide their courses. Ifezue adds that every organization exist to accomplish something in the larger environment. It's specific purpose or mission is usually clear at the beginning, but over time, however, one or more of the following things may happen:

The purpose becomes unclear as tile organization grows and develops new products or services;

The purpose remains clear some manager lose their interest in the original purpose and

The purpose remains clear but loses its appropriateness to new conditions in the environment.

Said “Strategic management is concerned primarily with relating the organization to its environment, formulating strategies to adopt to that environment assuring that implementation of strategies take place.

Glueck (1980) similarly defines “Strategic management as the set of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives”.

Contributing to tile subject matter, wheeler (1989) observes that business organizations have collapsed because most managers of today’s business organization fail to mange them strategically. They cannot make decisions based long-standing rules, policies or standard operational procedures. They fail to the that they must look to the future as they plan organizational wide dives, initiate strategies or set policies. They fail to realize that they must rise ‘e their training and experience in such functional/operational areas unting, marketing, production and sustainable growth strategies.

He defines strategic management “as that set of managerial decisions and ns that determine the long-run performance of a corporation .” This includes strategy formulation, strategy implementation, and execution and control. He added that most managers that studied strategic management emphasize the monitoring and

environmental opportunities such as grown opportunities, which involve mergers amid acquisition and constraints in the light of an organization's strength and weakness.

All kinds of reasons have been given as to why firms should engage in strategic management. Glueck (1980) listed the following:

1. The conditions of most business change so fast that strategic management is the only way to anticipate future problems and opportunities. This allows managers/ enterprises to make decisions based on long range forecast, not spurthe moment reactions.
2. Strategic management provides all the employees with clear objectives and directions to the future of the organization.

Strategic management is now widely practiced in all industries. Research in strategic management is advancing so that it can now be helpful to top level management and managers.

Businesses which perform strategic management are more effective than those which do not and their employees are more satisfied.

2.6 Strategic Management Process

Ansoff (l977) amid his associate, in their study on strategic management look companies which had Mache important strategic decision about Acquisition during the period 1946- *1965.*

The study found that those doing strategic management outperformed the lanners on all financial and sales measures such as earning growth, asset stock price growth, sales

growth, earning per share growth, and others. performing better, time *companies* that used strategic management were able to predict the outcomes of their planning much better than the non-planners. (Glueck 1980).

Companies vary in the process they use to formulate amid direct their strategic management activities. Sophisticated planners have developed more detailed processes than less-planners of similar size. Small businesses that rely on the strategy formulation skills and limited time of an entrepreneur typically exhibit more basic planning concerns than those of larger firm, in their industries. Understably, from with multiple products, markets, or technologies tend to use more complex strategic management system. However despite difference in detail and the degree of formalization the basis used to analyze strategic management operations are very similar. But the strategic management process in reality is interactive, amid takes place in such that several subparts occur simultaneously.

Glueck (1980) wrote “Businesses which develop formal strategic system will be more effective in achieving their objectives than those which do not” He went further to modeled the strategic management process in the following order:

1) Enterprise objectives and strategist organizational objective are those ends which the organization seek to achieved. For examples:

- Profitability
- Efficiency (lowest costs)
- Employee satisfaction and development
- Quality products/services for clients/customers
- Good corporate citizenship and social responsibility Market leadership

Maximize dividends or share price for stockholders ~urvival (sustainable growth strategies)

- Liability
- And organizations have objectives for the fellowman reasons.
- Objectives help define the organization in its environment
- Objectives provide standards to assess organizational performance.

Glueck added that “Strategic management is most effectively performed by of management (Strategist). In larger firms, the executives and may receive staff assistant from the top executive may receive assistant from consultants and guidance from the board of directors”.

2. Determine present and potential threats and opportunities in the environment in the strategist search of the environment and diagnose the significant of changes in the economy, government/legal, market/comparative, supplier/technology, geographic and social factors.
3. Determine the enterprise internal strategic advantages - examine and diagnose the significance of the size and distribution of the firms resources, it strengths and weaknesses.
4. Consider alternative strategies and choose strategy - To ensure that most appropriate strategies chosen.
5. Leadership implementation - To match the strategist with the strategy.
6. Policy implementation - To match the functional policies and strategies with the corporate strategy.
7. Organizational implementation — To match the structure with the strategy.

8. Evaluation of strategy - To ensure strategy will achieve objectives. Because of the similarity among the general models of the strategic management process, it is possible to develop an eclectic model representative of the different schools of thought in the strategic management area.

2.6.1 Company's Mission

The mission of a company is the unique purpose that sets it apart from other companies of its operations in short, the mission describes the company's product, market and technological area of emphasis in a way that reflects the values and priorities of the strategic decision-makers.

2.6.2 Internal analysis

The company analysed the capacity amid quality of it's human; financial, amid resources. It also assesses the strengths and weaknesses of the company's past successes and traditional concern to future capabilities.

2.6.3 External Environment

A firm external environment consists of all the conditions and forces that affect it strategic option and its competitive situation. The strategic model the external environment as three interactive segments the remote, industry, and operating environment.

2.6.4 Strategic Analysis and Choice

Simultaneous assessment of the external environment and the company profile enables a firm to identify a range of possibly attractive opportunities. These opportunities are possible avenues for investment. However they must be need through

the criticism of the company mission to generate a set of possible designed opportunities. This screening process results in the selection of options from which a strategic choice is made.

The process is meant to provide the combination of long-term objective and grand strategies that optimally position the firm in its external environment to achieve the company mission.

2.6.5 Restructuring, Re-Engineering, and Refocusing The Organization.

Until this point the strategic management process, managers have untamed a deciding market-oriented focus as they formulate strategic and begin implementation through action plan and functional tactics. Now the process takes international- getting the work of the business done efficiently and effectively as to make the strategy successful. What is the best way to Organize ourselves accomplish the mission? Where should leadership come from? What values guide our daily activities - what should the organizational and its people be time intense competition in the global market place has made this tradition fly focused set of questions - how the activities within their business are ed recast themselves with unprecedented alternativeness to the market

Downsizing, restructuring, and recognizing are terms that reflect the critical stage implementation wherein managers attempt to recast their organization. Company's structure, leadership, culture, and reward systems may all be to ensure cost competitiveness and quality demanded to unique requirement of its strategies.

2.6 Strategic Control and Continuous Implementation.

Strategic control is concerned with tracking a strategic as in its underlining and making necessary adjustment. In contrast to post action control, control seeks to guide action on behalf of the general and grand strategies they are taking place and when the ends result are still several years away. The rapid accelerating change of the global market place of the last 10 years has made continuous improvement, another aspect of strategic control in many organizations.

Continuous improvement provides a way for managers to provide a form of to rapid development in hundreds of areas that influence a business success.

2.7 Growth strategies: Mergers and Acquisition

Growth strategies are strategic choice part of the strategic management process. According to Glueck (1980) “A growth strategy is one that a firm pursues it increases the level of its objectives higher than an extrapolation of the past into the future; when it serve the market in the same sector or can add additional product/ service sectors; and when it focuses it strategic decisions on major functional performance increases”. The central factor examined at the beginning of the consideration of strategic alternatives is the business the firm is in. The business definition will vary in complexity from the simple (a one- product vice firm) to the very complex (a large firm involved in multiple businesses). Once the business in the firm is in , **it** has been defined, various questions, such as should we get out of this business entirely?” “Should we try to grow?”, will help strategist focus on the type of strategic alternative the firm should pursue. The growth strategy is a grand strategy with sub-strategies.

