THE IMPACT OF MERGERS AND ACQUISITION ON CORPORATE GROWTH IN NIGERIA

(A CASE STUDY OF LEVER BROTHERS NIGERIA PLC)

BY:

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DECLARATION:

I, Mary Dasikwo Musa, hereby declare that this study is my original hand work which to the best of my knowledge and belief has not been presented to this or any other University or Institution in Nigeria or abroad, by any person for award of any degree. All references have been appreciably acknowledged in the bibliography. I assume responsibility for any mistake, error, omission or commission found in this study.

MARY DASIKWO MUSA ....10/01/1999........

SIGN/DATE

CERTIFICATION

This research work titled The impact of mergers and Acquisition on Corporate Growth in Nigeria: A case study of Lever Brothers Nigeria PLC. by Mary Dasikwo Musa meets the regulation governing the award of the degree of Master of Business Administration MBA at Ahmadu Bello University, Zaria and its approved for its contribution to knowledge and literary presentation

....	15/1/1999
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DEPT. OF BUSINESS ADMIN. INSTITUTE OF ADMIN. A.B.U.

DEDICATION:

THIS PROJECT IS SPECIALLY DEDICATED TO GOD ALMIGHTY AND MY ENTIRE FAMILY WITH LOVE.

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ABSTRACT:

This research work is an extensive study on "The impact of Mergers and Acquisition on Corporate Growth in Nigeria".

Business combination (otherwise known as 'Mergers and Acquisitions') are as old as enterprises themselves. The motive behind any corporate entity in Business is growth, development and profitability.

An economy under recession like Nigeria provides compelling reasons for corporate bodies to seek a 'Merger or/an Acquisition" with the hope that the combined enterprise will stand a better chance of weathering the storm further more, the harsh business climate of the structural adjustment programme has made mergers and acquisition inevitable.

The purpose of this research work was to determine the corporate performance of mergers and acquisition, to assess the level of adequacy of information to investors etc. The Nigerian experience with mergers and acquisition is both recent and extremely limited. Therefore, a research work of this nature is of immense importance to the corporate bodies who have either engaged in merger and/or acquisition, and those who are yet to embark on such decisions. It is also of importance to the investing public, other students who may be interested in undertaking researches in related area (s), etc.

The main hypothesis of this study as stated thus:

Ho (Null hypothesis): - Mergers and Acquisition have no impact on corporate growth.

Hi (Alternative hypothesis: - Mergers and Acquisition have impact on corporate growth.

The methodology employed in this researched used Lever Brothers Nigeria plc as a case study because of the many mergers and acquisitions it has undertaken. The investigation was based on random sampling method, and the sample size used was eighty (80) respondents, which was made up of executive heads, middle level managers and other employees. The study also made use of primary data (questionnaires and personal interviews), and secondary data (books, journals, newspapers, unpublished works, theses and conference papers). The simple percentile statistical tool was used for the analysis of data.

The main findings revealed that mergers and acquisition enhance diversification which has to do with market expansion, wider range of products and services. Merged or acquired companies have realized higher profits, reduction in operational costs, better staff welfare, increase in salary, improved technology, capability to respond more to the needs of the consumers and customers, etc. From the research therefore, Ho (Null hypothesis) was rejected and Hi (Alternative hypothesis) was accepted, which was concluded that mergers and acquisition have serious positive impact on the growth of corporate bodies in Nigeria.

Based on the strategic posture of mergers and acquisition on business, and the impact on the shape of corporate bodies and the country's economy, some recommendations were made as follows: - that merger should be used as a survival and expansion strategy, and more companies should therefore be encouraged to participate in merger bids.

Mergers and acquisition should also be used as one of the viable options for rescuing some of the distressed financial institutions, etc.

The research work was divided into five (5) Chapters. Chapter one focused the introduction, purpose of the study, statement of the problem, significance, methodology, etc. chapter two concentrated on the theoretical framework, which looked into related literatures by various writers. For example, definitions, reasons for mergers and acquisition, examples of merged companies, etc.

Chapter three on the other hand was specially devoted to lever brothers Nigeria plc as a case study organization, and the information gathered concerning its experience s on mergers and acquisition was tremendous.

Chapter four dealt mainly with the presentation and analysis of data collected, the test of the hypothesis, findings and discussions, etc.

Chapter five finally was used for summary of the entire research, conclusions drawn and some recommendations made.

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CHAPTER ONE

INTRODUCTION

The motive behind any corporate entity in business is growth, development and profitability. Corporate bodies wish to rapidly increase their productive capacity, earnings, market price of their stocks or to take advantage of certain liquidity benefits. However, different corporate bodies employ different means (internal or external) of achieving these objectives. The choice of internal growth involves devising means within the corporation, such as by normal capital budgeting activities, and it is usually a time consuming process. The external growth however, involves mergers and acquisitions which normally achieve the same objective in a short period of time.

An economy under recession like Nigeria provides compelling reasons for corporate bodies to seek a merger or an acquisition with the hope that the combined enterprise will stand a better chance of weathering the storm. Furthermore, the harsh business climate of the structural adjustment programme (SAP) has made mergers and acquisitions inevitable. Those who initiate mergers and acquisitions usually premise their actions on economic or business considerations. Therefore, decisions made at the time of the merger or acquisition often have a long impact on both companies' financial conditions and the financial results of the merger or acquisition.

The results of the study would enable the researcher to know whether mergers and acquisitions have positive or negative impact on corporate growth in Nigeria.

1.2 STATEMENT OF THE PROBLEM

Since mergers and acquisitions are inevitable in Nigeria, the most important question the researcher is now faced with is, "what contribution(s) have mergers and acquisitions made to corporate growth?"

- Have they been successful or not.
- Do corporate bodies in Nigeria have the necessary competence in carrying out mergers and take – over bids.
- Are the investors adequately informed about mergers and acquisitions.
- How are the staff or employees affected.
- What are the social and economic benefits.

The answers to these questions therefore become the main concern of the researcher.

1.3 PURPOSE OF THE STUDY

The aim of this study is the determination of the corporate performance of mergers and acquisitions. Specifically, the objectives are:

1. To find out the impact of mergers and acquisitions on corporate growth.
2. To assess the level of corporate competence in Nigeria.
3. To find out the level of adequacy of information to the investors.
4. To determine the effects of mergers and acquisitions on employees.
5. To determine their social and economic benefits.

1.4 SCOPE OF THE STUDY

There are many corporate bodies in Nigeria that have been involved in mergers and/or acquisitions. But this research work has been restricted to one corporate entity – lever Brothers Nigeria PLC as a case study.

The choice of this corporate entity was as a result of many mergers and acquisitions it has undertaken.

1.5 SIGNIFICANCE OF THE STUDY

The dire economic conditions as presented by structural adjustment programme (SAP) exposed the weak and inefficiently managed companies to take – over bids. The Nigeria experience with mergers and acquisitions is both recent and extremely limited.

Therefore, a research work of this nature is of immense importance to the corporate bodies who have either engaged in merger and/or acquisition, and those who are yet to embark on such decisions. The research is also of importance to the companies who are currently making merger and acquisition moves and proposals. It will be of relevance to other students who may be interested in undertaking researches in related area(s).

Finally, it will give the investing public some relevant information about the performance of mergers and acquisitions in Nigeria.

1.6 RESEARCH HYPOTHESIS

Ho; Mergers and acquisitions have no impact on corporate growth.

Hi; Mergers and acquisitions have impact on corporate growth.

Some Null hypotheses (Ho) to be tested from the analysis of data to determine the impact of mergers & acquisitions.

1. Mergers and acquisitions of corporate bodies do not enhance diversification.
2. Merger or acquisition does not improve corporate share prices.
3. Corporate employees do not benefit from merger/acquisition exercises.
4. There is no economic benefit from mergers/acquisition exercise.
5. Merger/acquisition bids in Nigeria have not been successful.
6. There is no adequate information about merger/acquisition in Nigeria.

1.7 RESEARCH METHODOLOGY

The research used a case study of Lever Brothers Nigeria PLC. The entire staff of the company constituted the population of the study. However, the investigation was based on random sampling method and the sample size was 80 respondents. This number is made up of executive heads, middle level managers and the employees.

The study made extensive use of both primary and secondary data. Primary data involved formulation and administering of questionnaires to the respondents (staff members) personal interviews were also conducted with some managers as a follow up of the questionnaire responses.

Secondary data were derived from extensive library research (books and journals) newspapers, unpublished works, theses and conference papers for the review of literature and theoretical framework. The data analysis involved the use of statistical tools like percentile etc.

1.8 LIMITATIONS OF THE STUDY

In carrying out a research of this nature, it is obvious that one cannot avoid difficulties. One of the greatest problems encountered was lack of adequate data from the case study organization. This was because some documents were considered to be secret and their disclosure would be against the interest of the organization. Also the secondary data were not readily available.

Other areas of limitations include time factor and financial constraints. These limitations forced the researcher to narrow down the scope of the study.

1.8 DEFINITION OF TERMS

MERGER: A combination of two or more independent business units into one organization with a common management and ownership.

ACQUISITION: A take – over by one company of sufficient shares in another company to give the acquiring company control over that of the other company, or through the purchase of the assets of the company to be taken over.

AMALGAMATION: A blending of two or more existing undertakings into one undertaking, the shareholders of each blending company becoming substantially the shareholders in the company which is to carry on the blended undertakings.

CONSOLIDATION: A situation where two or more companies make formal application to join together either under a new corporate form or under the corporate form of one of the combining companies.

CONGLOMERATE: It is a type of combination between companies of different industries.

TECHNOLOGY: This is where the acquiring company has the same technology types as the acquired company but different customers.

CONGENERIC: It is between firms in the same general industry but where the parties are either customers nor suppliers of one another.

CORPORATE BODY: A legal entity having rights and obligations of its own which the law can enforce.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

CONCEPTUAL FRAMEWORK

Business combination (otherwise known as Mergers and Acquisitions) are as old as enterprises themselves.

This chapter is concerned with the review of existing knowledge on mergers and acquisitions contributed by other researchers and authors on different aspects of the topic. Under this, the researcher is set out to review the extent of work already done by other researchers on the topic and be able to contribute more to what has already been done.

The researcher would have a thorough understanding and new insights or approaches of previous studies, and reveal relevant investigations to the study. The theory, types, evidences, problems, prospects, etc would be examined. This is to set the theoretical base for the research and to set the current research into perspective to show "the state of the art".

2.2 THEORY OF MERGERS AND ACQUISITIONS

When companies or firms unite in some form, the result is variously described as an 'absorption', 'amalgamation' 'consolidation', 'scheme of arrangement' 'merger' or 'acquisition' (Take – over). All these are commercial terms used from time to time in business and financial circles. The word 'amalgamation' is probably the one most commonly used by the business community when referring to a unification of interests, Halsbury defines amalgamation as 'a blending of two or more existing undertakings into one undertaking, the shareholders of each blending company becoming substantially the shareholders in the company which is to carry on the blended undertakings" for the purpose of this research, the terms 'merger' and 'acquisition' have been preferred.

a) DEFINITIONS:

i. MERGER

A merger has been defined by the Companies and Allied Matters Act (CAMA) of 1990 (5,590) as 'any amalgamation of two undertakings of one or more or more companies and one or more corporate bodies'. A merger could therefore, be simply defined as the coming together of two or more separate companies to form a single company.

It implies a combination of two or more independent business units into one organization with a common management and ownership. Usually, it entails the creation of a new company with a new name which reflects the identities of the merging companies to form one corporate entity.

Merger is defined in a different way by the monopolies and mergers Act (MMA) of 1965 as, 'where two or more enterprises have ceased to be separate enterprises within the previous six months or where arrangements are in progress or contemplation which will lead to their ceasing to be separate enterprise.... When they are brought under common ownership or control or when one of ceases to be carried on as a result of arrangements to prevent or processes whereby two or more previously autonomous concerns come under control. It is a regular feature of the world corporate business operations.

Farrar, (1976) sees merger as, the amalgamation of two or more companies which is usually most simply effected by one company purchasing sufficient of the voting control. The result in effect is the formation of a group of companies in which the acquiring or transferee company becomes the 'holding company' and the acquired or transferor companies become 'subsidiaries'.

The purchases may be the subject of negotiation and agreement between the acquiring company and the transferor share holders concerned; or the acquiring company may use take – over methods, which involve the sending of an offer by circular to the individual shareholders.

- A proposal merger can be between:
- A private (unquoted) company with another private company.
- A private (Unquoted company with a public limited company (quoted).
- A public limited company with another PLC (both quoted). Mergers can be among companies currently under the some management or with a unit outside the management.

  A merger may be achieved by:
- A purchase of the assets of another business for cash.
- A purchase of the shares of another business for cash.
- An acquisition of the shares of another business by an exchange issue of shares in the acquiring company.
- The formation of a holding company to hold the shares of both parties to the merger.

ii. **<u>ACQUISITION (TAKE – OVER)</u>**

Acquisitions and take – over are often used interchangeably. CAMA defines a take – over as 'the acquisition by one company of sufficient shares in another company to give the acquiring company control over that of the other company".

An acquisition may also arise through the purchase of the assets (rather than shares) of the offeree company. Usually, a larger company acquires a smaller one thereby the latter relinquishing its corporate existence or become a subsidiary of the acquiring company by relinquishing its substantial controlling interest. Therefore, a take – over is also seen as the purchase of a controlling interest in one company by another company. This term is applied particularly to an offer by circular to shareholders, offerin to purchase their shares for a consideration consisting usually of shares in a company controlled by the offeror, but sometimes partly of such shares and partly of cash or fixed interest stock.

Acquisition is preferably used when it includes, 'all business and corporation organizational and operational devices and arrangements by which the ownership and management of independently operated properties and business are brought under the control of a single management'.

Usually, an *acquisition* will occur where an individual offeror companies acquires all the assets of another company and becomes the new owner or where the individual or offeror acquires all the shares or a majority of the shares of offeree so as to exercise control over the management of the offeree company.

The acquisition may be achieved by a process of negotiation with the holders of a majority or all of the shares and this would normally be the case in a small private company. But in the more widely held companies, it may be achieved by agreement with the controlling shareholders or through acquisition of sufficient shares on the stock market to assure control or through a take – over bid.

iii. MERGER AND ACQUISITIONS

Sometimes, the two terms are used synonymously. In practice, the distinction between merger and acquisition is not always a clear one, when a large company 'joins' with another company that is not quite so big.

