Relationship between the strategic value creation and performance of Mergers and Acquisitions in the financial sector in Kenya

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Abstract
As a growth strategy, mergers and acquisitions are a common feature of modernbusiness life that forms a major reason for organization growth. The purpose of this study is to look into the determinants of performance of mergers and acquisitions in the financial sector in Kenya, basically Banks and Insurance using the following objectives; to determine the relationship between culture integration and performance of Mergers and Acquisition, to examine the relationship between market coverage and performance of Mergers and Acquisition, to evaluate the relationship between skill competence and performance of Mergers and Acquisition, to identify the relationship between value creation and performance of Mergers and Acquisition. Descriptive and cross-sectional design and a mixed methodology are used, using questionnaires and published data from 2000 to 2014. A total of 93 responses were obtained and the hypothesized relationships were tested using multiple regression analysis. The study empirically reveals that Value creation contributes significantly to performance of M&A.

Keywords: Strategic implications, Value creation, Performance, Mergers and Acquisitions, Financial sector, Kenya

1. INTRODUCTION

Ellegaard,Geersbro, & Medlin (2009) states that Value creation is the production of a product or a service that meets customer demands, and commonly involves innovation and new product development. This therefore, indicates that there are Customer value and shareholder value. Ellegaard, Geersbro, and Medlin add that, Value creation is the cornerstone and primary aim of any business operation.In creating value, Argandona (2011) notes that, firms must be managed for shareholders and also for stakeholders.

Mizik & Jacobson (*2003*), notes that firms allocate their limited resources between two fundamental processes of creating value (i.e., innovating, producing, and delivering products to the market) and appropriating value (i.e., extracting profits in the marketplace). It is important to note that value creation is required as a strategic Framework for Customer Relationship Management, and achieving sustained competitive advantage, items that have an impact on the financial performance. For strategic approach, Payne &Frow (2005), identify five key cross-functional CRM processes: a strategy development process, a value creation process, a multichannel integration process, an information management process, and a performance assessment process.The concept of value creation hinged on stakeholders and shareholders. The supporting pillars of value creation include the skill competence enhanced by the firm, the altitude towards the core of the business and asset at their disposal in the firm. How this is planned and implemented depends on the ability to prioritize and make fast decisions.

1.1 Background to the Problem

Many research reports begin by the statement that 'The world is in a state of flux…' (Rotich, Toroitich, Lulia, &Alang'o(2015); Akenga& Olang' (2017); Marembo (2012); (Kumar & Bansal 2008).Marembo (2012), puts it in the following words, "The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and as a consequence firms are facing intense competition". The state of flux would mean; (1) being in a state of uncertainty about what should be done next after an event, or (2) a stable states of affairs. Notable quotes from renowned persons would explain this better and include; markets are constantly in a state of uncertainty and flux and money is made by discounting the obvious and betting on the unexpected. GeorgeSoros(Hungarian Businessman 1930).Death not merely ends life, it also bestows upon it a silent completeness, snatched from the hazardous flux to which all things human are subject. Hannah Arendt (German Historian 1906) With the other quote from her, “This is the precept by which I have lived: prepare for the worst; expect the best; and take what comes.Everything is in a state of flux, including the status quo Robert Byrne(American celebrity 1930).

All these quotes have one thing in common; even with the best practice and or due diligence, change is inevitable.Business move up and down, and unless a strategic plan is established to attain the goals, resources will be wasted towards achieving the same goal. These moves up and down create value.Valuecreation would therefore, be the primary aim of any business entity, where value would be created for customers to help sell products and services, and value would be created for shareholders to insure the future availability of investment capital to fund operations Rappaport (2006); Shanker (2012). The quest for value creation lead to mergers and acquisitions.

Hassan &Ghauri (2014) note that;mergers and acquisitions aim at attaining economic freedom, synergy purposes, economic of scale, combining resources, garnering tax reliefs, eliminating inefficiencies, enhancing growth, increasing market power, penetrating new geographic regions and career growth and value creation. Diversification of risk and strategic realignment and technical change is part of M&As activities.EduPritine (2015) records that; there is always synergy value created by the joining or merger of two companies, which can be seen through the Revenues (higher revenues), Expenses (lowering of expenses) or the cost of capital (lowering of overall cost of capital).