As Liekskin (1996) puts it “an external growth strategy is one in which the increases its level of objectives achievement higher than an extrapolation of it past level by increasing sales and profits by the purchase of products/services namely by mergers or joint ventures. “Companies grow externally by acquiring other firms or parts of firms which they feel would add to their effectiveness. External growths have become increasingly popular. There are a number of terms used for external growth: acquisition, mergers (one company loses it’s identity), consolidation (both companies lose identity and a new name arises). A merger in business or economics refers to the combination of two companies into one larger company. Such actions are commonly voluntary and other involves stock swap in many instance. A merger resembles a takeover but often result, in a new company name (often combing the names of the original companies) and in new branding.

Glueck (1980) defines merger “as” the combination of two or more witnesses in which one acquire the asset and liabilities of the other in exchange for stock or cash, or both companies are dissolved and assets and liabilities are combined and new stock is issued.” Thus the phrase merger and acquisitions

(M & A) refers to the aspect of business strategy and management dealing with the and/or acquisition of different companies, usually these occur in a friendly setting where officers in each company involved come together to go through a due *contingence* process to ensure a successful marriage between au the parties involved. The occasions, acquisition can happen through hostile takeover via absorbing majority of outstanding shares in the open stock market. In the United States, business law varies from state to state. Some companies have limited protection against hostile takeover.

2.7.1 **Classification of Mergers**

i. Horizontal Merger: A combination of two or more firms in the same business and aspect of the production process. Horizontal mergers take place there the two merging companies both produce similar product in the same industry.

ii. Vertical Merger: A combination of two or more firms in businesses related technology, production process or markets. Vertical merger occur often when

iii Conglomerate Merger: Is a combination of two or more firms in business, 'which are not closely related by technology or production process as or markets. his takes place when the two firms operate in different industries. A unique type f merger called a reverse merger is used as a way of going public without the expense and time required by an IPO (Initial Public Offer).

In addition various method of financing an M & A deals includes:

- A stock swap involves issuing stock to exchange for the shares of the other company.
- A cash deal involves buying a target company with cash.
- In some cases, a company may acquire another new fund.

2.7.2 **Why Mergers Take Place**

There are a number of reasons why a firm may desire to merge. Glueck groups them under buyer's motive and seller motive. The buyer motives for include.

- To increase the firms stock value. Often in the past, mergers led to increase in the stock price amid/or price-earning ratio.

- To increase the growth rate of the firm faster than present internal growth strategy.
- To make a better use of funds than flowing the same growth into internal growth.
- To improve the stability of the firm earnings and sales. This is done by acquiring firms whose earning and sales complement the firms peaks and valleys.
- To balance or fill out the product line.
- To diversify the product life cycles of current products
- To reduce competition by purchasing a competitor.
- To acquire a needed resources quickly for example, high – quality technology or high innovative management.
- For tax reasons: to purchase a firm with prior tax losses which will offset current or future earnings.
- To increase efficiency and profitability, especially if there is synergy between the two firm/companies.

The seller's motives for merging include:

- To increase the value of the owners' stock and investment in the firm~
- To increase the firms growth rate by receiving more resources from the acquiring company.
- To acquire the resources to stabilize operations and make them more efficient.
- For tax reasons: if the firm is owned by a fa~1y or individual, help to deal with estate tax problems.
- To help diversity time owner family's holdings beyond the present firm.

- To deal with top management problems such as management succession for an entrepreneur or dissension among top managers. Rockwell (1968) who had personally in a number of mergers gives these “ten commandments” on acquiring a company:

  On acquiring a company:

  “Must” factors

1. Pinpoint and spell out the merger objectives, especially earning objectives.
2. Specify substantial gain for shareholders, of both companies.
3. be able to convince yourself that the acquire company’s management is or else can be made-competent.
4. Certify time existence of important dovetailing resources - but do not expect perfection.

   Other key considerations:

5. Spark the merger program with the chief executives involvement.
6. Clearly define the business you are in (Telecomm, transportation, oil and gas.)
7. Take a depth sounding of strengths, weaknesses, and other key performance factors- the target acquisition and your own.
8. Create a climate of mutual trust by anticipating problems and discussing them early with the other company.
9. Do not let “cavemen” advances jeopardize the courtship. Do not threaten the management that is to be acquired.
10. Most important of these latter six rules make people your number one consideration in structuring your assimilation plan.

Before a successful merger can take place there must be sound planning (Ansoff 1971) Birley (1976). Others who have described effective planning for mergers have described effective planning for mergers, and described how management buy out their firm from their owners.

Several researchers have analyzed the actual merger process. For example Dory, John p. (1978) in his thesis in Harvard analyzed, the domestic diversification merger decision in three industries: abrasives
(Norton, Carbonrundurn): tobacco, (Phillip Morris, American Brands):
conglomerates (ITT, Textron). The most important factor influencing these decisions included time availability of information, which influencing their choice of industry to enter into possible merger with other companies. Often the organizations were large publicly owned firms which appeared to be acquired.

The firms chose industries based on whether the firm wished to be acquired concentrically or in a conglomerate approach. Information sought included products, customers, market structure, and future prospects of the industry. These determined time amount of short-term performance. If it was great, the firm sought publicly owned firms already represented by intermediaries.

In this case, they gathered primarily financial information. The less experienced a firm had mergers, time greater time number of sources sought from a large number of more reliable sources.

In effect, Rockwell is suggesting that the firm plan the merger well by profiling the two companies and comparing them. Hence preparing strategic advantage profiles amid environmental threat and opportunities profiles for both companies and systematically

compare them. He advocates good strategic management, in essence, lie also believes that crucial to merger success are the human and financial considerations.

Some literatures give the impression that merging is primarily a financial questions, more evidence is arising that t1~~ human factors are crucial to a mergers success.

For examples Ebied (1976) examined one form of mergers; the cash tender a tier. He studied 117 of such offers over a 17 years period. He was interested in seeing whether there were more successful ways of bidding, stock market times amid similar characteristics. One of his major conclusions was that time merger offer was most likely to fail when time management of the target firm opposed time merger offer. This made the merger more costly if it was consummated. But more important it was less likely to be consummated. Mergers were more likely to be opposed because the executives involved did not like each other than for financial reasons.

Time Psychologist Levinson (1970) studies merger failures. His major conclusion was:

“There are many reasons for mergers, including psychological reasons. Many mergers have been disappointing in their result and painful to their participants. These failures have been attributed largely to rational financial, economic amid managerial problems. The researcher content that, some psychological reasons for merger not only constitute a major, if unrecognized, force towards merger but they also constitute the basis for many, if not most, disappointments amid failures. Such mergers flounder because of time hidden assumption that senior partners make and the condescending

attitude towards time junior partner, which then follow. These result in effort at manipulation and control which in turn produce time following:

(a) Disillusionment and time feeling of desertion on the part of the junior organization, and

(b) Disappointment less of personnel and declining profitability for the dominant organization"

Many of the human problems develop when the executive of time acquiring company seem threatening to time target company and they fear they will have to leave time firm. In sum human relationship may be a much more significant factor iii a successful merger than most analyst/literatures point out.

3.7.3 Mergers & Acquisitions Market -Place Difficulty

Market participants often wish to maintain a level of secrecy about their to buy or sell such from possible negative reactions a company's employees, suppliers, customers and others might have if the effort or interest to seek section were to become known. This need for secrecy has thus thwarted time of a public forum or marketplace to serve as a clearinghouse for this volume of business.

As present, the process by which a company is bought or sold can provide soft, slow, and expensive. A transaction typically required six to nine months involves many steps.