It is to be emphasized that whereas acquisitions leave two companies existing separately, at least in the short run, a merger on the other hand entails an amalgamation of the undertakings or part of the undertakings or interests of two or more companies or the undertaking of one or more companies and one or more body corporate. Thus, a merger will result where the assets of company B, for instance, becomes vested in a new company formed for this purpose. The methods of mergers are often the same as the methods used to make an acquisition.

b) FACTORS THAT UNDERLINE SUCCESSFUL MERGER/ACQUISITION BIDS

Those who initiate mergers and acquisitions usually premise their actions on economic or business considerations. Agreement to the terms of a merger/acquisition usually requires that both sides see benefits in it. Onwu. (1994) states some factors that underline successful merger/acquisition bids as follows:

- Broaden the scope for training and development of personnel of the combined businesses and provide enhanced opportunities for all levels of employees. The emerging organizational structure would attract and retain managers of higher professional calibre thereby strengthening the manager cadre and making it more cost effective.
- Result in saving and improve earnings for the shares of the companies particularly in the medium to long – term, thus preventing over lapping and duplication of efforts and responsibilities to serve optimum use of available resources.

2.3 TYPES OF MERGERS AND ACQUISITIONS

The amalgamation of two or more companies is usually most simply effected by one company purchasing sufficient of the voting shares in each of the others to give it voting control. The result in effect is the formation of a group of companies in which the acquiring or transferee or transferor companies become 'subsidiaries'.

There are technically a number of ways in which a merger/acquisition can take place although they are not all equally well – used in practice.

i. The mutual needs for the proposed merger or acquisition must be given priority consideration. The basic need is for purpose of fostering growth and profitability which would otherwise be difficult and impossible to achieve as separate companies or would take more resources and longer time to accomplish.

ii. Broader similarities in markets, organizational structure and policies. Business with broadly similar policies and organizational structures and markets will experience less friction if they propose to merger.

iii. When two or more companies 'join' together, there should be a 'synergistic effect', that is, the combined organization will give a better performances than that achieved as a mere sum of its parts, provides the benefit. Synergy can be described as the 2 + 2 =5 effect. At its most simple level, if company A, which makes profits of N200,000 pa mergers with company B, which makes of the merged companies should be in excess of N400,000. Synergies – a merger or acquisition is expected to:

- Provide benefits for the exploitation of synergies especially in manufacturing, marketing and distribution and the pooling of management and financial resources together.

There are usually three major forms namely, horizontal, vertical and conglomerate mergers.

a) **HORIZONTAL MERGERS**

A horizontal merger is a diversification into a complementary line so that a comprehensive service can be provided. This is the combination of companies which produce the type of goods or services. It indicates that firms doing the same trade of between two or more manufacturing firms in the same trade or between several retailers. For example, a manufacturer of special toilet items for ladies might decide to acquire a company that manufactures lipsticks so that it is able to carry a comprehensive line of products.

b) **VERTICAL MERGERS**

This is a merger between businesses at different stages of production or distribution, that is a manufacturing concern may merge with another firm producing, say, its main raw material, so as to assure itself of uninterrupted supplies, of the right quality in the required quanties. Or a manufacturing firm may decide to invade the wholesale or retail trades, either selling its products in bulk to middlemen or actually selling direct other public. It is often undertaken to strengthen resource competence regarding an assisting line by merging with he supplier's or customer's companies. For example, a cosmetic manufacturer may presently be dependent on outside suppliers for his raw material requirements. If he finds that these suppliers are irregular, or his present supplier is also in the manufacturing line of cosmetic products and is competing with him, he might try to acquire another company that manufactures some of the critical raw materials required for his present line. Another important reason for acquisitions is to reduce the cyclicality involved in the present business.

c) **CONGLOMERATE OR DIVERSIFIED MERGERS**

The conglomerate type of merger is a type of combination between companies of different industries. This represent a new field of interest and policy. A pure conglomerate may be said to occur when one company takes over another in a totally different industry with no important common features between them in production, marketing, research and development or technology. The conglomerate type of mergers result in no reduction in competition, and in any way each is left to the regulating powers of the market, the commercial judgment of the firms and t attitude of the shareholders.

Other features of a conglomerate merger are; lack of limits to the size which it grows. It can grow to be a monopoly company. The size of the trades in terms of employment varies considerably, for a smallest firm may have an employment of 800 persons, and the largest firm 46,000 persons.

2.4 MERITS OF MERGERS AND ACQUISITIONS

A number of benefits or advantages are said to stem from mergers or acquisitions. In many ways, the precise advantages claimed for mergers depend so much on the timing of the events. According to R. W. MON (1959, p. 14), some advantages may be identified directly with adverse conditions of trade, namely, concentration of production and the closing down of excess capacity during a trade depression. While, in other and more prosperous times, the advantages may lie in the additional spare capacity brought into use immediately, during a period of expanding trade or the opportunity of buying out an established firm at a prices. In short, the benefits to be gained from mergers may vary according to the economic climate in which they are born.

A merger or acquisition has both positive economic and social benefits.

a) **<u>ECONOMY IN CAPITAL EXPENDITURE</u>**

A merger will lead to more intensive use being made of existing manufacturing assets than was the case before hand. That factor should, in its turn, promote better and more economical planning of future capital expenditure. For one must not overlook the fact that on a merger o two or more firms, the new board of directors is probably looking far ahead rather than to the immediate future. Factories which are most favourably situated for economical operation can be utilized to their full capacity, and those unfavourably situated can be closed down. While therefore, tow competing firms might both be tempted to over – expand at the same time and so have to carry the burden of surplus capacity, that situation would be less likely to happen if both firms had joined forces.

b) **<u>ECONOMY IN THE USE OF CURRENT ASSETS</u>**

Where two or more business are merged, a real saving in stock – in – trade can be achieved, that is the level of the spare parts can be progressively reduced or over – stocking of raw materials can be eliminated, simply because there is a higher overall level of tock available to draw upon.

The centralization of buying and the diminished competition in the demand for material tend to reduce prices. A large combine is able to command greater security in respect of suppliers of materials and goods, since it is more competent to organize supplies and control the market.

Another important advantage likely to result from a merger, is that the group is put in a much stronger position to borrow from its bankers. In the first place, the group's size is such that it now has larger assets to offer as security for temporary advances. Secondly, in the event of a diversity of interests, the group would be better placed to weather trade recessions, quotas or other import restrictions imposed by overseas countries, purchase tax changes, unexpected hire – purchase restrictions etc.

c) **<u>EASE OF ACCESS TO THE CAPITAL MARKET</u>**

A merger of interests should, if only by reason of size, posses added financial strength. Besides improve facilities for raising fresh capital from the market. As a group comes into being, the number of shareholders has tendency to increase along with the expansion of physical assets. If at some later date, the company can no longer finance its continued expansion from retained profits, it may decide to give its own shareholders the change of investing further money in the business. Where an approach to the public at large is contemplated, either by prospectus or offer for sale, the existence of a large undertaking is even more a condition precedent to the launching of a successful new issue in these days.

d) **SAVING IN OVERHEAD EXPENSES**

In theory, at any rate a merger should lead eventually to a genuine saving in administrative and other expenses of one kind or another. Expenditure in advertising may be reduced, or the same total expenditure may be made more effective. Collective advertisements of particular types of goods may be inserted in the press, from which all will benefit, or advertising may be localized according to known demand in various districts. Better terms can also be obtained for large advertising campaigns. Each factory or depot can supply its own area, thus effecting considerable saving in transport charges.

Secretarial and administrative work may be centralized at the head office, so that one staff will do the work formerly, performed by several. Opportunities for promotion in a large business attract and retain the most competent men.

e) **MAINTENANCE OF SELLING PRICES**

The elimination, to some extent, of competition renders price cutting unnecessary, and economic prices can be charged for the company's products. Prices can be stabilized, and greater security as combine is also achieved.

f) **PROMOTION OF SYNERGIES**

A merger or acquisition will provide benefits for the exploitation of synergies especially in manufacturing, marketing and distribution and the pooling of management and financial resources together. It broadens the scope for training and development of personnel of he combined businesses and provide enhanced opportunities for all levels of employees.

The emerging organization structure would attract and retain managers of higher professional calibre thereby strengthening the manager cadre and making it more cost – effective.

The combine will be able to utilize the most efficient buyers, salesmen, and administrators, and avail itself of he services of inventors, scientists, etc. who could be continually experimenting for the purpose of discovering means to cheaper production, improve the quality, and extend the nature of the products, thereby providing improved services to the public.

2.5 DEMERITS OF MERGERS AND ACQUISITIONS

All the arguments, however, are by no means favourable to mergers. There are many real objections to be considered. Some of these objections are:

a) ELIMINATION OF THE PERSONAL TOUCH

Certain businesses owe their success to the strength of character and drive of the proprietor or proprietors. In fact, one of he outstanding advantages of the small sole – proprietorship or partnership type of business is that, the proprietor really does know the whole of his staff and they in turn know him. With the growth in size of a business, however, it is quite impossible for any one man to know more than a small proportion of the total individuals employed. Therein lies the danger that the beneficial effects of the personal touch will be lost. The control of the business, both in minor matters of policy and in day – to – day administration, must inevitably be delegated in some way. Delay in reaching a decision on a problem is often common place.

On the other hand, the personal ties may exist between the proprietor and his customers, just as with his work people. Here, the knowledge that the business is no longer under the old ownership and supervision may have an adverse effect. Goodwill on either side is a particularly tender plant. There is always the advantage associated with large –scale business and its diversity of interests. Factories may be dispersed at home, while some may be established abroad. Control is rendered difficult even where management is decentralized, notwithstanding the comparative ease of communicating these days.

b) **LOSS OF TRADE NAME**

The parties to a proposed merger may object to the potential loss of valuable trade names. This objection does not seem to be borne out in practice, however, for it seems to be the rule rather than the exception to preserve the trade in some form, depending upon the exact style of merger contemplated. A merger enacted through a new company taking over the actual undertaking (i.e. purchase of assets including goodwill) of two or more other firms, poses a difficult problem. The constituent businesses may hitherto have carried on their operations under a name which has become a household word and thus possess a sale price of its own under the heading of goodwill (which will have been paid for by the new company)

c) **INCONVENIENCE AND EXPENSE**

Obviously all businesses do not readily lend themselves to a profitable merger. It is assumed, however, that negotiations would have been broken off where a real stumbling – block loomed up in the preliminary discussions. If proceeded with, such a merger would most likely fail in its object. In general, the expenses fall into two categories, (i) stamp duties and (ii) professional fees. The former category includes stamp duties on the transfer of assets or shares from one ownership to another, and on the authorized share capital of a newly formed limited company. The latter would normally take in valuation fess for property or other assets, accountancy and legal fess for expert advice.

d. **MONOPOLY POWERS**

Mergers have often been seen as leading to possible exploitations of the public, by the stifling of competition and the forcing up of prices. The usually occurs when the combine is able to obtain a complete or virtual monopoly and misuses its powers by withholding suppliers or demanding excessive prices. By the unscrupulous use of its larger resources, prices may be reduced by a combine to an uneconomic level with the object of driving the small trader out of business or forcing him to sell out to the combine at an unfair price.

e) **PERSONALITY PROBLEMS**

Another disadvantage inherent in mergers arises from loss of status or affront (imagined or intended) to personal feelings. Directors who have in the past been the dominant character in their own business, assuming the forcefulness of a petty dictator in some respects, naturally take unkindly to a change of organization in which they find themselves merely one of a group of people composing the board of directors. With executive responsibility curtained, the prospect of finding themselves in a minority in important matters of policy and thereby outvoted may will rankle. Most mergers and acquisitions involve some element of staff rationalization. It is therefore likely that some staff will loss their jobs.

2.6 THE ACCOUNTING TREATMENT OF MERGERS AND ACQUISITIONS

Mergers can be among companies currently under the same management or with a unit outside the management. Two things can happen after the merger of two or more companies under the same management. Either a new company is floated or one of the old companies is left in existence as the dominant undertaking. In any case, shares of the new company will have to be issued to the shareholders of the merging units. In the case of acquisitions from an outside party, a certain compensation will have to be paid towards the value of the property acquired.

There are technically a number of ways in which a business combination in the form of merger or acquisition can be treated. For the purpose of this research work, three main accounting methods are considered. These are;

a. The purchase method

b. The new entity method

c. Pooling of interests method

There is a dual importance f the choice of any method. First, the negotiations and terms of the combination being studies may be significantly affected by the method chosen. Secondly, the choice made will cause materially different financial reporting results, such as in the total assets, earnings per share etc. there are also certain quantitative factors that have received the greatest emphasis in arriving at any businesses combination terms. These are:

i. Earnings and the growth rate of earnings

ii. Dividends

iii. Market values

iv. Book values

v. Net current assets

The per share values of the foregoing factors is the basis for analysis.

a) **THE PURCHASE METHOD**

The buyer under this method accounts for the cost of an acquisition by applying the same principles as are applied in the normal acquisition of assets. At the date of acquisition, the identifiable assets and liabilities acquired are restated to their assigned values. The identifiable assets and liabilities acquired may include assets and liabilities not included in financial statements of the acquired may include assets and liabilities not included in financial statements of the acquired company. Any excess of consideration over the assigned value of the net identifiable assets acquired is recognized as goodwill arising on acquisition. Normally, the financial statement of an acquired business is incorporated into those of the acquiror as from the date of acquisition.

i. **VALUE THE PURCHASE CONSIDERATION**

The value of the purchase consideration is determined by an assessment of the fair value of any non – cash element .

A variety of techniques is applied in arriving at fair value. For example, when the consideration includes quoted securities, the price is normally used in arriving at the fair value of securities, provided that volatity or narrowness of the market do not make the market price an unreliable indicator. Where no quotation exists, the fair value of the securities may be estimated by reference to their proportional interest in the fair value of the business underlying those securities or by reference to the fair value of the business acquired, whichever is more clearly evident. The cost of acquisition includes the expenses incurred by the acquiring company directly on the acquisition.

ii. **TREATMENT OF GOODWILL ARISING ON ACQUISITION**

Goodwill arising on acquisition is affected by a number of factors, to the extent that the acquiror expends cash or other assets on the purchase consideration. There is a strong presumption that the goodwill arising on acquisition represents a payment made in anticipation of future income. The purchase transaction measures the amount by which the acquiror values the business as a whole over and above the sum of the net identifiable assets. When market prices of both stocks are high, the consideration payable is likely to be evaluated at a higher amount that when those prices are low. An appropriate treatment for the proportion of the goodwill may be to charge it immediately to shareholders' interests.

iii. **EXAMPLE OF PURCHASE METHOD**

The consolidation of Balance Sheet

Assume that on January 1, 1990, company 'A Ltd' (parent) bought all the voting stock of company 'B Ltd' (subsidiary) for (N160,000). Assume also that at the date of acquisition, the individual balance sheets of the two companies were shown in the two left hand columns. If these columns were simply added together a combined (not a consolidated) balance sheet would contain the amounts shown in the right hand column. First, observe that in acquiring companies, company 'A ltd' paid N10,000 more than the N150,000 because of value of A ltd's assets (common stock and retained earnings). Secondly, note that the total assets and total equities figures derived simply by adding the two balance sheets are overstated because certain amounts are counted twice.