Mergers and acquisition being a capital budget decision, differ with any other investment, Hassan &Ghauri (2014). Areas of greater difference include; the value of a merger depending on such things as strategic fits that are difficult to measure, the accounting, taxation and legal aspects of a merger that can be complex,mergers often involves issues of corporate control and may be means of replacing existing management, mergers affect the value of the firm, but also affect the relative value of stocks and bonds, and mergers are often ’unfriendly’ Hassan &Ghauri (2014).

According to Brealey 2006, Corporations from US incurred more than 1.7 trillion dollars on mergers and acquisition in 2000. Sudarsanam (2003) found out that the main purpose of carrying out M&A is to increase the shareholders' value. Most firms seeking mergers and acquisitions seek to become the leading player in the product- market area of the strategic business unit. Samples of both corporate and financial buyers were able to achieve superior performance, Copeland (2005). M&A are continuously occurring world over because they improve competition by gaining greater market share and reducing business risk (Kemal 2011). The performance of two firms that have merged or acquired improves due to the increase of shareholders value (Sharma 2009). The reasons that motivate M&A include economies of scale, revenue enhancement, tax reduction and others. Berger (1999) on the study on the role of capital in financial institutions asserts that mergers have become popular due to enhanced competition.

When facing the decision to expand, a company can choose either to grow by means of strategic alliances with other firms or to expand by acquiring shares and control of another company. Strategic alliances include strategies like joint ventures, franchising, licensing and subcontracting. These strategies allow a firm to easily access new markets while sharing risk. On the other hand, when a company expands by means of a merger or acquisition (M&A), the company is growing internally and consequently bears all the risks involved in the investment. Yet by growing through M&A a firm can replace its old competitive advantages with new ones in order to continue to make economic profit. Additionally M&A's give a company the opportunity to restructure its operations so it can exploit economies of scale and scope in production, distribution, and financing; to enhance monopoly or monopsony power; to take advantage of bargains; to take advantage of opportunities for diversification; and to build managerial empires Schoop (2013).

Schoop (2013) states that a firm looking for expansion can choose either to grow by means of strategic alliances(joint ventures, franchising, licensing and subcontracting), with other firms or to expand by acquiring shares and control of another company. But when a firm expands by means of a merger or acquisition (M&A), the company is growing internally and consequently bears all the risks involved in the investment. Empirical results indicate that value is created in both unrelated and related acquisitions, meaning that there is no indication that acquisitions create more value than unrelated acquisitions on average.

While being applied as a strategic tool, Mergers and acquisition plays an important role in organic growth, corporate structuring and business control Kirui (2014).Weitzela& McCarthy (2009), report that there is a long tradition of academic research on mergers and acquisitions (M&A) within finance, business and economics.Globally, multinational companies have attributed their growth and dominance in industry to restructuring efforts that have seen them absorb smaller companies with unique ideas into their fold, supported them and grew together (Powell 2005). This has caused globalization become the force behind the need for companies seeking strategies of expanding their operations and working towards more efficient.

One of the strategies that most companies adopt to gain competitive advantage is through mergers and acquisitions (M&A). The fundamental objective of M&A is to provide strong company capability of meeting customer satisfaction, and also to reduce fierce competition and evolve into technological development that will enhance better performance and realization of substantial profits (Moktar &Xiaofang 2014).Mergers and Acquisitions have been the area of strategic focus for many corporate from last two decades. It is now a global growth strategy to serve a variety of firm specific objectives like accessing new markets, foreign strategic assets, trade and supporting infrastructure and shareholder’s value creation (Syal&Chikkaran.d.).

Agbor & Ndakaw (2016) noted that Value creation to customers, employees, investors as well as its shareholders is what the primary objective of any business entity would be, in the spirit of maximizing the shareholders’ wealth. Kristensen& Lund (2015), in their study of Value Creation in Mergers and Acquisitions when Accounting for the Presence of Merger Waves and Rational Bubbles, concluded that, in the long term significantly more firms experienced negative returns, but the returns were larger numerically for those having positive returns (positively skewed).