Locating parties with whom to conduct a transaction forms one step in the process and perhaps time most difficult one. Qualified amid interested buyers multimillion-dollar corporation are hard to find. Even more difficult in bringing ber of

potential buyers forward during negotiations. Potential acquirers in simply cannot effectively “monitor” time economy at large for acquisition opportunities even though some may fit well within their company’s operation or industry of professional “middlemen” (known variously as intermediaries; business brokers and investment bankers) exists to facilitate M & A transactions. These professionals do not provide their services cheaply and generally resort to previously - established personal contacts, direct-calling campaigns and placing advertisement in various media.

The market inefficiencies can prove detrimental for this important sector of economy. Beyond time intermediaries’ high fees, time current process for merges and acquisitions has time effect of causing private companies to sell at a significant ~count relative to what time same company might sell for if it was publicly owned traded on a functioning exchange.

2.8 Mergers & Acquisitions Size – Performance Relationship

The size - Performance relationship has long been a major research topic in industrial organization and in strategic literatures. As early as 1776, Adam smith suggested the existence and importance of such a link when he analyzed time fits of the division of labor and task specialization. Shortly after Richardo (1821) expanded ‘on the ideas by introducing the notions of increasing and decreasing returns. Later still, Marshall (1890; 1920) argues that decreasing rate of was primarily found in agricultural activities while most manufacturing and activities tended to benefit from “production on a large scale”.

Interestingly enough, the literatures on mergers and acquisitions acknowledge that, size and the expected subsequent improvement in performance major objectives pursued by firms engaging in such moves. In the literature on get and acquisitions, horizontal acquisitions, which increases firms size in a n business, has been argued to create the greatest potential for economic of e(single & Montgomery 1987; Seith 1990; Healy Palepu & Ruback 1992; on 1999) and market power (Stigler 1950; Norton & Sharman 1984). Other of acquisitions - concentrate vertical, conglomerate - despite time fact they also increased 0overall perm size of the organization.

Since time end of time 19th century, industrial organization economists have ed that a major factor in the size performance relationship is market power. increasing firm size associated with greater concentration, make it possible for competitors to expand the spread between production. Cost amid prices charged to customers by distorting market mechanism (marshal, 1920,Chamberlain 1933).

Large firms will thus will be able to improve their profit by altering time way which rents are shared in their favour. Schere (1970), to qualify these gains “pecuniary economics”. Other economists have re-considered the size relationship introducing the notion of “economics of scope “(Panzar and Willing 1981). e notion are based on time observation that increased efficiency need not necessarily result may be produced, instead by increasing the output of several rent goods, providing these goods amid services incorporated some common component or are produced using time same physical asset or intangible resources. economics of scope concept thus challenges the idea according to which efficiency necessarily result from greater division of labour and specialization.

Most research which examined time size effect created by mergers and acquisition ends up comparing those merger and acquisitions (M & A's) that aim at increasing size to other types (M & A's) notably those that seek the control of upstream or downstream activities (Capron 1990).

Moah and Dussauge *(2005)* concluded in time research "As expected size has impact on performance. This confirms the widely held view according to size is a major driver of performance in the retail industry. Mergers and acquisition appear to reduce time positive impact of size on overall performance as anticipated.

2.9 **Criticism of Strategic Management**

Most theories of strategic management seem to have a lifespan less than that of the teen music idol. Many critics claim that this is because they generally do not work. For every theory that gets incorporated into strategic management textbooks there are 100 that are quickly forgotten. Many theories tend to be too narrow in is to build a complete corporate strategic on, or to general and abstract to be applicable to specific situations. The low success role is fueled by time management talk-circuit in which hundreds of self - appointed gurus sell their books and explain their "revolutionary" and "groundbreaking" theories to audiences of business executives for a not - insignificant time.

Some critics take the opposite approach darning effectively that the theories not enough, and when, they arrive they are too late. These commentators **us** that the basic purpose of strategic management is to match a company strategy with time business environment that the organization is in. Time environment is changing, effective

strategic management requires a continuous flow of new theories suitable for new circumstances. The problem, with most theories it solves yesterday's problems. Hamel coined time term "strategic convergence to explain time limited scope of time strategies being used. "He laments that strategies converge because time more successful ones get imitated by firms no understand time strategic process involves in designing a custom strategy specific of each situation."

2.10 Selected Conglomerated cases of mergers and acquisitions in a developed economy JP Morgan Partners

JP Morgan partners acquired Hanley wood, time leading Media Company serving the residential amid commercial construction industries, Veronis schler, Stevenson(VSS) (1976).

The Seller

Hanley wood, Limited Liability Company, founded in 1976 and based in Washington DC, is time premier media company serving housing amid construction and one of time ten largest to business media companies in the US. Through five operating divisions, time company produces 22 magazines, 17 web sites, 15 trade shows and events, rich data and custom marketing solutions.

Another company is month Americans leading provider of home plans.

Veronis Schler Stevenson (VSS) is a privately equity and maximizing capital fund management company dedicated to investing in the media, communication and information industries in North America and Europe. To date Veronis Schler Stevenson (VSS) equity funds have invested in 35 platform companies, which have turn completed

over 185 add - on acquisition resulting in a portfolio with realized and unrealized enterprise values totaling approximately *$7.5* billion.

The Buyer

JP Morgan partner (JPMP) is a leaching private equity firm with over $12 billion in capital under management as of march 31, 2005. Since its inception in 1984, JPMP has invested over *$15* billion in consumer, media, energy, industrial, financial services, amid healthcare, hardware and software companies. With approximately *95* investment professionals in six principal offices throughout time Id JPMP has significant experience investing in companies with world wide operations. JP Morgan partner is time private equity arm of JP Morgan chase & Co. one of time largest financial institutions in time United State, and is a registered investment with time Securities and Exchange Commission.

Bank of America/Fleet Boston.

Bank of America is time second largest bank *in* the United State of America.

It is based in charlotte, North Caroline, and trades on the *New* York Stock exchange under time Symbol “BAC”

Bank of American was formed by time merger of Nation Bank amid Bank America in 1998.

Commercial National bank (CNB), the earliest forerunner of today’s Bank of America, opened for business in charlotte in 1874. In 1957, CNB’s total asset, climbed to $2million after time company acquired charlotte based America Trust

Company, forming America Commercial Bank (ACB). ACB change it's name to North Caroliina National Bank (NCNB) in 1960 after acquisition of charlotte based Security National Bank.

NCNB expanded beyond North Carolina for time first time in 1982, when *it,* purchased lake city, Florida based first National Bank of City, it's first interstate expansion Hugh McColl becomes Chief Executive Officer of NCNB the following

In 1988, NCNBs asset grew to $60 billion after it bought time failed first republic Bank of Dallas, Texas from the FDIC. NCNB's name was subsequently changed to NCNB Corporation.

NCNB become Nations Bank in 1991 after acquiring Atlanta Georgia based & C & S/Sovran Corp. National Bank assets grew to $1 18 billion following the merger.

(1997), Spillers petfoods (1998) a Ralston Purina (2002). There were two major acquisitions in North America, both in 2002: in July, Nestle merged its U.S. ice cream business into Dreyer's and in August, a USD 2.5bn acquisition was announced of Chief America, Inc.

Unilever Nigeria

Unilever's corporate mission – to add vitality of life show how clearly the business understands 21st century –consumers and their lives. But the spirit of his mission forms a thread that runs through their history, leading right back to the late 19th century. In the 1890s William Hesketh Lever, founder of Lever Bros, wrote down his ideas for Sunlight Soap – his revolutionary new product that helped popularize cleanliness and hygiene in Victoria England. It also to make cleanliness and hygiene in Victoria. It was 'to make cleanliness commonplace' to lessen work for women; to foster wealth and contribute to

personal attractiveness, that life may be more enjoyable and rewarding for the people that use products.