COMPANIES 'A LTD' AND 'B LTD'

Combined Balance Sheet

January 1, 1990		('000)	
Assets	A Ltd	B Ltd	A Ltd and B Ltd Combined
	N	N	N
Other Assets	340	180	520
Investment in A Ltd (at cost)	160	-	160
Total Assets	500	180	680

b) **THE NEW ENTITY METHOD**

Under the new entity method, all parties to the combination restate the varying amounts of the assets and liabilities to fair value at the date of combination. This method does not recognize any goodwill arising an acquisition. The consideration is usually in the form of shares in the new entity. Any cash disbursement or other assets is treated in the same manner as under pooling interest. Director cost immediately to income. The date of combination under this method is determined in the same manner as date of acquisition under the purchase method.

i. **MINORITY INTEREST ON ACQUISITION**

Different methods are used in accounting for a minority interest in a subsidiary following a business combination. Under this, the minority in the balance sheet immediately following a business combination is variously recorded as the minority share of:

- The pre – acquisition book values of the net assets of the subsidiary. In this case, the restatement of net assets to the assigned value is limited to the proportion attributable to the acquiring company.
- The post – acquisition values, that is the assigned values of he net identifiable assets acquired adjusted by the goodwill arising an acquisition, or by the short fall from assigned value – that would have

arisen if 100% of the subsidiary had been acquired. In this case, goodwill arising on acquisition is recorded on an equivalent basis.

ii. **TREATMENT OF TAXES ON INCOME**

Permanence of timing differences may arise between recognition of income or expenses for financial reporting and for tax purposes. Such differences may be taken into account in assigning values to assets purchased or may be accounted for in accordance with International Accounting 12 – Accounting for taxes on income.

Equities:

Liabilities	**25**	30	55
Common stock	400	100	500
Retained earnings	75	50	125
Total equities	500	180	680

COMPANIES A LTD AND B LTD

Consolidated Balance Sheet

January 1, 1990			('000)	
Assets	A Ltd	B Ltd	Elimination	Consolidated Balance Sheet
	N	N	N	N
Other Assets	340	180	-	520
Investment in A Ltd	160	-	(150)	-
Goodwill or other) Excess from Consolidation)	-	-	-	10
Total Assets	500	180	150	530

Equities:

Liabilities	25	30	-	55
Common stock:				
Company A Ltd	400	-	-	400
Company B Ltd	-	100	(100)	-
Retained earnings:				
Company A Ltd	75	-	-	75
Company B Ltd	-	50	(50)	-
Total Equities	500	180	150	530

iii. **EXAMPLE OF NEW ENTITY METHOD**

Assume that on May 5, year 10, Park corporation or purchase for cash 100% of the capital stock of Sun Company at its book value of N300,000 (this shares are purchased from Sun company's former stock holders.) Also on this date, park corporation lends N40,000 cash to Sun Company, receiving a note as evidence o the loan. Immediately after these two transactions, the separate balance sheet accounts of park corporation and Sun Company are as shown below.

PARK CORPORATION AND SUBSIDIARY
Consolidate balance sheet

May 5, year 10 (date of Acquisition)

	PARK CORP-RATION	SUN COMPANY	INTERCOMPANY ELIMINATIONS DEBIT	CREDIT	CONSO - LIDATED BALANCE SHEET
	N	N	N	N	N
Cash	60,000	45,000		(b)	105,000
Notes receivable	40,000			40,000	
Accounts receivable (Net)	70,000	50,000			120,000
Inventories	110,000	95,000		(a)	205,000
Investment in Sun Co.	300,000			300,000	
Plant & Equipment (Net)	210,000	180,000			390,00
Total	790,000	370,000			820,000
Notes payable			(b)		
Accounts payable		40,000	40,000		
Capital stock park corporation	125,000	30,000			155,000
Capital stock Sun company	400,000		(a)		400,000
Retained Earnings:		200,000	200,000		
Park Corporation			(a)		
Sun Company	265,000	100,000	100,000		265,000
Total	790,000	370,000	340,000		820,00

NOTES:

a) To eliminate the investment in Sun Company against Sun Company's Shareholders' equity.

b) To eliminate inter company notes receivable against related notes payable.

c) **THE POOLING OF INTERESTS METHOD**

Ownership interests of two or more companies are united by the exchange of voting stock, and if 90% or more of a firm's stock is exchanged, a pooling of interests has occurred. In consolidation statements, the recorded (historical) amounts of the constituents companies any goodwill arising on acquisition nor does it required restatement of identifiable assets and liabilities to their fair values. The consolidated financial statements include the pooled companies as if they had been part of the group for the whole of the current and comparative periods.

The consideration for a uniting of interests is principally in the form of an exchange of shares rather than a disbursement of cash or other assets. If some disbursement of cash or other assets has taken place, it is charged to shareholders interests. Direct costs incurred to effect the pooling are charged immediately to income.

i. **POOLING CRITERIA**

These criteria were set up in the opinion (16) of the accounting principles board. These criteria are to be fulfilled if a merger is to take place.

- Each company must be independent of the other
- Only common stock with rights identical to the rights of he majority of he outstanding voting common stock can be exchanged.
- The voting rights of the common stock used in the exchange must be immediately and fully exercisable.

- Each company must be autonomous and cannot have a subsidiary or division of another for at least two years before planning for the combination.
- 'substantially all' the voting stock generally means at lease 90% of the shares of the combine company.
- The combination must be effected in a single transaction.
- The relative interests of the individual common stockholders in each of the combining companies must not be materially altered by the exchange.
- The combination must be completed at the closing of the transaction.
- No more than normal number f shares of common stock in either the combining or resulting merged companies may be issued or re – acquired after the planning for the combination begins.
- The combine corporation cannot plan to dispose of a significant part of the combined assets for at least two years after the transaction is completed, except to eliminate duplicate or excess capacity, or other such disposals that would be conducted in the normal course of business.

ii. **EXAMPLE OF POOLING OF INTEREST METHOD**

Consolidated Balance Sheet

Assume that a company X acquired all of the common stock of company Y, and that prior to the acquisition the two companies had the following balance sheets:

	Company X	Company Y
	N	N
Assets	500	275
Liabilities	50	25
Common stock (N100 per value)	350	200
Retained earnings	100	50
	500	275

To effect the acquisition, company X issued 1,500 shares of its own stock (market price, N220 per share) for the 2,000 shares of company Y stock. Although, the market value of X's stock N330, 000, this amount is ignored in a pooling, and company X may record the investment at N250, 000, the recorded net assets of company Y. The entity by company X to record the acquisition would be:

Investment in company Y stock N250,000		
Common stock	N150,000	
Retained earnings	50,000	

Paid – in capital in excess of par value	50,000

To record the issuance of 1,500 shares of stock in the acquisition of 2,000 shares of the company Y stock. In this entry, company would pick up the subsidiary's retained earnings at the acquisition date. It is also necessary to credit to paid in capital in excess of par value, the difference between the par value of the stocks exchanged.

COMPANIES X AND Y

Consolidated Balance Sheet

At Date of Acquisition ('000)

Assets	**X**	**Y**	**Elimination**	**Consolidated**
	N	N	N	N
Other Assets	500	275	-	775
Investment in Y at				
Underlying	250	-	250	-
Equity total assets	750	275	250	775

Equities:

Liabilities	50	25	-	75
Common stock:				
Company X	500	-	-	500
Company Y	-	200	(200)	-
Paid in capital in excess of	50	-	-	50
Retained earnings:				
Company X	150	-	-	150
Company Y	-	50	(50)	-
	750	275	250	775

2.7 LEGAL FRAMEWORK OF MERGERS AND ACQUISITIONS

A merger has been defined by the companies and Allied Matters Act (CAMA) of 190 (S. 590) as 'any amalgamation of two undertakings or interests of two or more companies or the undertakings of one or more companies and one or more corporate bodies.

A merger could, therefore, be simply defined as the coming together of two or more separate companies to form a single company.

Acquisitions and take – overs are often used interchangeably. Companies and Allied Matters Act (CAMA) defines a take – over as' the acquisition by one company of sufficient shares in another company to give the acquiring company control over that of he other company'.

An acquisition may also arise through the purchase of the assets (rather than shares) of the offeree company. There are six methods available to accomplish a merger or acquisition under the companies and Allied Matters Decree 1990. These methods are:

i. Private sale agreement
ii. Voluntary liquidation under sections 538
iii. Scheme of arrangement under sections 539 – 540
iv. Reconstruction and merger arrangement under sections 592 -593
v. Direct offer under sections 592 – 593
vi. Take over bid under sections 594 – 613

Private sale agreement applies to acquisition of private companies and involves the execution of sales agreement between acquiror and vendor after securing necessary regulatory approval. A voluntary liquidation is when a company desires to reconstruct by forming another, or to amalgamate its business with that of another. Scheme of arrangement, reconstruction and merger arrangement, direct offer and take – over bid are applicable to acquisition of widely held public companies because of the provision for compulsory acquisition of the shares of dissenting minority shareholders. Direct offers and take over bids enable the acquiror to bye pass the board. These methods are yet to be used in Nigeria and require 90% approval level as against 75% in value and majority in number of those present and voting at annual general meeting (AGM) court meeting under scheme of arrangement and reconstruction and merger arrangement.

Procedure

Procedure to be followed by the transferor and the transferee companies which should be carried out simultaneously by both companies.

(a) Procedure to be followed by the Transferee company

i. Check up whether the memorandum of association contains power to amalgamate. If not, first carry out the proceedings to alter the same with the commission's confirmation.

ii. Prepare the draft scheme of amalgamation and consider the same in the general meeting.

iii. Where under a scheme proposed for a compromise arrangement or reconstruction between two or more companies or the merger of any two or more companies, the whole or any part of the undertaking or the property of any company concerned in the scheme (in this section referred to 'the transferor company') is to be transferred to another company the court may on the application in summary way of any of the companies to be affected, order separate meetings of the companies to be summoned in such manner as the court may direct (s. 591 (1).

iv. A true coop of the latest audited balance sheets and profit and loss account of your company.

v. Ifa majority representing not more than three – quarter in value of the shares of members, being present and voting either in person or by proxy at each of the separate meetings, agree to the shceme, the scheme shall be referred to the securities and exchange commission for approval (S. 591 (2)

vi. If the scheme is approved by the securities and exchange commission, an application may be made to the court by one or more of the companies, and the court shall sanction the scheme, and when so sanctioned, the same shall become binding on the companies and the court may, by the order sanctioning the scheme or by any subsequent order make provisions for all or any of the following matters:

a. The transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company.

b. The allotting or appropriation by the transferee company of any shares, debentures, policies or other like interests in the company which under the compromise or arrangement are to be allotted or appropriated by that company to or for any person.

c. The continuation by or against the transferee company of any legal proceeding pending by or against any transferor company.

d. The dissolution, without winding up of any transferor company.

e. The provision to be made from any persons who within such manner as the court may direct, dissent from the compromise or arrangement.

f. Such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction or merger shall b e fully and effectively carried out (S. 591 (3).

vii. An order under paragraphy (d) of (6) above should not be made unless

–

(a) The whole of the undertaking and the property assets and liabilities of the transferor company are being transferred into the transferee company to be dissolved (S. 591 (4)

viii. Where an order under section S. 591 provides for the transfer of property or liabilities, that property shall, by virtue of the order, be transferred to and become the liabilities of the transferee company and in the case of any property, if the order so directs, freed from any charge which is by virtue of the compromise or arrangement to cease to have effect (S. 591 (5).

ix. Where an order is made under S. 591 every company in relation to which the order is made shall cause an office copy thereof to be delivered to the commission for registration within 7 days after the making of the order and a notice of the order shall be published in the Gazzette and in at least one national newspaper and if default if made in complying with the provisions of S. 591 (6) of the Act, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of N100.

2.8 THE REGULATORY AUTHORITIES

2.8 THE REGULATORY AUTHORITIES

There are a number of statutory bodies which are concerned with the approval of the scheme of arrangement for the merger or acquisition, each having specific responsibilities. Some of these statutory bodies are:

a) THE NIGERIAN ENTERPRISES PROMOTION BOARD (NEPB)

With the coming of the indigenization exercise, the 1972 Decree reserved for Nigerian citizens whole ownership of small – scale business enterprises, which were mentioned in schedule I of the Decree. For large – scale businesses, Nigerians are to have a minimum of 40 percent to 60 percent. It also draw up a schedule III which listed enterprises in which Nigerian citizens should have not less than 40 percent equity shares.

For any merger or acquisition to be approved therefore, it must comply with the 1977 Act. The Nigerian Enterprises Promotion Board (NEPB), also requires a written guarantee from companies involved in a take – over, 'that the security of tenure of the Nigerian employees as a result of the exercise and the merger should not lead to retrenchment'.

b) **THE NIGERIAN STOCK EXCHANGE (NSE)**

The Nigerian stock exchange (NSE) helps companies to raise capital needed for their business operations. This body draws up rules and guidelines which ensures fair play in share dealings. In this way it instills confidence in both investors and the companies. The NSE must grant approval for any proposed new issue of shares in according with scheme of arrangement, to be allocated to the shareholders. It will be also have to approve any shares of he companies for listing on the stock exchange.

c) **THE SECURITIES AND EXCHANGE COMMISSION (SEC)**

The securities and exchange commission has power under section 7(1) of the SEC Act 1979 to determine the value and/or price of shares of each company and exchange ratios of such shares where the merger involves shares exchange. This is probably the most important part of a merger/acquisition as it influence the acceptance or rejection of the sachem of arrangement by the parties concerned.

d) **THE FEDERAL BOARD OF INLAND REVENUE**

The federal board of inland revenue handles the issue of tax which is very important with respect to merger and acquisition. Two issues are assets in accordance with the scheme of arrangement of the companies income tax Act. The second issue concerns the capital gains tax which applies to shareholders.