Mitema (2014), concluded that value creation improved with a merger or acquisition. In such situations, increased capital results in increased stability and capacity to take on new risks, thus the merged insurance companies created value. Argandona (2011) in the study, concluded that the company’s sole purpose is to maximize economic value for shareholders brought out value creation in economic looked as the extrinsic values (economic value) or intangible extrinsic value in (Psychological).

Ernst and Young (2013), in their paper reflected some of the theory and practice that informs an understanding of value creation, and concluded that, interconnections between corporate activity, society and the environment and the purpose of the corporation should therefore be understood in terms of what the corporation, society and the environment can tolerate and still survive – that will be the main determinant of value.Grigorieva&Petronina (2013), went further to conclude that, value creation after mergers and acquisitions declined by 3.3% after deals.

The work by Consultancy.uk (2017), states that globally, merger and acquisition though experiencing a fall in the number of deals, have seen the total value of deals increase, a phenomenon of US, where we experienced various waves, (Hitt, Harrison, & Ireland 2001). Mergers & Acquisitions were once a phenomenon of the United States of America, but now are now taking place in countries throughout the world. Bunch & Delong 2002) records that a number of sectors, especially financial, all over the world, have experienced M&A activities. At regional level, various economic blocks, including: The Arab Maghreb Union (AMU) for Algerian, Libyan, Mauritanian, Moroccan and Tunisian;The Community of Sahel-Saharan States (CEN-SAD) for Mali, Morocco, Niger, Sudan, Burkina Faso, Cote-d'Ivoire, Djibouti, Eritrea, Guinea, Benin, Chad, Senegal, and Togo; Common Market for Eastern and Southern Africa(COMESA) for Burundi, the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Seychelles, Uganda, Zambia and Zimbabwe; East Africa Community(EAC), Economic Community of Central African States (ECCAS);Economic Community of West African States(ECOWAS); Intergovernmental Authority on Development(IGAD) and Southern African Development Community(SADC),have participated or facilitated the restructuring of firms.Figure 1 shows these economic blocks in Africa from which M&A have featured and been appreciated, Hitt, Harrison, & Ireland 2001; Kim & Mauborgne (2005); Gueganic (2015); African Economic Outlook (2012). All this having been in the spirit for organisations growth, (Bhatnagar, Kennedy, Magee, &Ruetschi 2016), where Building strategic coherence, progressing from technical to strategic optimization, rethinking client profitability, accelerating operational efficiency and organizational change and focusing on change execution to which M&A become means towards achieving this growth Bhatnagar, *et. al.* (March 22, 2016).

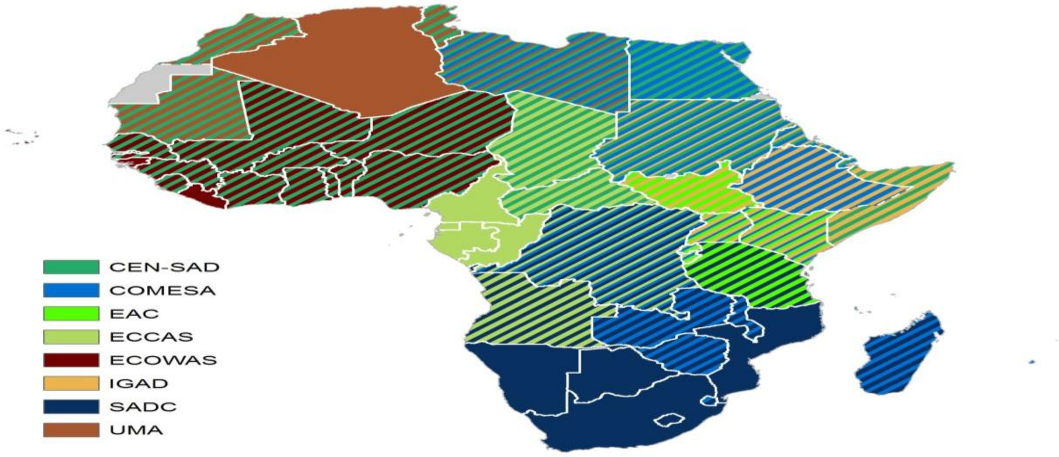

Figure 1: Africa Economic Blocks (Gebretensaye, 2018)