This was long before the phrase “Corporate Mission” had been invested, but these ideas have stayed at the heart of our business. Even if their language and the notion of only women doing housework has become outdated.

In a history that now crosses three centuries, Unilever’s success has been influenced by the major events of the day – economic boom, depression, world wars, changing consumers lifestyle and advances in technology. And throughout we’ve created products that help people get more out of life cutting the time spent on household chores, improving nutrition, enabling people to enjoy food and take care of their homes, their clothes and human performance index “winning with people” which seeks higher productivity and efficiency through greater empowerment, remuneration, performance targeting and evaluation.

UACN’s strategic calculation is driven by the vision “to be number one in our chosen markets, providing exceptional value to customers. The company has taken a number of initiatives to realize its new corporate thrust, the and restructuring of its businesses and the harmonization of some of its operations. The company has continued to enhance its value through the expansion of its operations in food, logistics and businesses. The strategic consideration h as led to greater commitment to and deployment of resources to industrial and manufacturing activities.

Today, UACN, through its divisions, subsidiaries and joint ventures produces leading and popular brands. The company has diverse manufactured articles in ice-

cream, meat, snacks and bread, edible oils, personal products and packaging materials. The company is active in the production of chemicals paints and soaps.

UACN has continued to invest in new ventures to consolidate its leading position in the Nigeria economy. The company has entered into a new joint venture project with Ekiti State Government with the establishment of Warn, Spring waters Nigeria Limited located in Ikogosi in Ekiti State UACN holds 60% of the equity.

The company has also acquired 64% equity interest in Grand cereals and oil Mills Limited (GCOML), 54% equity interest in spring water Nigeria Limited (SWAN) and 40% equity interest in Opthcom leasing company limited. UACN holds 50.20% share holding in CAP plc. In since 1991, UACN has had a joint venture vehicle manufacturing operation – (GM Nigeria Limited) – with General Motors Corporation of Detroit, USA, the world's largest automobile manufacturer. It is the first ventures to be entered into by General Motors in West Africa. In 1999, General Motors and UACH injected a further investment of $8 million into GM Nigeria Limited.

Tractor & Equipment Nigeria Limited is an associated company of UACN of Nigeria Plc. the Mansor Group in Egypt owned 70 percent of the equity of T & E, with UACN holding the remaining 30 percent. Tractor and Equipment sells and provides range of caterpillar products, including machines and generators.

2.11 History of the Nigerian mergers and acquisition market and, profile of Nestle and Lever Brothers Plc.

"Nigeria has recorded twenty-three (23) companies in Mergers & acquisition exercise in the past ten years, time Chief Executive Officer of Investment Banking &

Trust Company Limited. Atedo N. A. Peterside (1993) said “Most of time participated companies are quoted on time Nigerian Stock Exchange. They range from the Conglomerates sub sector to Insurance, banking Packaging, healthcare, textiles, Food & Beverages sub sectors as well as Oil & Gas (Petroleum Marketing) sub sector.

Speaking at a seminar on mergers and acquisitions organized by the Securities and Exchange Commission in conjunction with time Association of Issuing Houses of Nigeria, he hinted that between 1993 — 2003, there have been mergers and acquisitions. In the conglomerates sub sector, for instance time following companies merged: A. G. Leventis Company Nigeria PLC. The restructuring of UAC of Nigeria PLC resulted in time creation of Unilever Nigeria Limited amid tractor & Equipment Nigeria Limited, merger of Thermocool Engineering Cornpany PLC with Paterson Zochonis Industries PLC.

The Insurance sub sector of time economy in 1994, witnessed time merger of United Nigeria Insurance Company PLC with United Nigeria Life & General Insurance PLC. Time banking sub sector in 1995, there was acquisition of 75 percent of Meidien Trust Merchant Limited (now Union Merchant Banking Limited) by Union Bank of Nigeria PLC, The acquisition of 70 percent Meidien Equity Bank of Nigeria Limited, now Equity Bank of Nigeria Limited, by Nigerian Intercontinental Merchant Bank Limited (now Intercontinental Bank PLC). The banking sub sector also witnessed time acquisition of 100 percent of Magnwn Trust Bank Limited by Guaranty Trust Bank Limited. Time acquisition of 100 percent of ~Nigeria-Arab Bank PLC (now Assurance Bank PLC) by National insurance Corporation of Nigeria. Time acquisition of 48.9 percent of Stanbic Merchant Batik Nigeria Limited by SBIC Africa Holding Limited, and

time acquisition of 51 percent of Continental Trust batik by Standard Trust Bank PLC. Tue Packaging sub sector in 1997 also embraced merger. In this sub sector, there was merger of Carnaud Metal box Nigeria PLC with Car makers Nigeria Limited. Time Crown Cork and Seal Company Nigeria Limited, while in the Healthcare, transaction took place between Smith Kline Beecham Nigeria PLC with Sterling Products Nigeria PLC. 2001, there was merger of United Nigerian Textiles PLC with Nestle Nigeria Limited. However, major Merger and Acquisition (M & S) in time 1 and Gas occurred between 2000-2003. These include the acquisition of 30 cent of Unipetrol Nigeria PLC with Agip Nigeria PLC, among others.

Nestle Nigerian Plc 1866-1995

In time 1 860s Henri Nestlé, a pharmacist, developed a food for those babies who were unable to be breastfeed. His first success was a premature infant who would not tolerate his mother's milk or any of the usual substitutes. People quickly recognized time value of time new product, after Nestlé's new formula saved the child's life, and soon, Farine Lactee Henri Nestlé was being sold in such of Europe.

1905-1918

In 1905 Nestlé merged with time Anglo-Swiss Condensed Milk Company. By the early I 900s, time company was operating factories in time United States, Britain, Germany and Spain. World War I created new demand for dairy products in the form of government contracts. By time cud of the war, Nestlé's production had more than doubled. After time war in 19 18-1938 Government contracts dried up and consumers switched back to fresh milk. However, Nestlé's management responded quickly by

streamlining operations and reducing debt. In time 1920s Nestles saw it's first expansion into new products with chocolate time Company's second most important activity. In 1938-1944 Nestlé felt time effects of World War 11 immediately. Profits dropped from $20 million **in** 1938 to 1939. Factories were established in developing countries, particularly Latin America. Ironically, time war helped with time introduction of time Company's newest product, Nescafe, which was a staple drink of time US military. (Nestlé's production and sales rose in time wartime economy.

In 1975-1981 Nestlé's growth in time developing world partially offset a showdown in time Company's traditional market. Nestlé made its second venture outside time food industry by acquiring Alcon Laboratories Inc.

1996+

- Time first half of the 1990s proved to be favoruable for Nestlé: Trade crumbled and world markets developed into more or less integrated trading areas. Sine 1996 there have been acquisitions including

(1997), Spiilers Petfoods (1998) and Ralston Purina (2002). There were two major acquisitions in North America, both in 2002: in July, Nestlé merged its U.S. ice cream business into Dreyer's, and in August, a USD 2.5bn acquisition was announced of Chef America, Inc..

Unilever Nigeria

Unilever's corporate mission — to add vitality of life • Jiows how clearly time business understands $_{21}$**st** century-consumers and their lives. But time spirit of his mission forums a thread that runs throughout their history, leading right back to time late ~ 9~" century. In time 1 890s, William Hesketh Lever, founder of Lever Bros, wrote

down his ideas for Sunlight Soap — his revolutionary new product that helped popularize cleanliness and hygiene in Victoria England. It was to make cleanliness and hygiene in Victoria England. It was ‘to make cleanliness commonplace’ to lessen work for women; to foster wealth amid contribute to personal attractiveness, that life may be more enjoyable amid rewarding for time people that use our products’.