2.9 <u>WHY COMPANIES MERGE AND/OR ACQUIRE EACH OTHER</u>

Any business organization that decides to merge or acquire another one has its motives. However, merger and acquisition analysts have it that, 'for every merger or acquisition to be feasible, it should have an element of synergy, that is, a situation where after consummation, the whole is greater than sum of its parts'. Usually, mergers or acquisitions come about because of different reasons (both business and personal).

a) <u>BUSINESS REASOSN FOR MERGERS AND ACQUISITIONS</u>

i. The need to maximize the opportunities available to a company by replaying its inefficient or incompetent management. Usually, a merger involves the combination of strengths to eliminate weakness and exploit opportunities.

ii. The need to achieve economics of scale: The combined output of both enterprises result to increase profitability by eliminating wasteful duplication especially unnecessary empty runs.

iii. Means of financing growth: A merger may be seen as an appropriate means of financing growth and new area of business opportunities without new capital and cash injection into the business.

iv. The need for diversification: Mergers often provide the easiest way of entry into other markets and industries. Any firm which is not doing well or is unattractive seeks more profitable and more rapidly growing fields. Many firms prefer to try and spread the risks by branching out into other unrelated industries or trades. Diversification can make the firm safer and it can reduce the risk of bankruptcy.

v. Need for additional financing: A merger of interests possesses added financial strength, and it improves both credit worthiness and facilities for raising fresh capital from the market. As the merger takes place, the increased number of shareholders may be given an opportunity to invest further money in the business, any time the retained earnings can no longer finance the expansion.

vi. Drive for vertical integration: Many companies reach out and seek to acquire companies that either ensure sources of supply or provide outlets for the absorption of their products.

vii. Synergies that can be exploited to advantage: Companies combine if they believe that their performance will improve when they combine their operations. This will provide benefits for the exploitation of synergies especially in manufacturing, marketing and distribution, and the pooling of management and financial resources together. It also broadens the scope for training and development of personnel of the combined businesses and provide enhanced opportunities for all levels of employees.

viii. A merger ill enable the enlarged company to expand the existing operations, establish new activities, create employment and accelerate economic growth. The present economic setting in Nigeria calls for companies to combine in other not to be phased out of business.

b) **PERSONAL REASOSN FOR MERGERS AND ACQUISITIONS**

i. The owner/manager may feel that if he can be freed of continuous operating responsibility and obtain more liquid investment capital, he will be able to expand his personal activities in other and more profitable areas and channels.

ii. The motivation to sell out a business may arise in a situation where in a family owned business, the head is approaching retirement and has no one to succeed him.

iii. The owner/manager may become apprehensive about having entire investment tied up in one business venture, frequently involving only one product. He may feel the need for the protection of being part of much larger company with a more diversified product line as a result of the hazard of a changing market and technology.

iv. Estate planning: A manager may decide to merge and take shares in a larger publicly held company and liquefy his investment and render it marketable as the problem of estate tax may confront him, which will tie up his valuable income.

Generally, it seems that growth by merger or acquisition is recognized to be more attractive and advantageous than growth by interval expansion. By acquisition, the company normally acquire a complete organization of retail and wholesale outlets without incurring the development. Organization and promotion costs normally required to build public recognition and goodwill for trade name in new territories. It offers opportunity for quick attainment of economies of scale, diversification and stability of operations in production.

2.10 EVIDENCES OF MERGERS AND ACQUISITIONS IN NIGERIA

Mergers and Acquisitions often come about when a large company takes over a small one, and both of them actually stand to gain even if one of them loses its identity. Mergers are usually boardroom triumphs.

Mergers in Nigeria take quite a long time to mature. Meetings are usually held with directors and approval will have to be sought from regulatory authorities like, the Nigerian stock exchange (NSE), Securities Exchange Commission (SEC), Nigerian Enterprises Promotion Board (NEPB), courts etc.

The Nigerian experience is both recent and extremely limited, and such mergers or acquisitions were done without much publicity. The earliest known merger experience undertaken in Nigeria was that between West African Soap Company Limited and Van DerBerg Limited (producers of Margarine) to form Lever Brothers Limited in 1926. however, not much merger activity was recorded thereafter until the first phase of the indigenization programme in the 1970's, which entailed the divestment by foreign enterprises, of portions of their equity to Nigerian interests. With the coming of the indigenization exercise, it became necessary to consolidate the business of these companies before compliance with the provisions of the 1972 Decree.

Most of the mergers and acquisitions of this era were 'in – house' arrangements, that is purely internal, involving wholly – owned foreign enterprises or wholly – owned Nigerian businesses, belonging to common shareholders. The arrangements in such cases were internal family affairs, which were not normally widely publicized. They probably involved management and business decision taken for the health of the enterprises and notification to the relevant authorities.

The united African Company (UAC) of Nigeria Group adopted this arrangement in which companies that had previously operated independently were brought together as divisions of the company, UAC Nigeria Plc. Another example was the combination involving Paterson Zochonis and Company Limited, and 'Associated Industries Nigeria Limited to what is now PZ Industries PLC. The momentum generated by the business mergers in the 1970's continued into the 1980's during which eleven mergers with total transaction value of little under N70 million were successfully consummated. The first, merger between two publicly quoted companies was recorded in 1983. this was the merger between A. G. Leventis and Leventis Stores. The opening years of the 1990's have not witnessed intense merger moves and proposals which have not been successfully consummated and officially recorded.

It is evident that the merger game is still at its infancy in Nigeria. The scope of Nigerian experience is very limited compared to the level of such transactions in other industrially advanced countries like Europe and America. For instance, in United States of America which perhaps has the highest frequency of business combinations, a total of 2,543 of such combinations were stuck for at staggering &122 billion in 1984 alone. In United Kingdom, in United Kingdom during the first quarter of 1985, British companies spent about 2 billion on mergers and acquisitions according to Department of Trade and Industry.

The financial institutions have not experienced much merger activity in the country, except for few cases of Insurance companies. There is no precedent of a merger or acquisition involving banks, except the acquisition of some banks by the Central Bank of Nigeria (CEN) and the Nigerian Deposit Insurance Corporation (NDIC). The CEN/NDIC action was in public interest, and more importantly, it was a measure to sanitize the banking sector, at least the state – owned ones. Examples of some of the acquired banks are: African Continental Bank (ACB) PLC, Cooperative and Commerce Bank (CCB) Ltd, New Nigerian Bank

(NNB), Mercantile Bank (MB)PLC, National Bank of Nigeria (NEN) Ltd and Pan African Bank (PAB).

There is every likelihood that more cases of merger and acquisition plans would continue to be entertained in response to the dictates of our economic barometer. For instance, as distress in the banking industry persists, a trading company made a proposal to acquire a distressed Lagos – based Merchant bank, and it was to save it from collapse. There were also plans by some commercial and Merchant banks in the country to acquire or merge some industrial ventures whose promoters cannot repay their loans, especially where receivership was not feasible. The outlook is generally changing and shareholders, having seen the benefits of mergers or acquisitions are now calling for it.

Here are some cases of mergers and acquisitions in Nigeria.

a) **LEVER BROTHERS NIGERIA PLC (LBN)**

The first notable merger in Nigeria was in August, 1995, when Lever Brothers Nigeria PLC (LBN), merged with Lipton Nigeria Limited (LNL) the tea – makers. This merger was the most celebrated case in

Nigeria which was fully documented and widely publicized in recent times. Lever Brothers Nigeria PLC (LBN) a public (quoted) company was the acquiring company while Lipton Nigeria Limited. A private company (not quoted) was the target company.

LBN PLC, a multi – product company in the Food and Drink Industry made efforts to diversify into other fields. A major reason why LEN PLC thus wanted the merger, was because it had its eye on the fast – expanding foods and drinks market. Lipton Nigeria Ltd, a mono – product company, on the other hand, was quite successful in that field. Lipton had developed strong brand loyalty for its tea and coffee selling under the same name. it wanted to become bigger, but it had no money.

LBN PLC, therefore, saw the opportunity to use Lipton's profitable, but small operations to realize its dream of expanding its presence in the food and beverage sector.

The merger sailed through with every 100 shares in Lipton being paid back with 150 shares of LBN in the new, bigger company. Lipton, the food division of LBN PLC launched a new product 'Boncafe'. The launching of the new product was seen as the first fruit of the six – month old merger of Lipton with LBN.

By the middle of 1988, LBN PLC had another merger with chase brough products industries limited (CPI) makers of skin – care items. The circumstances in the case of chase brough were similar to the Lipton merger. LBN needed the strong brand names of CPI to prop up its sagging cosmetics business. CPI, in turn was cash strapped. Another significant development of LBN lately was the merger with Unilever Nigeria Limited in 1995 which effectively transferred to LBN the Seward's business.

The chairman, chief R. F. Giwa (1996) has this to say, 'The merger provides additional synergy for us in the mass consumer goods market in which we operate. The merger has further broadened and strengthened our capabilities to respond more robustly to he needs of the consumers and our customers, and this is bound to boost the performance of our company in the future. In particular and through selected acquisitions, the company has strengthened its hold in foods and personal products through its mergers".

b) **UNITED AFRICAN COMPANY OF NIGERIA PLC (UACN)**

United African Company of Nigeria PLC (UAC), established Agro – industries divisions to spear head the companies development plans for investment in agriculture and allied activities. Towards the end of 1985, it acquired from Marguis Herds Limited, a major integrated maize, animal feeds and pig production unit located at Lanlate in Oyo State. UACN PLC has also acquired 40 percent equity interest of spring waters Nigeria Limited (SWAN) as part of its strategic refocusing. The acquisition was approved by UACN board on July 3, 1996. the acquisition was said to be in line with the new mission and strategic direction of the group which entailed diversifying into businesses with synergistic relationship with it. The new direction includes increased investment in food, property, packaging etc. UACN had in 1994 severed relationship with Unilever after about a century of business relationship, to enable both of them concentrate on their chosen growth paths.

SWAN had synergies with some of the conglomerate's divisions such as packaging and GBO/MDS. SWAN, incorporated in 1981 to produce bottled spring water commence operations on December 3, 1983 in

Kerang village in Mangu Local Government of Plateau State. With the acquisition of 40 percent equity of SWAN, the company ahs become an affiliate of UACN. The shareholders of UACN recently in Abuja, approved an amendment to its article of association to enable its venture into gas and oil business. Under the plan, the conglomerate is to carry on the business of buying, selling and dealing in petroleum products, construct establish or acquire liquefied petroleum gas filling plants, petrol service and filling stations etc.

c) **PATERSON ZOCHONIS INDUSTRIES PLC (PZI)**

One of the most successful mergers in Nigeria is the one between Paterson Zochonis Industries PLC (PZI) and Thermocool Engineering Company PLC (TEC), which was consummated in 1996. The PZI PLC is listed in the conglomerates sub – sector of the NSE and TEC is unquoted. The major driving forces behind the exercise include:

The significant business relationship and synergy between them Better PZI access to TEC's plastic manufacturing facility on which it currently depends for the provision of plastic bottles and containers to package its hair care and personal products. The great benefit TEC products will drive from PZI's wide distribution network strategically spread through out the country. Reduction in operational costs resulting from improved efficiency following the merger. The chairman and group chief executive of PZI, chief Kolajamodu (1997), confirmed that the exercise which has been highly successful in terms of synergy, would further enhance the future prospect of the group.

PZI and TEC have a lot in common even up to the membership of their boards of directors. With the merger, the two companies operate as a unit, pool their resources as result of which, substantial saving in administrative costs are now being made. The benefits of the merger have started showing, according to he chairman. Although restructuring was carried out in the company, efforts had been made to ensure that there was no job loss of any kind. "We have a track record of not retrenching our staff, even all the former directors of both companies are still within the organization, although some of them are no longer directors".

The PZI group was incorporated in Nigeria on December 4,1948. It manufactures and sells a wide range of consumer products which are leading brand names in detergents, soap, pharmaceuticals, cosmetics and confectionery. The group also engages in the wholesale distribution of general merchandise through a network of branches all over the country. TEC, on the other hand, was incorporated as a private company on July 9, 1971. it manufactures refrigerators, freezers and air conditioners under the brand name Thermocool. It also manufactures and sells a large proportion of the plastic bottles and containers used by PZI as packaging for its hair care and personal products. A recent addition to its product range was plastic picnic boxes.

PZ Manchester holds 40 percent of the company's issued share capital, while Nigeria citizens and their associates hold 60 percent. TEC's shareholding structure shows PZ of UK with 60 percent and Nigerian citizens and associates with 40 percent.

d) A.G. LEVENTIS AND COMPANY (NIGERIA) PLC (AGL)

The first merger between tow publicly quoted companies was the merger between A. G. Leventis and Leventis stores in 1983. The company also in December, 1993 merged with Leventis Motors (LM) PLC and Leventis Technical PLC (LT). The Companies are related to the Leventis

Group as evidenced by management and non – Nigerian shareholding links between them. In addition they have some common shareholders, directors, style of operations and corporate philosophy. Formally, each of the companies maintained its distinctive corporate identity, they operated within the same markets, offering either similar or the same products and in other cases, completely different products. With the merger, it has enhanced the geographical reach of he enlarged entity, it also improved this competitive ability and thus enable it enjoy the synergies and ope3rational efficiencies of a streamlined organization with capacity to compete more favourably with existing conglomerates.

A.G. Leventis, a member of he Leventis Group of Companies started business in Nigeria as a trading concern in 1943. It is active in he property, export financing, advisory services and merchandising sectors. Leventis Motors was incorporated in 1958, and is active in manufacturing, merchandising and servicing of motor vehicles. Leventis Technical was incorporated in 1972, and is active in merchandising, manufacturing, leasing and workshop services. The coming together of the merchandising, manufacturing and workshop functions of the three organizations has not only improved their competitiveness, but has also generated increased sales volume, product awareness and consequently enhanced the technical ability of the skilled manpower in their functions and the enlarged company's export market potentials.

In 1996, three companies which constitute the manufacturing division of A.G. Leventis and company (Nigeria) PLC, were restructured into one new private company called 'beta Industries Limited (BIL)'. A fully – owned subsidiary of Nigeria Bottling Company PLC (NBC) the measure was aimed at improving the fortunes of the company. The restructuring of the companies into one became imperative because of heir strategic linkages with the operations of NBC. The affected companies are Frigolux Manufacturing: Plant based in Ibadan Oyo State, Vehicle Manufacturing plant also located in Ibadan and Auto components Limited, Otta, Ogun States.

Frigolux is into the manufacturing of air conditioners, refrigerators, freezers and bottle coolers, vehicle manufacturing is engaged in vehicle assembly and body building, while Auto components manufactures oil and fuel filters aluminium castings and injection moulded plastic intermediaries. The companies have been operating below installed capacity due to scarcity or absence of required input, and consistent breakdown of machinery and equipment because of infrequent use and lack of spare parts.

The restructuring was necessary to enhance efficiency, effectiveness and competitiveness.

e) **NIGERIA BOTTLING COMPANY PLC (NBC)**

The Nigerian Bottling Company PLC (NBC), a member of the Leventis group, took over the Nigerian Soft Drinks Company (NSDC), holders of the Schweppes franchise in Nigeria in 1987. By that acquisition alone, NEC now controls 75 percent of the soft drinks market in the country. It already had the franchise for coca – cola products.

f) **SEVEN – UP BOTTLING COMPANY PLC (SBC)**

The seven – up bottling company PLC (SBC) purchased the total assets of John Holt's soft drinks division. This acquisition involved the purchasing of their assets in their Kano plant, Kaduna plant as well as Otta plant. The assets also include a vast distribution fleet, which they have started using to strengthen and consolidate their distribution system which is an integral and indispensable element of their marketing mix.