In Africa, DiGeorgio(2002), records that M&A market is still very small compared to other regions in the world. Though M&A have been instrumental as a channel for investment, it has also allowed companies to consolidate their positions in African markets, contributing to better market access and competitiveness.In Kenya Mergers and Acquisitions have been regulated by the Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504 Laws of Kenya), whereas the advisory firm Burbidge Capital that compiles data on corporate deals in East Africa shows that 2015 saw 11 M&A deals compared to 17 in the first four months of 2014. Sector wise, the financial services sector led with 10.4% of the total deals in 2015, followed by manufacturing (8.3%), real estate (2.8%) and oil industry (2.8%). Kenya has kept its position as the leading M&A hotspot in East Africa; with analysts predicting that the insurance sector currently remains the most likely focus area for mergers and acquisitions because of its high growth potential and higher capital demands. Banks are also the likely growth area in M&A in future, as the country is having too many banks which makes it difficult for any single lender to take on financing of large-scale projects due to capital constraint (Mwaniki, 2015;Ogada, Njuguna&Achoki 2016).

1.2 Statement of the Problem

Ogada, Njuguna, &Achoki (2016), notes that limited studies have been carried out on the M&A in the Kenyan market. Chesang (2002) concluded that although there was improved performance in some cases, the extent of the contribution was not significant. Korir (2006) and Marangu (2007) stated that mergers improve performance of companies listed at the NSE. Ochieng (2006) showed results that indicated a decline in earnings and lower ratios when Commercial Bank of Africa merged with First American Bank Kenya Limited. Borchetta (2017), introduced three ingredients of value creation; Growth, The Return On the Invested Capital (ROIC) and The cost of Capital, while Gertner (2013) introduced the power of value chain for purpose of competitive advantages and customers sustainability. However, a consensus of the determinants of performance for mergers and acquisition remains obscure.

1.3 Research hypothesis

There is no significant relationship between the strategic value creation and performance of Mergers and Acquisitions in the financial sector in Kenya. Table 1 shows the theoryreminiscentto this article.

Table 1: Theory proponents, and link to the article

THEORY	PROPONENTS OF THEORY	YEAR OF ORIGIN OF THE THEORY	LINK TO THE STUDY
Resource Based Theory	While this influential body of research within the field of strategic management was named by Birger Wernerfelt in (1984), the origins of the resource-based view can be traced back to the thinking of the work of Penrose (1959).	Penrose, E. T. (1959); Grant (1991).	Neoclassical focus, Industrial organization economics and organizational economics being most prominent. It affects how Competitive advantage of a firm is handled.
Behavioural Theory	John B. Watson (the founder of the behaviorist theory He was a proponent of Classical Conditioning.	1878-1958, 1930. Hofstede (2001); Roll in 1986.	Making decisions, behavior of organizational
Economic Theory	Adam Smith (1723 to 1790), Karl Marx(1818 to 1883), and John Maynard(1883 to 1946).		All the variables listed are linked to this theory.
Synergistic Theory	From the field of physiology since the 19th century.	Henri Mazel, 1896	Synergy creates value.

Table 2: Value Creation

Approach	**Research question**	**Value Conceptualization**	**Authors**	**Theoretical assumption**	**View on Value locus customer**
Value creation process logics	How firms gain competitive	Value stems from firm	Gummerus, (2013). Shukla, (2009).	Multiple logics for synergistic	value research consisting of twomain streams: (1) value creation processes and (2) value outcomes. (Future research: How value creation processes and value outcomes might be interlinked)
Based View(RVT)	Is there a link between economics and Resource-based View	Value links from firm	Lockett& Thompson, (2001).Barney, Wright and Ketchen, D. J. (2001)	Economic	Issues of (1) diversification and marketentry, (2) corporate refocusing, and market exit, (3) explaining innovative activity among firms, (4) diversification and performance and (5) industry evolution with rapidly changing products.
Customer	How value merges according tothe practice-theoretical stance.	Value links from firm	Korkman, (2006)	People and material, and culturally Embedded rules, images.	To develop understanding of Customer value as a sociological Customer value embedded in Customers.