• This was long before the phrase ‘Corporate Mission’ had been invented, but these ideas have stayed at time heart of our business. Even if their language-and the notion of only women doing housework-has become outdated.

In a history that now crosses three centuries, Unilever’s success has been influenced by time major events of time day-economic boom, depression, world wars, changing consumer lifestyles and advances in technology. And throughout we’ve created products that help people get more out of life —cutting time spent on household chores, improving nutrition, enabling people to enjoy food and take care of their homes, their clothes amid themselves.

Balancing profit with responsible corporate behaviour

In time late $_{19}$tm~ century time business that would later become Unilever were among time most philanthropic of their time. They set up projects to improve the lots of their workers and created product. with a positive social impact, making hygiene and personal care a common place amid improving nutrition through adding vitamins to foods that were already daily staples. Today, Unilever still believes that Success means acting with ‘time highest standards of corporate behaviour towards our employees, consumers and time societies amid world in which we live’. Over time years we’ve launched or participated in an ever-growing range of initiatives to source sustainable

supplies of raw materials, protect environments, support local communities and much more.

Through this timeline you'll see how our brand portfolio has evolved. At time beginning of time 21 St century, our Path to Growth strategy focused us on global high potential brands and our vitality mission is taking us in~ a new phase of development. More than ever, our brands are helping people 'feel good, look good amid get more out of life' a sentiment close to Lord Leverhulme's heart over a hundred years ago.

Timeline

19th Although Unilever wasn't formed until 1920, the companies that joined Century forced to create time business we know today were already well established before time start of time 20th century.

1900s Unilever's founding companies produced products made of oils and fats principally soap and margarine. At the beginning of the 20th century their expansion neatly outstrips the supply of raw materials.

1910s Tough economic conditions and the First World War make trading difficult for everyone, so many businesses form trade associations to protect their shared interests.

1920s With businesses expanding fast, companies set up negotiations intending to stop others producing the same types of products. But instead they agree to merge-and so Unilever is created.

1930s	Unilever's first decade is no easy ride: it starts with the Great Depression and ends with the Second World War. But while the rationalizes operations, it also continues to diversify.
1950s	Business booms as new technology and the European Economic Community lead to rising of living in the West while new markets open up in emerging economics around the globe.
1960s	Hard economic conditions and high inflation make the '70s to tough time for everyone, but things are particularly difficult in the Fast Moving Consumers Goods (FMCG) sector ad the big retailers start to flex their muscles.
1970s	The business expands into Central and Eastern Europe and further sharpens it focus on fewer products categories, leading to the sale or withdrawal of two-thirds of its brands.
The 21st Century	The decade starts with the launch of Path to Growth, a five-year strategic plans. In 2004 it further sharpens its focus on the needs of 21st century – consumers with its Vitality mission.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter shall discuss the research design, area of study, population example and sampling technique or method, instrument for data collection, dilation of instrument, and plan of analysis of data generated in the study.

3.2 SOURCES OF DATA

The sources of data comprise both primary and secondary sources of data.

3.2.1 Primary Source of Data

The information from this source comprises only responses in the questionnaires which were to the respondent administered of the companies.

3.2.2 Secondary Source of Data

Relevant information from text books, journals, magazines, newspapers, periodicals and other publications was effectively used to source the secondary

The annual reports of some of the companies, associations and other organizations were also used as source of information. Observation and, discussion colleagues were also another source of important in formation.

3.3 Population Sample used and Determination of Sample Size.

3.3.1 Population of the Study

The target of this study consists of Nestle and Unilever Nigeria Plc.

However, information gathered by the researcher from these companies showed the responses of employees in their corporate planning department. Therefore the population for the study stood at 78.

3.3.2 Sample and Sampling Techniques.

In calculating the sample size of the companies, statistical formula formulated by Yarnane (1964) was applied in selecting from a finite population. The population is stated thus:

$$n = \frac{N}{I + N\ (e)^2}$$

Where n = Sample size

N = The entire population

e = Co-efficient of confidence or margin of error or allowable error.

The margin of error chosen by the researcher was 5% or 0.05.

Substituting the formular above, we obtained.

$$N = \frac{78}{1 + 78\ (0.05)^2}$$

$$N = \frac{78}{1 + 78\ (0.0025)^2}$$

$$N = \frac{78}{1 + 0.195}$$

$$N = \frac{78}{1.195}$$

= 65.27 196653 or approx 65

Therefore the sample for the study was 65. As a result total of 65 copies of questionnaire were administered to the respondents. The copies of questionnaires were allocated in the above proportion.

3.4 Method Of Investigation.

This study is a descriptive survey type of study in which data will be generated from the subject in natural environment. This study will aim at assessing the roles of strategic management in some selected conglomerates with regard to their mergers and acquisitions activities.

3.5 Administration Of Questionnaires

The questionnaire was administered to the subjects using face to face and email technique. Responses will be recorded by ticks or written details in the boxes or spaces provided.

3.6 Validation Of Research Instrument.

To ascertain the validity of the instrument, the researcher will subject the instrument to face to face and e-mail communication via the internet. The number of questionnaire items may be decreased or increased based on their validation results. The structure and language of the questionnaire may also be modified in the light of their corrections. The instrument will be structured in such a way as to minimize the effect of error like inconsistency and ambiguity.

3.7 Reliability Of The Instrument

The reliability of instrument is to be determined by a test technique with a random sample of two conglomerates not involved in this stud. A four week gap will be given between 1s1 and 2nd tests. This is to ensure the reliability over time.

3.8 Statistical Method Used For Data Analysis

The data will be analyzed using simple percentages :~ answer the research questions where percentage amid chi-square (x2) was used to test the hypothesis of the

study, since there are two variables drawn from the independent samples each of which is categorized in two ways e.g. yes amid no, the data is non numerical represented in frequencies and they are easy to complete and interpret since no sophistication in mathematics and statistics required but it is sometimes unusually long and tedious to calculate.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 INTRODUCTION

The purpose of this section is to critically analyze and examine the details *the* impact of strategic planning on mergers and acquisitions and in achieving orga*nizational* objectives in some selected conglomerates.

In this analysis, the simultaneous combination strategies that are most likely be effective in times of mergers and acquisition would be examined.

This chapter will present and analyze the data collected for the study. The presentation analysis was based on the responses collected from the respondents' ~. management and staff of the selected conglomerates.

4.2 Analysis of Data

Q.4 What is the mission and vision of your company?

- Nestle Nigerian Plc: Is to employ all (lie resources at our disposal in positioning our company as the leader within our chosen sphere of activity, effectively satisfying the total quality demands of our market. The aspirations of our employees, and providing optimum returns on our shareholders investment through focused profitable growth, whilst we remain a responsible corporate citizen.
- Unilever Nigerian Plc: The mission of the bank is historically determined. It primary objective must be to remain true leading organization in the United States by providing to its custom nation and beyond, with the best services available. To be number one in our chosen markets, providing exceptional value to our customers, to experience the thrill of adding value to lives and business by adding a superior convenience provider.

Q.5 Does the above determine your organizational objectives?

Table 1: Organizational Objectives.

Options	No. Of Respondents	Percentages
Yes	*53*	81%
No	*5*	*7.65%*
No idea	7	10.77%
Total	**65**	**100%**

Source: Questionnaire Administered (2005)

From the above table 81 % respondents shows that their objectives a~ ~ derived from the mission and vision of their company, while *7.65%* says No and 10.77% says no idea.

Q.6 Is your company a limited liability company?

Table 2: Limited liability companies.

Option	No of Respondents	Percentage
Yes	65	100%
No	-	
Total	**65**	**100%**

Source: Questionnaire Administered (2005)

The table shows that all the companies which questionnaire were distributed are limited liability companies.