Another more important development was the acquisition of the Pepsi – cola, Mirinda and Teem franchises for almost the whole of the Northern States. Along with the 7 – up and crush products, they now have a complete range of soft drinks to service the northern market and which puts them in an extremely formidable and strong position within the soft drink industry in the territory. The company has also installed a complete bottling plant. In addition, the franchises for Pepsi – cola, Mirinda and Teem were granted to the company by Pepsi – cola international for Delta, Edo, Anambra, Imo, Rovers and Cross – River States.

The expansion to the eastern part of the country has contributed immensely to the company's growth drive and has made their products readily available to the consumers in all parts of these states.

As a result of the commitment of the company, it launched on February 6, 1989, a N4.5 million "Seven – Up cards chase" promotion. This was said to have established the company as the leader in these promotional activities.

g) **JOHN HOLT PLC (JH)**

John Holt PLC (JH) in 1987 took over John Holt Investments Limited (JHI), its sister company. JH PLC was responsible for the enterprises owned 100 percent by the group such as Haco, J. Allens, started and Holt leasing, while JHI managed the estate and investment portfolios. The John Holt move was to take advantage of the benefits of combined operations, rather than strictly a bail – out of a weaker partner. It was also an instance whereby firms of common parentage come together to ride out rough economic storm. However, a more urgent reason for the merger was the biting effects of SAP – induced measures on the income of JHI.

JH PLC also acquired ogbemudia Farms and development the full potential of the 464 hectares site to help meet a variety of Nigeria's essential food needs with chicken farming as the major component.

h) **NIGER MATCH COMPANY**

Apart from big firms, small unquoted companies were also engaged in the merger and acquisition survival game.

In 1998, Victor Allam, executive vice – chairman of Niger match, Saphire Splints, Star Match, Kaduna match and United match companies, decided to put all his eggs in one match basket. By the arrangement, Niger match acquired the others. This decision was taken to enable the companies enjoy better management of resources and economics of scale under one roof, as the same few individuals own the shares in all the sister companies.

i. **THE UNITED NIGERIA INSURANCE COMPNAY PLC (UNIC)**

In 1994, the boards of Directors of the United Nigeria Insurance company PLC (UNIC) and United Nigeria Life and General Insurance PLC (UNLIC) resolved to merge both companies. The merger as effected by means of a scheme of merger (the scheme) under sections 24 and 25 of he insurance Decree 1991 and section 591 of he companies and Allied Matters Act, 1990.

Some of the major reasons for he merger are:

company of Nigeria limited, such as food processing paints, oil chemicals and pharmaceuticals. the name of the company was charged to CMB packaging Nigeria PLC on 26th July, 1990 and the company adopted its present name on 20th July 1993.

The merger was considered as a result of the acquisition in 1995 of carnaudemetalbox overseas Limited by Crown cork and seal company inc. of the USA following this acquisition, the Crown cork group and three separate subsidiaries in Nigeria engaging in similar business. thus to eliminate duplication of efforts it has been decided that NCL and CCSL should merge with CMB and the carrying over of CNL's and CCSL's and tax losses into CMB would accrue from harmonizing inventory, marketing financial and general resources management of all the there companies which now effectively have a common overseas parent. The enlarged CMB will also absorb all employees of CNL and CCSL on terms that at least match their present contracts of employment. it is intended that the interest of the three companies employees, which include their pension benefits, will not be prejudiced by the merger.

OTHER MERGERS AND ACQUISITIONS IN NIGERIA ARE:-

OTHER MERGERS AND ACQUISITIONS IN NIGERIA ARE:-

- SmithKline Beecham Nigeria PLC acquired sterling product Nigeria PLC in 1995.
- United parcel services Nigeria PLC [UPS] acquired international messenger Nigeria limited [IMNL] in 1995.
- United Trading company Nigeria PLC [UTC] acquired the combined 45 percent equity stake of the foreign shareholders in the company in which [UTC] also holding 7.5 percent to make it its full-fledged subsidiary.
- In 1996, Heineken brouwerijien [BV] of Holland acquired 15 per cent equity interest in Nigeria Breweries of Unilever PLC of U.K to now control 28% equity the leading beverages company in Nigeria. there was also a proposal by the Nigerian breweries [NB] to franchise for the production of Schweppes range of soft drinks from coco-cola International.
- United Nigerian Textiles Limited [UNTL] acquired Zamfara Textiles Industries Limited [ZTIL] and Funtua Textiles Limited [FTL] as its subsidiaries.
- Kaduna Hotels Limited [KHL] merged with Northern Bakeries Nigerian Limited [NBNL]

- R.T Briscoe, a motor company bought 60 per cent of coconut industries limited, in Badagry. Lagos state from the government.

2.11 PROBLEMS OF MEGE AND ACQUISSITIONS

There is no practice of mergers and acquisition without its problems, even in the developing countries where it is its advance stage. according to Don Gusow, merger arrangement is an 'exlularating game' and like all business games. It is not a game. It has its players and special rules, and there are both winners and loser. As in all games, the rules change with time and need. hence certain problems will have to be associated with the game, especially in Nigeria where it is its infant stage.

John Kitching, in his research finding came up with some general problems of mergers and acquisition.

- There is the problem of absence of manager of change, that it those men who are competent and talented manage the business effectively. It is the skill for the task with the management that determines success.
- Another problems is the lack of sound planning and effective criteria for acquisition, and a corresponding vigorous pursuit following the acquisition.

- When two or more independently owned companies are merged or one acquired the other[s], a problem of valuation normally arises. Others problems also identified are:
- Lack of adequate information about mergers

  objection of parties to the potential loss of valuable trade names.
- Retrenchment of staff or employees
- Monopoly powers
- Personality problems etc.

Kaila. [1989] observed that, one of the major problems of mergers and acquisition in Nigeria is there constrain by the regulatory authorities. There are no formal regulation of merger and other forms of business combination as it is the case in both USA and UK the companies and Allied matters Act of 1990 merely stipulates the procedures for business combination. any form of control of merger from certain provisions of NEP Act 1977 and SEC Decree of 1988, mergers if uncontrolled could easily lead to monopoly and oligopoly practices. This is particularly true of horizontal mergers

Another pertinent issue is that of defining what constitutes a trading company, section 7 (2) of the SEP Decree allows only non-trading holding schedule II and III firms and their subsidiaries [who had complied with the provision of the SNEP Decree is in schedule i, thus making it an exclusive presence of Nigerian investors. this definition therefore restricts the exercise to a very narrow field with scant prospect for any meaningful impact on the economy.

The capital market situation also pose another problem with respect to merger plan,. there are very few publicity quoted firm listed on the first and second-tier securities markets. many Nigerian firms are privately owned and often they have not been able to avail themselves of the benefits of public quotation, even the market publicity quoted firm is not properly structured for quick resolution of merger and acquisition. transfer of share certificate of ownerships takes a long time. and registries have problem reconciling their records. most Nigerian also see their ownership of shares a part of social status, and mo matter the price on the exchange, they hardly sell their shares, hence the capital market is not yet structured in a way to encourage the rapid and varies methods of executing mergers and acquisitions.

time, protracted negotiations about fees all leading to considerable investment of time and money.

The political instability in the country which leads to frequent change of government affects merger proposals - proposals in the pipelines are sometimes held up following a dissolution of some boards by the new government. for instance, the Lever Brothers/Lipton merger stayed behind schedule about 15 months following the dissolution of board by ousted civilian regime which was a not able to be reconstituted before the military took over on 31st December, 1983.

Theses factors make the scene for mergers acquisitions very inconclusive in Nigeria. Despite the financial gains from merger many shareholders and observed are still worry of their long-term implications said one stockbroker with IMB securities in Lagos: True it is working ion other places, but the long-term effects of mergers on a weak economy like ours [Nigeria] might be entirely different.

Onwu, [1994] also observed that, the practice of mergers and acquisition was not only being constrained by the regulatory environment but mainly by the inherent attitudinal resistance to business merger by business merger. shareholders and employees while the mergers and employees feel threatened by any merger/acquisition drive, the shareholder resist any moves that would dilute their control of the company, most mergers and acquisitions involve some element of staff rationalization to improve productivity. it is therefore, likely that some staff will lose their jobs while others might enjoy an enhancement in their positions. This usually lead to public outcry from the society claiming that merger is a strategy used by companies in retrenching their workers.

The job of arranging mergers are usually contracted out to group of professional advisers particularly financial advisers usually merchant banks reporting accountant solicitors and sometimes joint brokers, in case where sales of share on the stock exchange are involved. there are not many of such professionals around and the few in the field have little or no local practical experience. the absence of loc al precedent affect the quality of advice in interpretation of legal provision, loss of valuable

2.12 PROSPECTS OF MERGER AND ACQUISITIONS

Giwa [1989] has this to say, Mergers and acquisitions or take-overs must be seen as an available means of saving companies from serious financial distress and providing such businesses with new management and better access to new financial resources. such companies in dress are thus provided with growth opportunities which they could hardly attain on their own within the same time scale.

The developing nature of the national economy has created the need for rationalization of business interests, particularly for steps aided at improving economic return, efficient utilization . As a result there is greatly expanded scope for merger and acquisitions activities in Nigeria.

The persistence economic difficulties in the country have not doubt hit several hitherto booming firms and industries. mergers and acquisitions therefore become not only relevant but imperative in order to lessen the effect of the shock on the citizens and the economy as a whole merger and acquisitions would continue to be a major avenue open to firms in the country in trying to solve the problem of growth insolvency.

The issue of distress in the financial system is one of the major problems facing the country at this time. this problems was followed with the sharp increase in prices after the introduction of the Structural Adjustment Programme in 1986. Merger and acquisitions therefore remain one of the viable options for rescuing some of the distressed financial institutions.

As the economy is heading towards recovery, mergers can be used as a survival and expansion strategy. Therefore more prospects are open to companies intending merger in the days ahead. There is every likelihood that more cases of merger would continue to be entertained in response to the dictates of our economic barometer.

Chance are that there will still be many merger and acquisitions to come in view of our stage of development, and the economic environment of our country. several firms are having a lot of problems which can be solved through a merger and run by a more capable outfits. merger and acquisitions seem to be the most feasible option for companies in developing economics particularly during this era dwindling foreign investment, and increasing debt burden.

This option perhaps seems to be the cheapest alternative to business concerns in these economic bearing in mid the cost of borrowing and the fact that willing lenders are not even there during period of uncertainly. this is then the impetus for mergers today in Nigeria.

2.13 SUMMARY

Mergers and acquisitions are commercial terms used in business and financial circles to some forms of business combination. often companies go in for mergers and acquisitions as part of their overall growth strategy and corporate planning process.

A merger has been simply defined as the coming together of two or more separate companies to form a single company. acquisitions [take-over] on the other hand. is seen as the purchase of a controlling interest in one company by another company. merger and acquisitions are sometimes used synonymously, and in practice, the distinction between them is not always clean.

One of the factors that underline a successful merger/acquisitions is the synergistic effect which has to do with both sides benefiting from the combined agreement. Three majors forms of merger/acquisitions were identified-namely, horizontal. vertical and conglomerate. there are both business and personable reasons why companies merger/acquire each other and one of them is the need to diversify the product or market range of the company. the legal procedures of the scheme of merger arrangement under section 591 must be adhered to in effecting merger/acquisition. it can only be consummated by the approval of regularly authorities who must confirm that necessary steps has been followed.

Some notable evidences of the practice of merger and acquisitions in Nigeria were identified and the most recent of them was in 1997. it was also noted that the practice in Nigeria is still in its infancy stage compare to developed nations like UK and USA merger and acquisitions have been viewed as a growth strategy and as a means for acquiring resources - physical, technical and managerial, but some serious managerial problems can arise due to improper merger and acquisitions.

However, as a stra4tegy of growth and as a strategy to obtain economics through integrated operations and other managerial benefits. mergers and acquisitions are indeed gainful investments.

Giwa, [1989] states as followed: "Merger and acquisitions or take-over must be as an available means of saving companies from serious financial distress and providing such business with new management and better access to new financial resources. Such companies in distress are thus provided with growth opportunities which they could harding attain on their own within the same timescale".

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CHAPTER THREE

HISTORY AND PROFILE OF LEVER BROTHERS NIG PLC

3.1 CORPORATE PURPOSE

Our purpose in Lever Brothers is to meet every everyday needs of people everywhere in Nigeria.

We will anticipated the aspirations of our consumers and customers and respond creativity and competitively with branded products and services which raise the quality of life.

Our deep roots in Nigeria combined with international experience will represent the foundations for our future growth.

Our long term success required a total commitment to exceptional standards of performance and productivity to work together effectively and to a willingness to embrace new idea and learn continuously.

We believe that to succeed required the highest standard of corporate behaviour towards our employees consumers and the society in which we live.

This is Lever Brothers. road to sustainable profitable growth for our business and long term value creation for our shareholders and employees.

3.2 HISTORICAL BCAKGROUND OF LEVER BROTHERS NIGERIA PLC [LBN]

Lever Brother was originally founded by William Lever and his brother Daray Lever in 1985 when they started production in Warrington. In their search for market and raw materials, they explored British West African Later Unilever was founded in 1929 by merging Margarine Union and Lever Brothers.

The company was established on 11th April, 1923, under the name Lever Brother [West Africa] Limited, to manufacture soaps using local pal oil. it was incorporated as a private company on 3rd April, 1924 under the name West Africa Soap Company Limited. The West Africa Soap Company Limited was later merged with Van Derbery Limited [producers of Margarine to form Lever Brothers Nigeria Limited on 15th December. 1926 The company became a public limited company on 31st May 1973 and known as Lever Brothers Nigeria Plc up till date.

The company shares quote on the Lagos stock exchange its initial authorized and issued share capital of N40,000.00 then in ordinary shares of N2.00 each. was increased to N60,000 on 21st August, 1926 by the creation of and issue of 10,000 ordinary shares of N20.00 each for cash at par. The share capital was subdivided into ordinary share of 50K each on 12th September, 1973. Out of the total Lever Brothers ordinary shares issued and fully paid, Unilever Overseas Holding Limited had 34.57% as at December 31st. 1987 was N504.44 million and the price per 50k share as at that date was N1.50.

3.4 HISTORICAL BACKGROUND OF LEVER BROTHERS NIGERIA PLC (LBN)

Lever brothers was originally founded by William Lever and his brother Daray Lever in 1885 when they started production in Warrington. In their search for market and raw materials, they explored British West Africa. Later, Unilever was founded in 1929 by Merging Margarine Union and Lever Brothers.

The company was established on 11th April, 1923, under the name "Lever Brothers (West Africa) Limited", to manufacture soaps using local palm oil. It was incorporated as a private company on 3rd April, 1924 under the name "West Africa Soap Company Limited". The West Africa Soap Company Limited was later merged with Van Derbery Limited (Producers of Magarine) to form Lever Brothers (Nigeria) Limited on 15th December, 1926. The company became a public limited company on 31st May, 1973 and known as Lever Brothers Nigeria PLC up till date.