Adopted from Gummerus, (2013).

2. Conceptual framework

Various work showing value creation frame include that of Shanker (2012), whose framework focuses on the creation of value from an open source business model perspective. A framework can be used in at least three ways;as a guideline for customer value research by manufacturers to assess what points of value matter to customers to determine the points of value that their products and offerings should focus on, and for managers and leaders to guide the customer value dimensions outlined in the framework to compete along dimensions other than cost. Value creation appears in the following areas of the firm; price, quality, availability, selection, functionality, partnership, brand each impacting product and service.

2.1 Review of theories

The paper uses Synergistic Theory Omah, Okolie, &Durowoju(2013),Resource based TheoryArmstrong &Shiminzu(2007) andBarney *et al.*, (1991), Behavioural TheoryHofstede (2001) and Economic Theory(Miner 2006).The two dominant ontological and epistemological ideologies are; positivism and interpretivism. This study was based on positivism as a research philosophy because this allowed the researcher to adopt the philosophical stance of the natural scientist. Descriptive and cross-sectional Research design was used, Kombo &Tromp (2009)using mixed methods(qualitative and quantitative), Miltiades (2008).

3. Target population and sample size

The population of the study consisted of all the financial organizations in Kenya; 44 banks according to the Central Bank (Central Bank (2016) and 56 insurance firms as per the Insurance Regulatory Authority, (IRA 2015) report. The questionnaires, records of interviews, copies of official documents, and the emails, will be stored in a folder with a special name. Primary data collection will be collected using questionnaires and the secondary data Collection will be collected from documents, records and reports called for by the researcher. For interview, a scheduled date will be arranged through emails or telephone.

4. Results and Discussion

4.2 Findings of the study

The study tested for multicollinearity, test of goodness of fit, and normality test and were found to be acceptable for significance testing. The response rate of 46.5% was acceptable as

Mugenda and Mugenda(2010); Kothari (2013), citing a response rate of 50% as acceptable, and Cooper and Schindler (2011) stating a response of 30% was acceptable and sufficient to commence data analysis.

4.3 Descriptive Statistics

The respondents were asked to rate the extent to which value creation does determine performance, and as table 3 showed; satisfied (43) 46.2%, followed by (28) 29.98% highly satisfied, those who remained neutral (20) 21.53%, those dissatisfied scored (3) 2.88%, with a Likert mean of 4.172 and standard deviation of 1.428. This meant that there was a consensus that (71) 76.18% value creation was ingredient to performance of M&A activity. Dissatisfied score accounted for only (3) 2.92%. The statistics includes, (N=93, M=4.172, SD=1.428. For the 4.172 + 1.428 = 5.600 and 4.172 - 1.428 = 3.644, indicating that most respondents concurred 6 times more than the 4 times that value creation was a determinant of performance for M&A.

Normality test =0.158, showed that Value creation was approximately normally distributed, with a Skewness=.253, and Kurtoitic at -1.774. The VIF.and collinearity of Value creation showed (VIF=1.454, collinearity = 0.518), and a significant .000. Homogeneity of variances was violated as Levene's test for equality of variances showed an average (p=.283.

For the open ended question on Value creation, themes were extracted and grouped into: Customer satisfaction (16) 12%, Products developed (10) 8%, Team work (10) 7%, Innovate right (9) 7%, Dynamic involvement (5) 4%, Skill staff, One-stop-shop, Market segmentations, synergy drive all under 5%, and Vision created, Mold culture, Information technology, communication, Skill staff, Staff turnover, Enhanced, Reduced cost, Accelerated growth, Customer expectation, Management boost, Bankrupt firm, Diversification all at 2% score and lower. There was a closer pull towards a consensus that customer satisfaction was enhanced as a strategy to improve marketing penetration and performance.