Q7 What is your company's long term objective

The following are their responses.

- To carry on a diversified growing and profitable ventures.
- T o maximize the wealth of its current shareholder.
- To achieve a target rate of returns.
- To maximize profits.
- To achieve a high return upon investment.
- To maintain stability and growth in earning.

Q.8 Are you aware of the management philosophy and concept known as strategic management?

Option	No. of Respondent	Percentage
Yes	42	65%
No	23	35%
Total	**65**	**100&**

Source: Questionnaire Administered (2005)

Majority of the respondents agree that their companies undertake elaborate m management process.

Q.9 If the answer to Q8 is yes, to what extent do your company emphasis the strategic management concept.

Option	No. of Respondent	Percentage
Always	41	63.08%
Sometimes	15	23.07%
Never	9	13.85&
Total	**65**	**1005&**

Source: Questionnaire Administered2005.

63.08& of th respondent say that their companies always emphasis strategic management concept, 32.07& say sometimes and 13.08& say they never apply the concept.

Q10. Do your company undertake elaborate strategic management process?

Table 5

Option	No. of Respondent	Percentage
Yes	55	84.6%
No	10	15.4&
Total	**65**	**100&**

Source; Questionnaire Administered 2005.

From the above table, majority of the respondents agreed that their companies undertake elaborated strategic management process; this figure represents 84.6 percent of the total population. On the other hand *15.4* percent of respondent disagree.

Q11. Whether strategic management is relevant for the performance your company?

Table 6: The relevance of strategic management on performance.

Option	No. of Respondent	Percentage
Yes	57	87.69%
No	8	12.3%
Total	**65**	**100&**

Source: Questionnaire Administrated (2005)

From the above table it shows that the majority of the respondents believe that strategic management is relevant for the successful performance of their company.

Q11 Why do you think that strategic management is for successful performance of your organization.

Option	No. of Respondent	Percentage
Provides guidance for management decision	8	12.21%
Enable organization to respond to the wind of change	13	20%
Provides organization with suitable competitive advantage	6	9.23%
Provide rationale for evaluating, competing request for expansion	3	4.62%
All of the above	35	53.84%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The above table showed that 8 representing 12.31& agreed that it provides guidance for management decision making 13 respondents representing 20&

indicates that it enables organizations to recognize and respond to the wind of change, while 3 respondents representing 4.62% agreed that it provides rationale for evaluating competing request for expansion i.e. mergers and acquisition. Also 6 respondents representing 9.23% replied that it provides organization with sustainable competitive advantage, while a total of 35 representing 53.84% indicated all of the above option.

Q13. Do you think that without strategic management, your organization mergers and acquisition would have failed?

Table 8: Whether without strategic management organizations merger and acquisition will perform abysmally.

Option	**No of Respondent**	**Percentage**
Yes	47	72.31%
No	6	9.23%
No idea	12	18.46%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The above shows that a total of 47 respondents representing 72.31% agreed in the affirmative, while 6 respondents representing 9.23% said no. 12 respondents representing 18.46% maintained a no ideas response.

Q.14 is your Organization achieving its corporate objective?

Table 9: Organization achieving its corporate objectives

Option	No of Respondent	Percentage
Yes	39	60%
No	13	27.69%
No idea	8	12.31%
Total	65	100%

Source: Questionnaire Administrated 2005

The table above shoes that 39 respondent representing 60% replied positively to the question. The implication of their responses was that, they agreed that managers of some companies fail to achieve their corporate goals.

On the other hand, 18 respondent representing 27.69% replied negatively, which implied that they have no idea whether or not agree, that some managers failed to achieve their corporate objectives.

8 respondent representing 12.31% gave an “I don’t know response this means that they have no idea whether or not same managers of companies fail to achieve the corporate objectives of their organization.

The researcher agreed with those respondents that replied positively to the questions, the reason being that the abysmal performances and failure in some companies that do not practice strategic management gave credence to the testimony.

Q. 15 If no to the above, what do you consider as reasons for the failure to achieve the corporate objectives of your organization?

The following reasons were giving:

a. Inability of managers to plan strategically.

b. Lack of managerial ability and competence.

c. Lack of competitive ability to out maneuver competitors

Q.16 In your opinion, what are roles of strategic management?

Several roles accrue from sound and effective strategic management. Some of them are listed below:

a. It provides a comprehensive view of the company. It creates clarity of purpose and better awareness of corporate of corporate goals and problems.

b. Strategic management also improves the ability of companies to cope with change and uncertainty; particularly in dynamic and turbulent environment that prevails today. It makes quick response possible. It encourages innovation through creativity thereby introducing a spirit of dynamism in the organization.

    1. It helps to improve communication between different division and department of the organization.
    2. It enables management to take calculated business risks and think

ahead.

3. It also helps to improve the motivation, morale and job satisfaction of employees.
4. It also improves the quality of managerial decision. Since it insist on the consideration and assessment of the available facts. It is therefore, particularly useful in decision making.
5. It provides a way of controlling the business. This is done by providing a realistic model of future result.
6. It provides a framework for faster and less disruptive. By its very nature, it is the very opposite of the status quo.
7. It allows for identification, prioritization and exploitation of opportunities.
8. It helps to integrate the behavior of individual into a composite effort.
9. It improves the basic for clarification of individual responsibilities.
10. It minimizes the effects of adverse conditions and changes.
11. It allows fewer resources to be devoted to connecting erroneous or ad hoc decisions.

Q17. Do you agree that businesses which develop formal strategic management system will be more effective in achieving their objectives than those which do no?

Table 10. Businesses which develop formal strategic management system.

Option	Responses	Percentage
Yes	49	75.4%
No	16	24.6%
Total	**65**	**100%**

Source: Questionnaire Administered (2005)

From the above table, 49 respondents representing 74.4 percentage agreed that businesses which develop formal strategic management system will be more effective than does those that do not. While 16 respondents representing 24.6 percentage disagreed that it does not matter.

Q18. Do you think mergers fail to come to be and fail after consummation more frequently for human reason than other reason?

Table 11. Mergers failures: human or others reasons.

Option	No of Respondent	Percentage
Humans	54	87.7%
Others	8	12.3%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The above table showed that 8 respondents representing 12.3 percentage agree that mergers fail for human reason than any other reason while the remaining number

of respondents disagree.

Q19. Do you agree that strategic management will help organization in its future mergers acquisition?

Table 12. Strategic management helps in future mergers and acquisitions.

Option	**No of Respondent**	**Percentage**
Yes	52	80%
No	13	20%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The above table shows that 52% of the respondents representing 80% of the responses agreed that strategic management would help their organization to achieve it future mergers and acquisition deals.

Q.20 In your opinion, how do you think that strategic management ensures the continuity and survival of your organization?

Table 13: How strategic management ensure the continuity and survival of your organization.

Options	No of Respondents	Percentage
It helps to establish strategic and performance targets.	7	10.77%
It defines the Organization business and strategic mission.	9	13.85%
Without a strategy, an organization is like a rudder ship without a rudder.	6	9.23%
All of the above	43	66.15%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The table above shows that 7 respondents representing 10.77% indicated that it helps to establish strategic objectives and performance target for the organization. Also, respondents 9 representing 13.85% indicated that strategic management helps to define the organization business and strategic mission. 6 respondents representing 9.23% attested that without a strategy, an organization is like a ship without a rudder. While 43 respondents representing 66.15% indicated all of the above. The implication of their responses is that, they believe all the options. Indicated on the table are relevant for the continuity and survival of the companies.

Q.21 Who should act as the strategic thinker/ manager?