The company shares are quoted on the Lagos Stock Exchange. Its initial authorized and issued share capital of ₦40,000 then in ordinary shares of ₦2.00 each, was increased to ₦60,000 on 21st August, 1926 by the creation of and issue of 10,000 ordinary shares of ₦2,00 each for cash at par. The share capital was subdivided into ordinary share of 50K each on 12th September, 1973. Out of the total Lever Brother ordinary shares issued and fully paid, Unilever Overseas Holding Limited had 34.57% as at December 31st, 1987. LBN PLC's share capital as at 31st December, 1997 was ₦504.44 million and the price per 50k share as at that date was ₦11.50.

3.3 OWNERSHIP

Lever Brothers Nigeria PLC was an issued share capital of ₦504.44 million of which 49.96% of the share are held by Nigerian Citizens and

Association. According the register of members, the following shareholders of the company hold more than 10% of the issued share capital of the company and they are the major shareholders.

Shareholders	NO. of shares
Unilever Overseas Holdings Ltd	270,937,500
Unilever OH. BV. Hol	114,538,093

As at 31st December, 1997 the shares of the company were held as follows:

Shareholders	No. of Shareholders	%	Value of Holdings ₦,000	%
Individuals	45,048	94.73	379.372,122	37.60
Employees	**866**	1.82	10,250,437	1.02
Overseas/Non-Resident	17	0.04	504,937,189	50.05
Institutions	1,623	3.41	114,319,252	11.33

3.4 OPERATIONS OF LEVER BROTHERS NIGERIA PLC

Lever Brothers Nigeria PLC (LBN) is the oldest manufacturing outfit in Nigeria. The company was established in 1923 to manufacture soaps using local palm oil. It is one of the largest manufacturing and marketing companies, and has become a household name in Nigeria. The company is involved in the manufacturing and marketing of mass-market consumer products primarily in the home, personal care and foods categories.

Over the years, the company diversified and expanded its operations to the production and marketing of personal wash products, making toilet soaps, non-soapy detergents, foods and personal products including toothpastes, body creams, lotions, baby care and hair care products. In particular and through selected acquisitions, the company has strengthened its mergers with Lipton Nigeria Limited in 1985, Chasebrough Products Limited in 1985 and lately in 1995 with Unilever Nigeria Limited, which effectively transferred to LBN the Seward's business.

The chairman, Giwa (1996) states as follows:

"The merger provides additional synergy for us in the mass consumer goods market in which we operate. The merger has further broadened and strengthened our capabilities to respond more robustly to the needs of consumer and our customers, and this is bound to boost the performance of our company in the future. As I mentioned earlier, the naira exchange rate at the Foreign Exchange Market continues to play a dominant role in the performance of business.

Whilst the stability injected into the naira exchange rate is commendable, we believe that the maintenance of this stability will improve our ability to plan for the future".

He continued by saying that, since the introduction of SAP, aggressive innovation has be the watchword for survival. The energy in 1995 was concentrated at consolidating the wide range of new products introduced in 1994. Even then, the company still brought a few products into the market in 1995, and relaunched some of the existing ones in response to the changing needs of the consumer under the harsh economic situation in which it found itself. Some of the new introduction are: Breeze Standard, Lux, Dove toilet bar, Omo ultra, white close up, fair and lovely, Vaseline blue seal, Royco chicken cube. Bakers competition etc.

a) **<u>MANUFACTURING SITES</u>**

In order to ensure sustained focus in management, the company now has four manufacturing sites for its operations from the original six, namely:

i. APAPA – The premier and largest site. Produces soaps such as sunlight, key, Ox Bar, Lux, Breeze, Lifebuoy and Astral, and some personal products mainly toothpastes and the Vaseline range.

ii. ABA – The second oldest site is devoted to the production of non-soapy detergent powders and bars. Here, the company makes such popular brands, as Omo, Rich and Ox powder.

iii. AGBARA – The newest of plants, commissioned in 1983 is the ultra modern foods factory, where the company produces Royco, Blue band, Planta, Tree-Top, Oroyo, Breadeen, and Holsum among others.

iv. OREGUN – The site where popular personal products brands like Elida, Pears, Satinsheen, Lotus etc are produced. It is intended to consolidate all the personal products production including toothpastes, ponds and Vaseline range at this site ultimately.

The company is fully committed to backward integration and self-sufficiency and has made considerable progress in its effort towards local sourcing and development of raw materials. The tea plantation on the Manbilla Plateau under scores the company's unrelenting drive for self-sufficiency. The first crop of tea was harvested for test parking at the end of 1991 and a processing factory for

v. Toilet Soaps – Lux, Breeze, Astral, Asepso, Lifebuoy etc.

vi. Industrial Detergent – Sumafoam liquid detergent, Laundrex etc.

vii. Diversey Lever/Industrial floor care products, Diversey Lever.

viii. Bakery products – Brandeen Bakery Fat, Marva Holsum, Biskin etc.

ix. Food components -- Royco cube and stick pack, Oroyo, Vegetable oil, Blue band, Planta etc.

x. Beverages/Drinks – Lipton Yellow Label Tea, Finnebru Tea, tree-Top, MixMe etc.

c) **QUALITY SUSTENANCE**

Quality sustenance has and will always be the company's watchword. It will continue to concentrate on consolidating its market share whilst at the same time engaging in research with a view to understanding and satisfying the consumers need better. Within each target group an excellent brand must be of perceivable high-quality –acceptable to the consumers and meeting their needs in terms of functional and emotional benefits. This guarantee of satisfaction will ensure continued brand patronage and consumer loyalty.

d) **HUMAN RESOURCE DEVELOPMENT**

the tealeaves has been completed on site. The company has also built a large palm-kernel mill at its Aba factory to improve the supply of vegetable oil, an essential raw material in soap and edibles production. It is also making investment in oil palm plantation in order to improve its local sourcing. For example, the company holds 28% of the shares in Okitipupa oil palm company PLC.

b) **<u>PRODUCT RANGE</u>**

LBN PLC's range of quality products is distributed and sold at uniform prices all over the country through an established and tested distribution network using appointed distributors supervised by a well trained sales forces. The company is also active in advertising its products nationally to create awareness and reinforce brand loyalty. The following are Lever Brothers product range.

i. Baby care products – pears soap, oil, lotion etc Vaseline baby jelly.

ii. Creams and Lotion Group (Skin care) – Fresh, Lotus Vaseline intensive care lotion, Shield Fair and lovely cream and lotion etc.

iii. Hair care products – Esteem range – Satin Sheen Shampoo, Conditioner, Relaxer etc.

iv. Oral care – Close-up, Respondent , Close-up tooth-brush etc.

The company employs a total of 1,797 people in its four manufacturing sites and various distribution points throughout the country. Of this number, only five are currently expatriates. This is the extent to which the company has gone at training and developing local management resource. The objective is to bring in expatriate who are willing and able to work in Nigeria and who will contribute as well as to help train Nigerian. They give the business an international flavour and are in exchange for Nigeria LBN managers working overseas to obtain international experience. Expatriates are therefore brought into meet the company's specific needs. The company also provides indirect employment for over six thousand people.

The company stands resolutely on its belief that people are the main pivot on which its business is based. It is for this reason that no effort is spared in making the quality of this resource the best in the environment in which it operates. In order to ensure that its workers remain fit and healthy; an ultra modern gymnasium located within its head office complex has recently been opened for their use.

LBN's personnel policy and practice accord due recognition to the employee as a core stakeholder. He is provided with an empowering and enabling working environment that stimulates creativity, promotes resourcefulness, team working and guaranteeing regard, recognition and career advancement on the basis of merit and opportunity. The company aims at recruiting, training, developing, regarding and retaining the best.

g. **RESULTS**

The company has continued to make profits and the stakeholders have also enjoyed continued dividends, except of recent where the company declared a loss for the year ended, 1997. attached herewith is the five year financial summary at a glance.

h. **FUTURE PROSPECTS**

Despite the difficult economic environment, the company remains fundamental strong with excellent products and brands. Lever Brothers is determined to meet the everyday needs and expectations of people everywhere in Nigeria by providing competitively branded products which represent excellent value for money. This is the key to sustainable growth. LBN PLC will continue to meet the challenges head on with renewed vigour, determination and through well focused cost competitive based innovation in order to ensure the success of the company. The company has been dedicated to the production of top quality brands for Nigerians for over seventy years.

These super brands remain "A MUST" and indeed, "THE VERY BEST IN ALL HOMES".

FIVE YEAR FINANCIAL SUMMARY

	1997	1996	1995	1994	1993
Capital employed	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Share capital	504,440	504,440	336,293	224,035	149,356
Capital reserve	2,107,012	2,107,012	2,107,012	1,493,490	1,228,413
Debenture					
Redemption reserve	-	-	-	-	18,000
General reserve	1,662,399	1,794,622	1,566.373	942,993	531,666
Shareholders					
Interest	**4, 273,851**	**4,406,074**	**4,009,678**	**2,660,418**	**1,927,435**

Employment of capital

Fixed assets	2,586,598	2,400,984	2,216,324	1,830,423	1,561,349
Investments	23,303	23,152	23,117	27,538	26,830
Net Current assets	1,663,950	1,983,606	1,776,354	815,804	382,179
	4,273,851	4,407,742	4,015,795	2,673,765	1,970,358
Debenture	-	-	-	-	(20,000)
Bank loans	-	(1,668)	(6,117)	(13,347)	(22,923)

	4,273,851	**4,406,074**	**4,009,678**	**2,660,418**	**1,927,435**
Turnover, (loss)/profit Taxation and dividends					
Turnover	**7,812,224**	**8,372,993**	**8,372,993**	**5,507,971**	**3,007,559**
(Loss)/profit before taxation	(92,223)	1,919,179	2,062,827	1,579,302	898,561
Taxation	(40,000)	(564,347)	(542,607)	(570,621)	(338,000)
(Loss)/profit after taxation	(132,223)	1,354,832	1,520,220	1,008,681	560,561
Dividend	-	(958,436)	(542,607)	(570,621)	(338,000)
Debenture redemption Reserve	-	(958,436)	(840,732)	(520,776)	(253,906)
(Loss)/retained profit for the year	**(132,223)**	**396,396**	**697,488**	**485,905**	**304,655**
Loss/earnings per shares (kobo)	(13)	134	226	225	190
- Adjusted	-	-	151	100	56
Dividends per share (kobo)	Nil	95	125	116	85
- Adjusted	-	-	83	52	25
Net assets per share (kobo)	423	437	596	594	645
- Adjusted	-	-	397	264	191

NOTE: (Loss)/earnings, dividends and net assets per share of 50 kobo have been computed respectively on the profit/(loss) after taxation, the dividends proposed and the shareholders' interest on the basis of the number of ordinary shares in issue as at 31 December, 1997. The recomputed figures for 1993 to 1995 which resulted from the use of the number of shares as at 31 December, 1997, are described as "Adjusted".

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter is concerned with the presentation and analysis of data collected. Questionnaires were administered to the respondents. The responses were analyzed using the frequency and percentage, in a tabular form. The results of the analysis were used to test the hypotheses. Some inferences were drawn from the findings. The researcher was therefore able to determine from the discussions some evidences that do and do not support the hypotheses.

4.2 PRESENTATION AND ANALYSIS OF DATA

For the purpose of clarity, both data presentation and analysis are treated together. The data collected from the field work with regard to the testing of hypotheses were derived from the three categories of staff of Lever Brothers Nigeria PLC as earlier mentioned in the methodology. The sampling was random on the basis of availability and was obtained from the three categories. Eighty copies of the questionnaires were administered and sixty were returned.

TABLE 1

MARKET EXPANSION

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	54	90%
Disagreed	6	10%
No idea	0	0%
Total	60	100%

From table 1 90% of the respondents agreed that mergers and acquisitions lead to expansion of market activities while only 10% held a contrary view.

TABLE 2

BENEFITS ON CORPORATE BODIES

VARIABLES	FREQUENCY	PERCENTAGE
Benefits the scope for training and development	11	18.3%
Improved technology	0	0
Improved staff welfare	0	0
All of the above	49	81.7%
None of the above	0	0
Total	60	100%

Table 2 shows that 81.7% if respondents believed that corporate bodies benefit from all the variables, but 18.3% believed that the benefits is only in the area of training and development.

TABLE 3

ACCESS TO CAPITAL MARKET AND BETTER CREDIT WORTHINESS

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	51	85%
Disagreed	7	11.7
No idea	2	3.3%
Total	60	100%

The response in table 3 revealed that 85% of the respondents agreed that mergers given corporate bodies access to capital market and better credit worthiness, while only 11.7% held a contrary view. 3.3% however do not have nay idea about the effect of mergers.

TABLE 4

VARIABLES	FREQUENCY	PERCENTAGE
Improved performance	38	963.3%
Improved standard of living	0	0
Adverse effect	12	20%
No effect	10	16.7%
Total	60	100%

From Table 4, 63% of the respondents are of the opinion that employees benefit from merger exercise in the area of improved performance, but 20% believed that it had adverse effect on employees. Furthermore about 17% believed that there was no effect of merger on employees.

TABLE 5

REDUCTION OF STIFF COMPETITION AND BETTER MANAGEMENT

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	51	85%
Disagreed	9	15%
No idea	0	0%
Total	60	100%

Table 5, 85% of the respondents agreed that merger of companies reduces stiff competition and enhance better management, but 15% disagreed with the view.

TABLE 6

WIDER RANGE OF PRODUCTS AND SERVICES

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	48	80%
Disagreed	12%	20%
No idea	0	0%
Total	60	100%

From table 6, it is seen that 80% of the respondents believed that mergers and acquisitions had led to companies producing wider range of products and services and only 20% held a contrary view.

TABLE 7

SHAREHOLDERS REACTION TO MERGER PROPOSALS

VARIABLES	FREQUENCY	PERCENTAGE
Readily Accept	0	0%
Reluctantly Accept	12	20%
Complete Resistance	0	0%
Partial Resistance	48	80%
Total	60	100%

From Table 7, the shareholders appeared to have partial resistance to merger proposals with a percentage response of 80%, while 20% responses were in favour of reluctant acceptance.

TABLE 8

IMPROVED SHARE PRICES ON THE STOCK MARKET

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	39	65%
Disagreed	12	20%
No idea	9	15%
Total	60	100%

Table 8 shows that 65% of the respondents agreed that mergers of companies have improved share prices on the stock market, but 20% disagreed and 15% had no idea about the effect.

TABLE 9

BENEFITS OF INDIVIDUALS

VARIABLES	FREQUENCY	PERCENTAGE
Increased in Salary	0	0
Improved training and development	18	30%
Improved health facilities	0	0%
All of the above	42	70%
Total	60	100%

In Table 9, 70% of the respondents believed that they have benefited form all of the variables, while 30% only supported improved training and development.