Table 3: Value Creation as a determinant of performance

Statement	Highly Satisfied	Satisfied	Some what	Dissatisfied	Highly Dissatisfied	Likert Mean	SD

The firm operates efficiently reducing risk	(16) 17.4%	(45) 48.9%	(24)	(7) 26.1%	7.6%	-		3.76	.83
Enables the firm to themselves for Futurereposition	(38) 4.2 41.9%	(40) 43.5%		(13) 14.0%	(2) 1.1%		-	4.71	
Creates shareholder valueleading to Innovationsof Tomorrow .755	(28) 30.4%	(40) 43.5%		(24) 26.1%	(1) 1.1%		-	4.04	
The firm performs efficiently generating products and services of the future	(20) .717 1.1%	(48)		(23) 21.7%	(1) 52.2%		(1) 25%	3.95 1.1%	
The firm is able toarticulate a clear vision tofuture Growth .77	(26) 28.3%	(44) 47.8%		(20) 21.7%	(2) 2.2%		-	4.02	
The firm offers new productsto existing customers .788	(37) 40.2%	(38) 41.3%		(15) 16.3%	(2) 2.2%		(1) 1.1%	4.2	
Average	**(28)** **29.98%**	**(43)** **46.2%**	**21.53%**	**(20)** **2.55%**	**(3)**	**0.37%**	**(0.33)**	**4.1721.428**	

4.4 Correlation Statistics

A Pearson product moment correlation coefficient was conducted to evaluate the hypothesis. The coefficient of determination gave the idea of how much variance the two scores shared that gave = $(0.749)^2$= 56.10%. Each score of value creation helped to explain 56% of the variance in the score. There was no significant evidence to reject the null hypothesis and concluded that there was a strong positive association across the scores (M=4.0433, SD=0.7585), r(93)=0.749, p<.001. The results concluded that, the higher levels and the other scores were associated with higher levels in the other scores.

From table 4.23, for value creation, each row of the table corresponds to one of the variables indicators. Each column also corresponds to one of the variables indicators. The cell at middle row and right column (or equivalently, the bottom row at the middle column) is more interesting, producing a 1.

Table 4 indicated that all at the significance of 0.01(2-tailed), r was purely due to chance factors and not due to an actual relation, indicating that if there was no relationship between the variables, the outcome r could not be this big with the 93 being the observations that were used to calculate the correlation coefficient.

Table 4**: Value creation and Performance**

Pearson Correlation	1	2	3	4	5	6	7
Average for Performance	1						
The firm operates efficiently reducing risk	.240*	1					
Enables the firm to reposition themselves for the future	.205*	.361**	1				
Creates shareholder value leading to innovations of tomorrow	.194	.438**	.651**	1			
The firm performs efficiently generating products and Services of the future	.231*	.366**	.413**	.522**	1		
The firm is able to articulate a clear vision for the future growth	.338**	.300**	.457**	.448**	.553**	1	
The firm offers new products to existing customers	.359**	.357**	.357**	.385**	.303**	.464**	1
N	93	93	93	93	93	93	93

*. Correlation is significant at the 0.05 level (2-tailed)
**. Correlation is significant at the 0.01 level (2-tailed)

The overall conclusion of this section, which covered the correlation coefficient values between dependent and independent variables and between the dependent variables themselves concurs with Kennedy (1985) who reported that on overall the correlation coefficients with much less than 0.8 thresholds indicates that there were concerns of multicollinearity. The study, therefore, fails to reject the null hypothesis that there was no correlation between the explanatory variables and concludes that there was a positive and strong significant relationship between culture integration, market coverage, skills competency, value creation and performance in the financial sector in Kenya. The study indicated that value creation increases the worth of the firm and shareholders (Finance). Learned activities enhance the skills of the staff in the new firm showing that job performance impacted financial performance positively Storges (2012).

4.5 Regression Statistics

Table 5: Model Summary – Value Creation

Model	R	R Square	Adjusted R Squared	SE of the Est.	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.749[a]	.561	.530	.470757	.561	18.297	6	86	.000

Table 6: ANOVA[a] – Value Creation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.329	6	4.055	18.297	.000[b]
	Residual	19.059	86	.222		
	Total	43.388	92			

Table 7 was obtained, and p-values.001 for Value creation were statistically significant, therefore, value creation had a statistically significant impact on the performance. Value creation was 0.683 meaning that value creation index increase by value of 1 unit of change, research giving a 0.683 change in performance. The research gave the standardized coefficients (beta=0.651 for Value creation, that gave a higher impact to performance. The results concurred with Hart and Milstein (2003) that value enhances performance both at internal level and at external perspective, and Mitema (2014) that value creation improved with a merger or acquisition.