Table 14. Strategic thinkers.

Option	**No of Respondent**	**Percentage**
The chief executive officer (CEO)	19	29.23%
The CEO and other executive directors	41	63.08%
Every member of the organization	5	7.69%
None of the above	-	-
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The above table shows that 19 respondents representing 29.23% indicated that it is the chief executive officer (CEO) alone. On the other hand, 41 respondents representing 63.08% replied that the CEO and other executive directors of the various departments of the organization. 5 respondents representing 7.69% indicated that every member of the organization should act strategic thinker/ managers. No respondents indicated any of the above option.

The researcher was of the opinion that based on the above responses, it is apt for one to conclude that for the community and survival of an organization, the CEO and other executives of the organization should act as strategic thinkers.

Q.22 Do you think that there are management problems which impeded on the progress and efficient application of strategic management process?

Table 15. Management problems.

Option	No of Respondent	Percentage
Yes	52	80%
No	6	9.23%
No idea	7	10.77%
Total	**65**	**100%**

Source: Questionnaire Administrated (2005)

The table above shows that 52 respondent representing 80% replied in the affirmative. On the other hand, 6 respondents or 9.23% replied negatively and 10.77% maintained "no idea" responses.

Q23. If yes to the above questions, what are these problems?

The following problems were highlighted:

1. Poor Managerial Know-How
2. Poor Leadership Qualities
3. Inability Of Managers to Plan Strategically
4. Lack Of Managerial Ability And Competence
5. Lack of competitive ability to out maneuver competence as the reasons why some managers fail to achieve the corporate goals of their organization.

Q.24 Do you agree that strategic management will help in the continuity and

survival of your organization as a going concern?

Table 16: Strategic management helps in ensuring the continuity and survival of organizations.

Options	No of Respondent	Percentage
Yes	49	75.38%
No	16	24.62%
Total	**65**	**100%**

Source: Questionnaire Administrated 2005

From the above, it shows 49 respondents representing 75.38% indicating a positive response, 16 respondents representing 24.62% responded negatively.

It is the opinion of the researcher that the use of strategic management ensures the continuity and survival of every organization as a going concern. After all one would agree that with the use of strategy, an organization avails itself of the opportunity to plan for its success. Without it, an organization is like a ship without rudder which knows no direction it is going.

4.3 Test Of Hypothesis

Hypothesis.

Q.17 Do you agree that businesses which develop strategic management system will be more effective in achieving their objectives than those which do not?

Alternative Hypothesis

Hi: Businesses which develop formal strategic management system will be more effective in achieving their objectives than those that do.

Table 17: 2 by 3 contingences table

Responses	**Senior**	**Middle**	**Lower**	**Total**
Yes	24	16	9	49
No	8	5	3	16
Total	**32**	**21**	**12**	**65**

Source: Questionnaire Administrated (2005)

Table 17 above indicates the observed frequency represented by "D". The next calculation will be the expected frequencies represented by "B" **"D"**

Observed **"B" Expected**

24 (49x 32) /65 25.12

16 (49 x 21) /65 15.83

09 (49 x 12) /65 09.05

08 (16 x 32) /65 07.09

05 (16 x 21) /65 05.02

03 ((16 x 12) /65 02.95

$X^2 = \underline{D- B^2}$

B

$X^2 = (24-24.12)^2 / 24+ (16-15.83)^2 / 15.83+(9-9.05)^2 / 9.05+(8-79)^2 / 7.9+$

$(5-5.2)^2 / 5.2 + (3-3.0)^2 /3$

$= 0.006+0.0018+0.0003+0.0013+0.0077+0.000$

$= 0.0117$

The contingency table is 2 by 3, hence the degree of freedom is calculated as follows (P-1) (q-1) = (2-1) (3-1) = 1 x 2 = 2

The test would be completed using 5% significant to determine the critical value of chi-square, the value of X^2 0.05=5991 under 2 degree of freedom, since 0.0117 <5.991.

The alternative hypothesis is therefore accepted.

Hypothesis 11

Q18. Do you think mergers fail to come to be and fail after consummation and more frequently for human reason than any other reason?

Null Hypothesis

Hi: Mergers fail to come to e fail after consummation and more frequently for human reason than for financial and managerial concepts and strategies.

Alternative Hypothesis

Ho: Mergers fail to come to be and fail after consummation and more frequently for financial, management style and strategies than for human reason.

Table 18: 2 by 3 contingency table.

Responses	Senior	Middle	Lower	Total
Yes	4	2	2	8
No	29	17	11	57
Total	**33**	**19**	**13**	**65**

Source: Questionnaire Administrated (2005)

Table 16 above indicates the observed frequently by "D". The next calculation will be the expected frequencies represented by "B"

"D" Observed	**"B" Expected**
29(57 x 33) /65	28.94
17(57 x 19) /65	16.66
11(57 x 13) /65	11.40
04(08 x 33) /65	04.06
02(08 x 33) /65	02.34
02(08 x 33) /65	01.60

$$X^2 = \frac{D - B^2}{B}$$

$$X^2 = (29-94)^2 / 28.94+(17-16.66)^2 / 16.66+(11-11.4)^2 / 11.4$$

$$+ (4-4.06)^2 / 4.06+ (2-2.34)^2 / 2.34+ (2-1.6)^2 / 1.6$$

$$= 0.001+0.0069+0.0140+0.0009+0.0494+0.1$$

$$= 0.1713$$

The contingency table is 2 by 3, hence the degree of freedom is calculated as follows: (p-1) = q-1) = (2-1) (3-1) = 1 x 2 =2

The test would be competed using 5% significant to determine the critical value of chi-square, the value of X^2 0.05=5.991 under 2 degree of freedom, since 0.1713<5.991

The null hypothesis is accepted.

CHAPTER FIVE:

Summary, Conclusion and Recommendation

5.1 SUMMARY:

The essence of this last chapter is to present the summary of the findings from the study as it concerned the subject matter; the impact of strategic management on mergers and acquisition. A case study of Nestle and Liver brothers Plc

After the findings, recommendations were made by the researcher and also conclusions were drawn from the study.

Strategic management refers to the management that relates the organization to its environment, guide internal activities, and determine organization long term performance. The principal responsibility of an organization in the face of its growth strategies that is, mergers and acquisitions are to ensure that the organization keep in touch with the external environment and also see the essence of management in this process.

This study introduces the research topic by discussing the background of the study, aims and objectives of the study, statement of the problem, and significance of the study among others.

Literature reviews on merger and acquisition and theoretical framework for the strategic management process was highlighted. Suffice to restate that strategic planning as it is properly called is a regular, consistent, rational, and comprehensive and coordinated decision making that commits resources to action.

As a process, it must encourage participation, continuity, communication, delegation, flexibility and feedback in managerial test of ensuring on merger and acquisition or its growth strategies. As a result the views, ideas, submissions opinions and definitions of renowned

authorities on the subject matter were highlighted. To this end, therefore, this chapter was divided into different subheadings to enhance the successful achievement of this study.

The study also highlighted the research methodology. It explained the research design, area of study, population, sample and sample technique or method, instrument for data collection, validation of instrument and plan of analysis of data generated in the study. The data collected for the study were presented and analyzed with the use of simple percentage and cu-square was used to test the hypotheses of the study.

5.2 CONCLUSION

From the findings, it was revealed that majority of the respondents about 87.69% believed, on the questions raised by the researcher in the chapter one of study, and the test of hypothesis I revealed that businesses which develop formal strategic management system will be more effective in achieving their objectives than those which do not. The findings also revealed that the respondents agreed that strategic management is relevant for the successful performance of organization such as nestle and lever brothers Plc. sit decision-making, enable organization to recognize and respond to the winds of change, provide rationale for evaluating competing requests for investments and provide organization with sustainable competitive advantage.