TABLE 10

SUCCESSFUL MERGER/ACQUISITION BIDS

VARIABLES	FREQUENCY	PERCENTAGE
Very successful	16	26.7%
Successful	32	53.3&
Partially successful	12	20%
Not successful	0	0%
Total	60	100%

Table 10 shows that about 53% of the respondents believed that merger/acquisition bids have been successful in Nigeria, while 27% believed that hey were very successful and 20% believed that they have been partially successful.

TABLE 11

LEVEL OF KNOWLEDGE ABOUT MERGER BIDS

VARIABLES	FREQUENCY	PERCENTAGE
Much	24	40%
Not much	12	20%
No opinion	24	40%
No idea	0	0
TOTAL	60	100%

In table 11, 40% of respondents believed that they had much knowledge about merger bids in Nigeria but 40% did not want to express their opinion, while 20% had no much knowledge about it.

TABLE 12

BENEFITS BY THE SOCIETY

VARIABLES	FERQUENCY	PERCENTAGE
Employment opportunities	7	11.7%
Availability of quality products	0	0
Cheaper prices of goods and services	10	16.7%
All of the above	35	58.3%
Non of the above	8	13.3%
TOTAL	60	100%

Table 12 shows that 58% believed that the society had benefited from all of the variables, but 12% and 16.7% believed only in employment opportunities and cheaper prices and 13.3% however believed that there was no benefit.

TABLE 13

IMPROVED PRODUCTIVITY

VARIABLES	FERQUENCY	PERCENTAGE
Agreed	24	40%
Disagreed	24	40%
No idea	12	20%
TOTAL	60	100%

In table 13, 40% agreed that staff rationalization to improve productivity but 40% disagreed with the view. 20% claimed to have no idea about the effect.

TABLE 14

INVESTORS/SHAREHOLDERS INFORMATION

VARIABLES	FERQUENCY	PERCENTAGE
Adequate	17	28.3%
Fairly adequate	31	51.7%
Not adequate	12	20%
TOTAL	60	100%

Table 14 shows that about 52% believed that investors/shareholders have fairly adequate information about merger bid in Nigeria, while about 28% believed that the information was adequate, but 20% said that it was not adequate.

TABLE 15

HIGHER ROFITS OF CORPORATE BODIES

VARIABLES	FERQUENCY	PERCENTAGE
Agreed	58	96.7%
Disagreed	2	3.3%
No idea	0	0%
TOTAL	60	100%

In table 15, 96.7% of the respondents agreed that corporate bodies has realized higher profits as a result of merger exercises but only 3.3% held a contrary view.

TABLE 16

VIEW ABOUT THE IDEA OF MERGER

VARIABLES	FREQUENCY	PERCENTAGE
Fully accept	45	75%
Partially accept	15	25%
Not accepted	0	0%
No idea	0	80%
TOTAL	60	100%

In table 16, the 45 respondents claimed to have fully accepted the idea of merger in Nigeria and this represented 75% of the total respondents. Only 25% supported partial acceptance.

TABLE 17

MAJOR DISADVANTAGE (S) OF MERGER BIDS

VARIABLES	FREQUENCY	PERCENTAGE
Retrenchment of staff	48	80%
Loss of personal touch	0	0
Monopoly power	0	0
All of the above	12	20%
None of the above	0	0
TOTAL	60	100%

From table 17, the major disadvantage identifies was retrenchment of staff which accounted for 80% of the total respondents.

TABLE 18

PAYMENT OF HIGHER TAXES/ROYALTIES TO GOVERNMENT

VARIABLES	FREQUENCY	PERCENTAGE
Agreed	36	60%
Disagreed	12	20%
No idea	12	20%
TOTAL	60	100%

Table 18 shows that 60% of the respondents are of the opinion that merger of companies results is higher taxes/loyalties being paid to the government, while 20% disagreed with this view and 20% had no idea about it.

TABLE 19

MAJOR FACTOR (S) CONSTITUTE MERGER PROBLEMS

VARIABLES	FERQUENCY	PERCENTAGE
Regulatory authorities	12	20%
Lack of awareness	0	0
Inadequate professional advisers	36	60
All of the above	12	20%
Non of the above	0	0
TOTAL	60	100%

Inadequate professional advisers have been identified in table 19 as the major factor that constitutes merger problem in Nigeria with the 60% of the respondents. 20% of the responses however identified regulatory authorities and 20% also believed that all of the variables constitute the problems.

TABLE 20

MERGER AS THE VIABLE OPTION

VARIABLES	FERQUENCY	PERCENTAGE
Agreed	43	71.7%
Disagreed	10	16.7%
No idea	7	11.6%
TOTAL	60	100%

Table 20 shows that 71.7% agreed with the view that merger/acquisition remain the viable option for rescuing distressed companies and banks in Nigeria, while 16.7% disagreed with the view and 11.6% had no idea.

4.3 HYPOTHESES TESTS

HO: Null Hypothesis

HI: Alternative Hypothesis

HYPOTHESIS 1

HO: Mergers and acquisitions of corporate bodies do not enhance diversification.

The percentage responses from table 1,5 and 6 90%, 85% and 80% respectively showed favourable responses of the effects of mergers and acquisitions on corporate bodies. Thus, the null hypothesis is rejected and the alternative accepted, that is Hi: mergers and acquisitions enhance diversification.

HYOTHESIS 11

Ho: Merger/acquisition does not improve corporate share prices and benefits.

Table 8 and 15 percentage responses of 65% and 96.7% do not support the above hypothesis. Therefore, the alternative is accepted which states that, merger of acquisition improves corporate share prices and profits.

HYPOTHESIS 111

Ho: Corporate employees do not benefit from merger/acquisition exercises.

From table 4 and 9 responses, it can be seen that 63.3% and 70% are also favourable. This therefore negates the hypothesis and alternative is accepted, that is, corporate employees benefit from merger/acquisition exercises.

HYPOTHESIS IV

Ho: There is no social or economic benefit from merger/acquisition exercises.

This hypothesis is not accepted using the responses in tables 12 and 18. 58.3% accepted all listed benefits gained by the society, and 60% also agreed with the higher taxes/loyalties paid to the government. Therefore, Hi is stated as, there is social and economic benefit derived from merger of acquisition exercises.

HYPOTHESIS V

Ho: There is no adequate information about merger/acquisition in Nigeria.

The responses in tables 11 and 14 support the hypothesis, as the percentages of average responses are high. In table 11, total percentage of "not much" and "no opinion" is high and also in table 14, there is high percentage of 51.7% "partially adequate". Therefore, the null hypothesis is accepted, that there is no adequate information about merger in Nigeria.

4.4 DISCUSSION OF FINDINGS

The results do not support the hypothesis formulated. It was null hypothesis that were being examined. All the hypothesis were rejected, except one.

The idea if merger s/acquisitions is usually based on the need to foster growth profitability. The findings have shown that mergers and acquisitions enhance diversification, which has to do with market expansion, wider range of products and services. For example, Lever Brothers Nigeria PLC merged with Lipton Nigeria Limited, Chasebrough, and Unilever in a bid to diversify and expand its market. The merger with Lipton resulted in a launching of a new product 'Boncafe' after six months. Others are WBC, UNIC.

There are benefits for exploitation of synergies as it was indicated in the higher prices and profits being realized by the merged or acquired companies. The merger of PZI and TEC led to reduction in operational costs resulting from improved efficiency. The Chairman (1997) confirmed that, the exercise was highly successful in terms of synergy, which would further enhance the future prospect of the group. LBN Plc Chairman (1996) also stated that, the merger had provided additional synergy in the mass consumer goods market. It has also further broadened and strengthened the company's capabilities to respond more robustly to the needs of the consumers and customers, and this is bound to boost the performance of the company in the future.

It was found out that both the companies and employees have benefited from merger/ acquisition exercises in terms of broaden scope for training and development, improved technology, performance, staff welfare, health facilities, increased in salary etc. companies also have had access to the capital market as a result of the merger. It was also revealed from the data collected that merger/acquisition has led to reduction in stiff competition, less friction and better management. A good example of this is Niger Match Company merger with other Match companies. It has also resulted in both social and economic benefits in terms of employment, quality products and services and cheaper prices, though sometimes staff rationalization is carried out for the purpose of improved productivity.

The study also revealed an increase in the share prices and benefits of corporate bodies as a result of mergers undertaken. For example, Lever Brothers Plc ordinary share of 50K as 13th September, 1973 was ₦11.50 as at 31st December, 1997, and with a share capital of ₦504.44 million. The company has also been recording high profits over the years except in 1997. Quality sustenance has always continued to be the company's watchword. Its aim to meet each target group with an excellent brand of high quality, acceptable to the consumers and meeting their needs in terms of functional and emotional benefits. This guaranteed satisfaction will ensure continued brand patronage and consumer loyalty.

In terms of merger/acquisition success in Nigeria, the study revealed that it has been successful. However, some problems were also identified Inadequate professional advisers was the major one and others included the role of the regulatory authorities like the SEC, NSE and partial resistance from the shareholders. The success can be seen from some evidence of merger/acquisition in Nigeria like Lever Brothers Nigeria (LBN) PLC, CMB PL, etc. information about merger/acquisition bids in Nigeria is inadequate and this has resulted to a low level of knowledge about its effects. From the study, investors/shareholders are of the view that merger/acquisition is one of the viable options for rescuing distressed companies and banks in Nigeria. This was seen by its full acceptance. One of the main objectives of merger/acquisition is to save weaker companies from collapsing. This was seen in the case of LBN PLC merger with Lipton and with Chasebrough, which had similar circumstances of being cash-strapped.

The merger of Canmakers Nigeria Limited (CNL) and the Crown Cork and Seal Company Nigeria Limited (CCSL) with Carnaudmetal box Nigeria Plc (CMB) was to eliminate duplication of efforts and to carry over the CNL's and CCL's tax/losses by CMB which would result in a one-time tax saving to the enlarged CMB. The merger also took into consideration the interest of the employees. The enlarged CMB was to absorb all employees of

CNL and CLSL on terms that at least match their present contracts of employment.

Also on the issue of information about merger, the only notable merger in Nigeria was the one between LBN Plc and Lipton in 1985, because it was the most celebrated case. The investors, employees and the General public are however becoming more aware of merger/acquisition bids in Nigeria since many firms are seeing it as an alternative means of saving companies from serious financial distress and providing such businesses with new management and better access to new financial resources.

4.5 SUMMARY

The chapter mainly focused on the data collected based on the hypothesis formulated. The analysis of data later led to the rejection of all the hypothesis except one. The implications of the results supported the original idea, which was stated in the literature review. Some of the benefits of merger/acquisition to corporate bodies in terms of growth and profitability, and to employees, society, government were seen from the analysis. The analysis also revealed some major problems inherent in merger/acquisition exercise. Corporate growth therefore is seen to be related to merger/ acquisition in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

The research study was aimed at finding out the impact of mergers and acquisitions on corporate growth in Nigeria. The scope of the study was however limited to an organization – Lever Brothers Nigeria PLC as a case study. The study is beneficial to the case study organization, other researchers and students. The null hypotheses stated were later rejected except one and the alternatives were accepted. The random sampling of the staff was used to gather the data through the administration of questionnaires and personal interview as a follow up to the questionnaire. Some of the limitations of the study were financial constraints, lack of data (both primary and secondary) and time factor.

Merger is simply a combination of two or more independent business units into one organization with a common management and ownership. It entails the creation of a new company with a new name, which reflects the identities of the merging companies. It is the combination of two or more separate existing companies to form one corporate entity.

One of the factors that underline a successful merger/acquisition is the 'synergistic effect', which has to do with both sides benefiting from the combined agreement. Three major forms of merger/acquisition were identified – namely, horizontal, vertical and conglomerate. One of the business reasons why companies merge or acquire each other is the need to diversify the product or market range of the company. Some merits of it are case of access to capital market, savings in overhead expenses and promotion of synergistic effect. There are also demerits like loss of trade name, personality problems, inconvenience and expense. The scheme of merger arrangement under section 591 of CAMA 1990 serves as one of the legal problems of effecting merger/acquisition. It has to be consummated by the approval of regulatory authorities like SEC, NSE, FBIR who must confirm that necessary steps have been taken.

Despite the infancy stage of merger/acquisition in Nigeria, some evidences have been seen which are LBN PLC with Lipton Nigeria Limited, UNIC and UNLIC, SEC and JH Plc soft drinks, PZI and TEC.

Mergers and acquisitions have been viewed as a growth strategy and as a means for acquiring resources – physical, technical and managerial, but some serious managerial problems can arise due to improper merger/acquisition. The analysis of the data collected supported the original idea as some of the benefits were confirmed. The major need of most corporate bodies that have had merger/acquisition experience was that of diversification of both product and market. Their capital and share prices have also increased after merger/acquisition experiences. The social and economic benefits have been seen n terms of quality sustenance, employment opportunities, cheaper prices of goods and services and higher taxes/loyalties paid to government.

The growths of corporate bodies were seen to be related to merger/acquisition in Nigeria. The exercise in Nigeria has been relatively successful, though more information and professional advisers are still needed. However, as a strategy of growth and as a strategy to obtain economies through integrated operations, and other managerial benefits, mergers and acquisitions are indeed gainful investments.

5.2 CONCLUSION

The research study was set out to investigate into the impact of mergers and acquisitions on corporate growth in Nigeria. This therefore, led to some questions being asked and answers sought for them.

- Has merger/acquisition any effect on the growth of corporate bodies in terms of product, market or profit.
- Is there any benefit being derived by the employees of the corporate bodies.
- What social or economic benefit does the society derive from merger/shareholders have adequate information and knowledge about merger bids in Nigeria.
- Has merger/acquisition bids been successful in Nigeria etc.

In conclusion, the idea of mergers and acquisition is usually based on the need to foster growth and profitability. From the findings this was asserted by the positive responses in agreement to the expansion of market activities, wider range of product and services, access to capital market, higher share prices and profits being realized by corporate bodies that have merged or acquired each other. The major need was that of diversification of product and market. For example, LBN Plc, NBC, UNIC, PZI, etc. The mergers have

In terms of information, it can be concluded that the information is not adequate for investors/shareholders and even the general public. The findings asserted this by the negative responses. The level of knowledge is also not much. However, the awareness is gradually been seen as investors, employees and the public are now calling for merger/acquisition bids to save companies from serious financial distress.

From the research study therefore, it is concluded that mergers and acquisitions have serious positive impact on the growth of corporate bodies in Nigeria. The impact has led to expansion of market activities, more variety of products and services, better quality, more satisfaction of consumers, higher taxes and loyalties to the government, improved technology, training and development, better management, etc.