Table 7: **Regression coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.767	0.456		3.873	<0.001
	Value Creation	0.683	0.081	0.651	8.485	<0.001

a Dependent Variable: Performance

After considering, linearity, normality, homoscedasticity, the conclusion was that the there was a statistical significant of the regression model that run, P<.05, indicating that, overall the regression model statistically significantly predicts the outcome variables, therefore, is a good fit for the data. Since all the predictive values of the model indicated were statistically significant, we reject H_0 that there was no significant relationship between value creation and performance in the financial sector in Kenya and conclude that there was a significant strategic implications of relationship between value creation and performance in the financial sector in Kenya. The shows that, standardized coefficients VC_av(beta=0.651) from table 7 and the regression equation modelled here becomes;

Model 1

$Y = \beta_0 + \beta_1 VC + \mu$, Where

Y = Financial Performance, VC ~Value creation, β_0= Constant term, $\beta_{1\ldots}$, β_n = Beta coefficients, and μ = Error term and any unobserved factors that we don't know

Performance = 1.767 + 0.683VC

Table 8applying Logit, gives the contribution of VC to the model and its statistical significance for logit of non-financial performance and the market coverage.The odds ratio having confidence intervals at 95% that all cover the value of 1. The VC are showing significant level of < .05.

Table 8: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1a	VC_av	1.989	0.798	6.205	1	0.013	7.306	1.528	34.933
	Constant	-2.425	2.889	0.705	1	0.401	0.089		

The logistic results indicate that VC increases the chances of satisfactory performance (non-financial) by 7.306. The regression equation modelled here was;

$$\mathbf{log}_{\boldsymbol{P}} \frac{\boldsymbol{P}}{\mathbf{1}-\boldsymbol{P}}) = -\mathbf{2.425} + \mathbf{1.989}\boldsymbol{VC}$$

$$\textbf{Logit(p)} = -\mathbf{2.425} + \mathbf{1.989}\boldsymbol{VC}$$

5. Discussion and Conclusion

The results of the study indicated that there was awareness of value creation of the firm operating efficiently reducing all risks, enabling the firm to reposition themselves for future growth, creating shareholder value leading to innovations of tomorrow, performing efficiently generating products and services of the future, articulating a clear vision of its future growth path and offering new products to existing customers and taps into previously unserved markets for growth trajectory.These were demonstrated by the mean score of responses ranging from 3 to 4 with and Mean_average of **4.113**, standard deviation of **1.343** and standard error of **.140**.

These are supported by Agbor & Ndakaw, (2016), who states that diversification is one strategy that is used to maximize value of organizational capabilities. Mitema, (2014), adds that value creation improves with a merger or acquisition. The various responses fit and links together the objective 4 and Economic theory, and other works supporting the findings include; Mboroto,(2013); Mailanyi, (2014). The finding concurred with the work of Hamza, (2011); Ekholm&Svensson, (2009), that value creation was the determinant of performance. However, the findings of Grigorieva and Petronina (2013); Pautler (2001), portrayed a different picture, that value creation after mergers and acquisitions declined after deals. This allegation have not been verified, leading the research community in quandary on whether the industry has followed a path of massive restructuring on a misguided belief of value gains or whether the financial regulators and operators are lying to the public and shareholders about the effects of their activity on shareholders' value and banking performance.Hindle, (2009); Gwaya and Mungai, (2015), all confirm that value creation is the determinant of performance due to Mergers and Acquisitions.

The major result from the research performed for this thesis has been the development of an understanding of the determinants of performance of mergers and acquisitions in financial sector in Kenya. The results will facilitate in; policymakers, M&A advisors, legal consultants, investment bankers, multinational managers and private equity firms, among others.The following areas will be open for further study and actions towards implementation; (1) The conclusion here is that value creation theory may be something to watch for in the future, (2) Strategic management, as an important component in managing mergers & acquisitions as a firm's respond to the ever-changing strategic environment, (3) A research into why the mergers between any two companies fail and others successes, and (4)

A Research will be appropriate to observe the Important Emerging Issue from the study of M&A.

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