The study showed that 72.31% of the total respondents agreed that organizations such as Nestle and Liver brother Plc would always perform abysmally in their mergers and acquisitions deals, if they fail to apply the concept of strategic management in their operations.

It was noted from the study that 60% of the total respondents agreed that some manager have failed to achieve their corporate objectives because of their inability of these managers to plan strategically.

From the study, it was observed that *75.38%* of the respondents, and the hypothesis "reveal that" mergers fail to come to be and fail after consummation sore frequently for human reason than any other reason.

The study reveals the major ways on which strategic management ensures the Access of mergers and acquisitions. Most mergers fail not because of strategic management, but because there is no effective market place for these transaction. And these failures have been attributed largely to financial, economic and managerial problems.

It was noted from the study that majority of the respondents admitted that Organizations were bound to perform abysmally if they fail to recognize the roles d application of strategic management in their operations.

The study also revealed that 63.08% agreed that in every organization, those who should be responsible for acting as strategic managers are the chief executive director and other executive directors of the organization.

For the study, it was observed that 50% of the total respondents admitted t there were some management (human) problems that impeded on the progress I efficient performance of some mergers. The findings showed that prominent among these problems include poor managerial know-how, and poor leadership

qualities of the chief executives.

Several roles accrue from sound and effective strategic management. Some of them are listed below;

1) It provides a comprehensive view of the company. It creates clarity of purpose and better awareness of corporate goals and problems.

2) Strategic management also improves the ability of companies to cope with changes and

uncertainty, particularly in dynamic and turbulent environment that prevails today. It make quick response possible. It encourages

innovative thought and creativity thereby introducing a spirit of dynamism in the organization.

3) It helps to improve communication between different divisions and departments in the face of a merger deal.

4) It enables management to calculate the strengths, weaknesses, opportunities and threats involved in a merger.

5) It also helps to improve the motivation, morale and job satisfaction of employees.

6) It also improves the quality of managerial decisions. Since it insist on the consideration and assessment of all available facts. It is therefore particularly useful in decision making.

7) It provides a way of controlling the business, providing a realistic model of future results, a kind of reference point.

8) It provides a framework for faster and disruptive operations. By its very nature, it is the very opposite of the status quo.

9) It allows for identification of opportunities, prioritization of strengths and avoidance of threats.

10) It helps to integrate the behavior of individuals into a composition effort.

11) It improves a basis for clarification of individuals responsibilities.

12) It minimizes the effect of adverse conditions and changes.

13) It allows fewer resources to be devoted to correcting erroneous or ad hoc decisions.

5.3 **RECOMMENDATIONS**

One of the main contributions of this study is that it demonstrates the need to apply strategic

management when evaluating the impact of mergers and acquisition on performance. Failing to apply the principles of strategic management would lead to in conclusive mergers and acquisitions which reduced e overall size benefits/growth strategic.

Management should endeavour to enhance the operational efficiency of their companies by applying the tenets of strategic management. This is very essential it tails taking into account all the relevant situation and coming up with a detailed Lion plan for achieving the target that is short-run and long run results.

Efforts should be made by management to explain to the employees the relevance of strategic management and advantages and prospects of it growth strategies.

Management should embrace information technology as this would help the organisation to enjoy cost reduction, speedy operations, accurate data processing etc.

Management should adopt Benchmarking in the industry as this will be improve the standard and quality of the organisation and it's products is need to encourage employees by regular and adequate training and retraining of employees since this will enhance their productivity level and ensure efficiency in their performance as this will help the organization to achieve their objectives.

Despite its limitation, the researcher believes that the study makes a useful contribution. First of all it contributes to a deeper understanding of the various process of strategic management, and growth strategies that is mode of expansion: and its performance, in areas other than those previously studies, namely international and diversification. In addition the research contributed to the analysis of the specific impact of mergers and acquisition on performance by analyzing the impact of strategic management. Finally, this study aims at contributing to an area of research which has often been emphasized as interesting and important that is, empirically investigating

merger and acquisitions Vs size performance relationship.

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Appendix 1

Questionnaire

Post Graduate School
Ahmade Bello University,
Zaria.

27th August, 2005.

Dear Respondent,

RESEARCH QUESTIONNAIRE

I hereby write in respect of the above subject matter. I am a students of the above names department undertaking a master degree in Business Administration (MBA).

As part of the requirement for the award of MBA each students is anticipated to conduct thesis on relevant topic of interest. My topic interest is impact of strategic management on mergers and Acquisitions: A case study of Nestle and Lever Brother Plc.

This questionnaire aim at collecting data on the afore mentioned topic to achieve the basic objective of the thesis. You are requested to provide answers to the questions below as honestly as possible, please. I pledge that all information supplied shall be use purely for academic purpose and be treated with utmost confidentiality.

Your co-operation is highly appreciated as it will contribute enormously to the successes of this thesis.

Yours faithfully,

Kabir Aminu Umar

Instruction

You are required to tick appropriate answer in the space provided for aption you consider appropriate. You may as well supply other information where you consider necessary.

Personal Data

1. What is your highest educational qualification?

a) Phd, Msc, MBA

b) Bsc

c) HND

d) OND

e) A' Levels

2. What is your position in the company?

a) Senior level management

b) Middle level management

c) Lower level management

3. For how long have you been working with the firm?

…….....

…….

4. What is the vision and mission of your Company?

……..

……

5. Does the vision and mission determine your organizational objective

a) Yes ( ) No ( )

6. Is your Company a limited liability Company?

a) Yes ( ) No ( )

7. What are your company's long term objective?

……

……

8. Are you aware of the management philosophy concept known as strategic management?

9. If the answer to Q8 is yes to what extent is your firm emphasized the strategic management concept.

Always ( ) Sometimes ( ) Never ( )

10. Do your company undertake collaborate strategic management process.

Yes ( ) No ( )

11. Whether strategic management is relevant for the successful performance of your company?

Yes ( ) No ( )

12) Why do you think that strategic management is relevant for the successful performance of your organization.

a) Provide guidance for management decision making

b) Enable organization to respond to the word of change.

c) Provide organization with suitable competitive

d) All of the above

13) Do you think without strategic management, your organization mergers and acquisitions would have failed?

Yes ( ) No ( )

14) Is your organization achieving its corporate objectives?

Yes ( ) No ( )

15) If no, the above what do you consider as reasons for the failure to achieve the corporate objectives of your organization.

……

……

16) In your opinion what are the roles of strategic management.

……

……

17. Do you agree that businesses which develop formal strategic management system will be more effective in achieving their objectives than those which do not?

Yes ( ) No ( )

18.. Do you think mergers fail to come to be and fail after consummation more

frequently for human reason than any other reason?

Yes ( ) No ( )

19. Do you agree that strategic management will help organization in its future mergers and acquisition? Yes ( ) No ( )

20. In your opinion, how do you think that strategic management ensures the continuity and survival of your organization?

(a) It helps to establish strategic objectives and performance targets ( )

(b) It defines the organization business and strategic mission. ( )

(c) Without a strategy, an organization is like a rudder ship without a rudder ( )

(d) All of the above ( )

21 Who should act as the strategic thinker / manager?

(a) The chief executive officer (CEO)

(b) The CEO and other executive directors

(c) None of the above

22. Do you think that there are management problems on the progress and efficient application of strategic management process?

Yes ( ) No ( ) No idea ( )

23. If yes to the above questions, what are these problems?

……

……

2.4 Do you agree that strategic management will help in the continuity and survival of your organization as a going concern?

Yes ( ) No ( )