5.3 RECOMMENDATIONS

Looking at the strategic posture of mergers and acquisitions on business and the impact on the shape of corporate bodies and the country's economy, it is pertinent therefore to offer some useful suggestions that will help in the implementation of the findings and also for further research.

The persistent economic difficulties in the country have no doubt hit several hitherto booming firms and industries, mergers and acquisitions therefore has become not only relevant but imperative in order to lessen the effect of the shock on the citizen and the economy as a whole.

Merger should be used as a survival and expansion strategy in booms and recessions as the economy is heading towards recovery. More companies should therefore be encouraged to participate in merger bids.

The issue of distress in the financial system is one of the major problems facing the country at this time. Mergers and acquisitions should therefore be seen as one of the viable options for rescuing some of the distressed financial institutions.

SEC being one of the regulatory authorities that play predominant role in mergers and acquisitions, the role of the court should be reduced such that a court ordered meeting would not be necessary. Many corporate bodies do not like following this court procedures because of the time it takes before approval is given. In this way, a merger would become a routine corporate even which SEC supervises to protect the interest of the investing public.

SEC should be deregularized of its pricing role to encourage business to merge or change hands of prices mutually agreed upon between willing sellers and willing buyers.

There should be more education and enlightenment of investors, employees and operators of the economy with respect to merger and acquisition. Although SEC has started this in its quarterly journal and symposia on merger/acquisition are being organized, more efforts should be made to publicise the roles of the regulatory bodies under the law.

Highlights should be more on the immense benefits that would accrue from a merger/acquisition exercise. The various professionals like lawyers, accountants, brokers, and bankers, etc. will help in this

5.2 CONCLUSION

The research study was set out to investigate into the impact of mergers and acquisitions on corporate growth in Nigeria. This therefore, led to some questions being asked and answers sought for them.

- Has merger/acquisition any effect on the growth of corporate bodies in terms of product, market or profit.
- Is there any benefit being derived by the employees of the corporate bodies.
- What social or economic benefit does the society derive from merger/shareholders have adequate information and knowledge about merger bids in Nigeria.
- Has merger/acquisition bids been successful in Nigeria etc.

In conclusion, the idea of mergers and acquisition is usually based on the need to foster growth and profitability. From the findings this was asserted by the positive responses in agreement to the expansion of market activities, wider range of product and services, access to capital market, higher share prices and profits being realized by corporate bodies that have merged or acquired each other. The major need was that of diversification of product and market. For example, LBN Plc, NBC, UNIC, PZI, etc. The mergers have also led to technological improvement of corporate bodies and enhanced better management.

Employees have benefited from the exercise in terms of improved staff welfare, health facilities, increase in salary, etc. however, it sometimes lead to staff rationalization which happens in order to improve productivity as better staff are retained to handle the operations better. This also avoids duplication of efforts. The positive alternative hypothesis in respect to this statement was accepted. An example of a merger in this respect is CMB PLC.

It can be seen that there are both social and economic benefits being derived also from merger exercise. Employment opportunities, excellent brand of high quality products and services acceptable to consumers are made available. The payment of higher taxes/loyalties to the government as a result of higher profits being realized. The merger/acquisition exercise in Nigeria has been successful as supported by the findings, as there was a favourable response. The number of successful mergers and acquisitions in Nigeria also support this assertion. For example, PZI Plc, LBN Plc, SBC, NBC, Niger Match Plc, etc.

In terms of information, it can be concluded that the information is not adequate for investors/shareholders and even the general public. The findings asserted this by the negative responses. The level of knowledge is also not much. However, the awareness is gradually been seen as investors, employees and the public are now calling for merger/acquisition bids to save companies from serious financial distress.

From the research study therefore, it is concluded that mergers and acquisitions have serious positive impact on the growth of corporate bodies in Nigeria. The impact has led to expansion of market activities, more variety of products and services, better quality, more satisfaction of consumers, higher taxes and loyalties to the government, improved technology, training and development, better management, etc.

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Highlights should be more on the immense benefits that would accrue from a merger/acquisition exercise. The various professionals like lawyers, accountants, brokers, and bankers, etc. will help in this direction. More of these professionals should also be encouraged in merger/acquisition exercises.

NEPB regulations should be reviewed to facilitate more merger/acquisition activities in Nigeria and this will also encourage new foreign investment to both new and existing enterprises. Many foreign investors have recently decided to divest from some of the companies in Nigeria.

The scheme of merger arrangement under the 1990 companies allied matters should be properly implemented to encourage more investors to consider merger bids.

Other revenue authorities should consider relieves from levies and dues (such as stamp duties, fees arising from registration and legal proceedings) in respect of poverty transferred pursuant to mergers and takeovers. All these concessions are necessary to encourage mergers in the interest of the economy at these difficult times.

Mergers and acquisitions have been viewed as the most viable option for companies facing serious economic problems. This option seems to be the cheapest alternative to business concerns, as the cost of borrowing is high and the fact that willing lenders are not even available during period of uncertainty. This is therefore, the impetus for mergers today in Nigeria. This calls for a good judgment to determine whether it is goal oriented. The interest of shareholders, employees and the general public should be put in consideration.

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APPENDIX A

AHMADU BELLO UNIVERSITY

DEPARTMENT OF BUSINESS ADMINISTRATION

Tel: 069 – 32734 **INSTITUTE OF ADMINISTRATION**

Telegram: INSTITUTE ZARIA.

TO WHOM IT MAY CONCERN

LETTER OF INTRODUCTION

Mal/ Mrs/Miss/Mr. MUSA, MARY DASIKWO (G97BAF7062) has completed the course work leading to the award of the Degree of Master of Business Administration (MBA) in this University. She is currently undertaking a research study entitled "*IMPACT OF MERGERS AND ACQUISITION ON CORPORATE GROWTH IN NIGERIA*".

For this purpose, we urge you to assist her with the necessary data and information she requires. The department has given instruction to the students that data and information so obtained should be kept in strict confidence and should be used only for the purposes of research.

We would be very pleased if permission is granted and the above named student given as much assistance as possible.

MAL. SANI A. ABDULLAHI

Co – odinator, MBA Programme

For: Head, Department of

Business Administration

APPENDIX B

QUESTIONNAIRE

Dept. of Business Admin,
Institute of Admin,
A.B.U. Zaria.
18th November, 1998.

Dear Respondent,

LETTER OF INTRODUCTION

I, Musa, M. D. (Mrs) is a student of the above named institution, who is undertaking a research study titled "The impact of Mergers and Acquisitions on Corporate Growth in Nigeria" (A case study of Lever Brothers Nigeria PLC LEN).

I wish to solicit your assistance to complete the attached questionnaire by providing the necessary data and information that will help me in the research study. The data and information given will be kept in strict confidence and used only for the purpose of the research.

I will be grateful if necessary assistance is given.

I appreciate your co – operation.

Thank you.

Yours faithfully,

Musa, M.D. (Mrs.)

APPENDIX C

QUESTIONNAIRE:

THE IMPACT OF MERGERS AND ACQUISITIONS ON CORPORATE GROWTH IN NIGERIA

(A CASE STUDY OF LBN PLC)

SECTION A

Instruction: Please, tick ( ) the appropriate answers

1. Mergers and acquisitions have led to expansion of market activities.

   (a) Agree ( ) (b) Disagree ( ) (c) No idea ( )

2. What is/are the benefit(s) of mergers on corporate bodies.

   (a) Broadens the scope for training and development ( )

   (b) Improved staff welfare ( )

   (c) Improved staff welfare ( )

   (d) All of the above ( )

   (e) None of the above ( )

3. Mergers have advantages of access to capital market, and better credit worthiness of corporate bodies.

   (a) Agree ( ) (b) Disagree ( ) (c) No idea ( )

4. How has mergers affected the corporate employees

   (a) Improved performance ( )

   (b) Improved standard of living ( )

   (c) Adverse effect ( )

   (d) No effect ( )

5. Merger of companies reduces spiff competition and enbance better management.

   (a) Agee ( ) (b) Disagree ( ) (c) No idea ( )

6. Wider range of products and services have resulted from mergers and acquisitions.

   (a) Agee ( )   (b) Disagree ( )   (c) No idea ( )

7. How do shareholders react to merger proposals?

   (a) Readily accept ( )

   (b) Reluctantly accept ( )

   (c) Complete resistance ( )

   (d) Partial resistance ( )

8. Mergers of companies have led to improved share prices on the stock market.

   (a) Agee ( )   (b) Disagree ( )   (c) No idea ( )

9. What benefit(s) have you derived from your company's merger (s) or acquisition (s)

   (a) Increase in salary ( )

   (b) Improved training and development ( )

   (c) Improved health facilities ( )

   (d) All of the above ( )

10. How successful have merger/acquisition bids been in Nigeria?

   (a) Very Successful ( )

   (b) Successful ( )

   (c) Partially successful ( )

   (d) Not successful ( )

11. What is the level of your knowledge about merger bids in Nigeria?

   (a) Much ( )   (b) Not much ( ) (c) No opinion ( )

   (d) No idea ( )

12. How has the society benefited from merger/acquisition of corporate bodies?

    (a) Employment opportunities ( )

    (b) Availability of quality products ( )

    (c) Cheaper prices of goods an d services ( )

    (d) All of the above ( )

    (e) None of the above ( )

13. Staff rationalization due to merger exercise leads to improved productivity.

    (a) Agee ( ) (b) Disagree ( ) (c) No idea ( )

14. How informed are the investors/shareholders about merger/acquisition in Nigeria?

    (a) Adequate ( )

    (b) Partially adequate ( )

    (c) Not adequate ( )

15. Merger/acquisition has led to higher profits of corporate bodies

    (a) Agee ( ) (b) Disagree ( ) (c) No idea ( )

16. How do you view the idea of merger/acquisition of corporate bodies?

    (a) Fully accepted ( )

    (b) Partially accepted ( )

    (d) Not accepted ( )

    (e) No idea ( )

17. What is/are the major disadvantage(s) of merger bids

    (a) Retrenchment of staff ( )
    (b) Less of personal touch ( )
    (c) Monopoly power ( )
    (d) All of the above ( )
    (e) None of the above ( )

18. Merger/acquisition of corporate bodies has led to payment of higher taxes/loyalties to government

(a) Agee ( ) (b) Disagree ( ) (c) No idea ( )

19. What major factor(s) constitute merger/acquisition problems(s) in Nigeria?

(a) Regulatory authorities ( )

(b) Lack of awareness ( )

(c) Inadequate professional advisers ( )

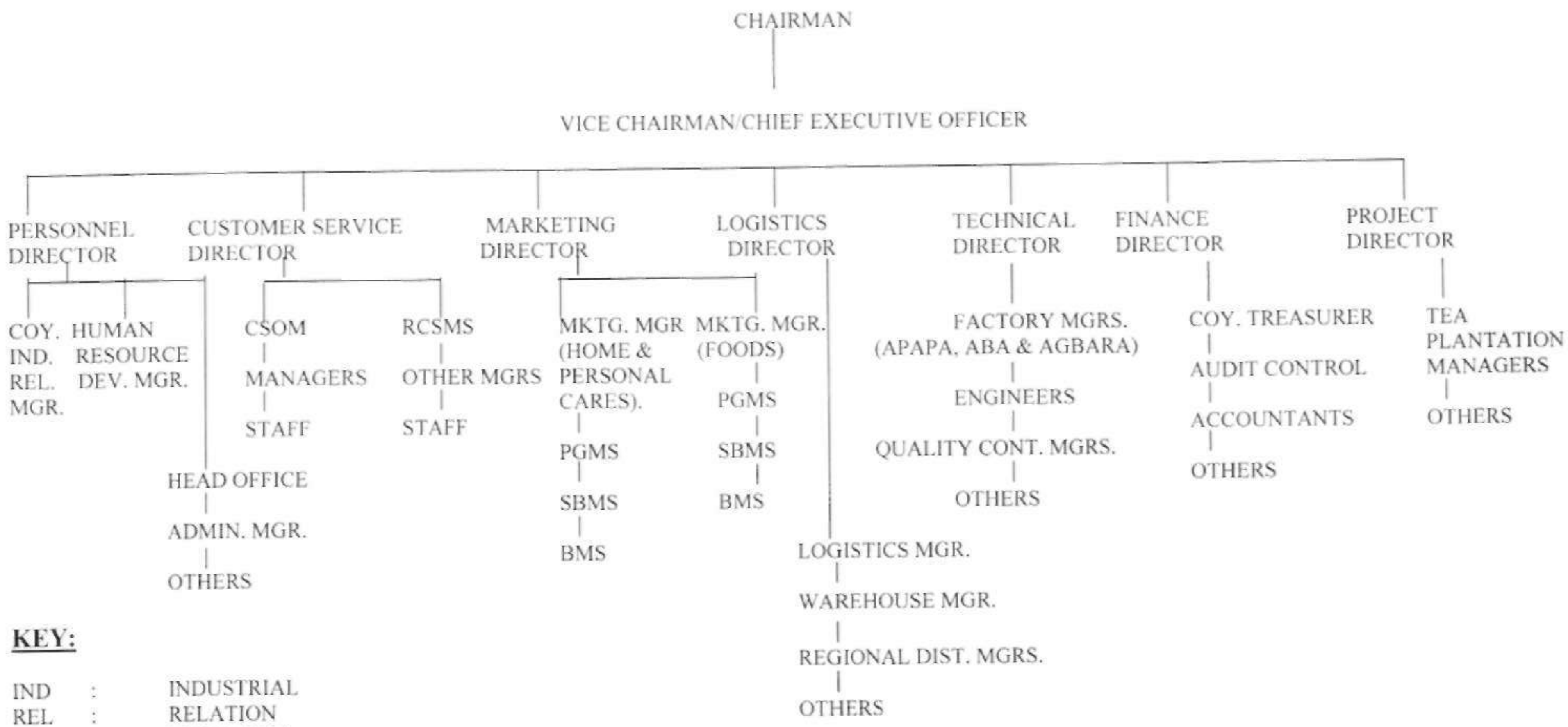
(d) All of the above ( )

(e) None of the above ( )

20. Merger/acquisition is one of the viable options for rescuing distressed companies and banks in Nigeria.

(a) Agee ( ) (b) Disagree ( ) (c) No idea ( )

LEVER BROTHERS NIGERIA PLC
ORGANISATIONAL CHART



KEY:

IND	:	INDUSTRIAL
REL	:	RELATION
MGR	:	MANAGERS
REM	:	HUMAN RESOURCES DEVT./REMUNERATION MANAGER
CSOM	:	CUSTOMER SERVICE OPERATIONS MANAGERS
RCSNS	:	REGIONAL CUSTOMER SERVICE MANAGERS
PGMS	:	PRODUCT GROUP MANAGERS
SBMS	:	SENIOR BRANDS MANAGERS
BMS	:	BRAND MANAGERS.