

**EFFECTS OF MERGERS AND ACQUISITIONS ON CORPORATE FINANCIAL  
PERFORMANCE IN CEMENT MANUFACTURING COMPANIES IN KENYA.**

**BY**

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## DECLARATION/APPROVAL PAGE

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this my own original work and contains no material written of published by other people except where due reference is made and author duly acknowledged.

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# **EFFECTS OF MERGERS AND ACQUISITIONS ON CORPORATE FINANCIAL PERFORMANCE IN CEMENT MANUFACTURING COMPANIES IN KENYA.**

## **ABSTRACT**

This study aimed to investigate the effects of mergers and acquisitions (M&A) on the corporate financial performance of cement manufacturing companies in Kenya. It examined the effects of mergers and acquisitions on corporate financial performance in cement manufacturing companies in Kenya. The specific objectives were to establish the effect of financial indicators, cost synergies, market valuation, capital structure on corporate financial performance of cement manufacturing companies in Kenya. The theories that supported this study include agency theory, hubris hypothesis theory and Q-theory. It employed a quantitative research design using both primary and secondary data sources. Data collection involve questionnaires and financial records, focusing on three major cement firms involved in significant M&A activities between 1998 and 2020: Lafarge and Bamburi Cement, the Lafarge and Holcim merger, and National Cement and ARM Cement. The sample comprised 63 senior management personnel selected through a census survey method. This approach gathered firsthand experiences and perspectives from key decision-makers within the industry. Data collected was analyzed using SPSS version 28 and presented in form of frequencies, descriptive and inferential statistics which were used to derive conclusions. The study conducted a multiple regression analysis to determine the relationship between mergers and acquisitions and corporate financial performance. Statistical analysis using SPSS was conducted on both pre- and post-M&A financial statements to assess the impact on corporate financial performance. The findings were presented through tables and graphs, providing a visual representation of the study's results. Correlation results revealed that mergers and acquisitions affect corporate financial performance in cement manufacturing companies in Kenya. The results indicated that there was a positive and significant relationship between financial indicators, cost synergies, market valuation, capital structure and corporate financial performance in cement manufacturing companies in Kenya. The study recommends increased use of financial indicators, cost synergies, market valuation, debt and capital structure in mergers and acquisitions to ensure improved corporate financial performance.

**Key words:** Financial indicators, Cost synergies, Market valuation, Capital structure and corporate Financial performance.

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## **DEDICATION**

This endeavor is dedicated to my parents and family, who have always provided me with invaluable guidance, motivation, and support. The achievement in the field of Corporate Management within the Master's in Business Administration program demonstrates their confidence in my ability to achieve significant milestones in life. It reflects the inspiration and assistance they provide me.

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# CHAPTER ONE

## 1.0 Introduction

This chapter provide a comprehensive framework for the research, including the introduction, background of the study, statement of the problem, objectives, research questions, scope and limitations, significance, and definitions of terms. The introduction offers a contextual overview, and the background explores historical context and existing literature. The statement of the problem outlines the research gap, followed by the study's objectives and guiding research questions. The scope and limitations define the study's boundaries, while its significance highlights its potential impact. Definitions of key terms enhance clarity, and a theoretical framework offers a foundation for analysis.

## 1.1 Background of the Study

According to Irawan (2021) the terms "merger," "acquisition," and "consolidation" are often confused. A merger occurs when one company purchases another or part of it, gaining control over its assets and debts. In contrast, an acquisition refers to a single company acquiring another or its units, becoming the controlling entity of its assets and debts. This process involves two or more companies joining to form a new entity, distinct from an acquisition where one company buys another's equity. Additionally, a merger combines resources from two similarly sized companies into one entity According to Hossain, M. S. (2021), mergers and acquisitions (M&A) are common methods for companies to restructure or combine their businesses, playing a significant role in today's competitive economy. They're seen as strategies to enhance financial performance, facilitate growth, form strategic partnerships, and expand market reach. Successful M&A deals enable companies to develop strategies for both domestic and international markets. Corporate restructuring, including adjustments to a company's capital structure such as increased

debt, is a notable aspect of finance often associated with M&A activities. Generally, M&A transactions fall into three types: merging companies in the same industry (horizontal integration), combining companies at different production stages (vertical integration), and merging unrelated companies (conglomerate) (Hossain, 2021).

In today's business environment, companies increasingly view M&A as a rapid pathway to growth and improved performance. Research on M&A has expanded over time, highlighting its importance in business and corporate finance. Given its significance, it's valuable to review past research, analyze trends and challenges, and identify future research areas in this field. Mergers and acquisitions are vital for companies to evolve and expand, involving various stakeholders such as buyers, sellers, advisors, and regulators. These transactions can occur within the same industry, across different production stages, or even in different industries altogether. M&As are significant deals that can either boost or diminish a company's value, driving researchers, particularly in finance and accounting, to study them closely. In both the past and present, mergers and acquisitions have garnered significant attention in the media, sparking global discussions. They have been witnessed across diverse sectors including banking, insurance, oil and gas, and power. According to Patrick et al. (2022) the primary goal of mergers and acquisitions is to enhance the company's value for its owners. Many companies seeking such deals aim to establish themselves as market leaders in their respective product-market segments. Various events in mergers and acquisitions impact businesses' financial stability. Many companies engage in M&A to take achieve growth in their markets and expand business operations. The increased competition in many industries have forced companied to engage in cooperative businesses to enable them survive in their industries and achieve desired growth and profitability. M&A is used by businesses to acquire more market segments and serve different markets within their industry.

The risk of default is closely linked to a company's performance and sustainability, with companies facing short-term financial challenges that may be overcome, or long-term financial distress that significantly affects their viability (Kamau, Banafa & Kariuki, 2022). In Kenya, the financial and insurance sectors have witnessed mergers. For instance, the formation of CFC STANBIC bank resulted from the merger of Credit Finance Corporation and STANBIC banks, leading to the creation of a subsidiary of the Standard Bank Group. Similarly, the ICEA-LION group was established in the insurance industry through the merger of ICEA and Lion Assurance Company. Some of these mergers are driven by companies aiming to meet statutory requirements, while others stem from competitive strategies. Various institutions, especially commercial banks, have been compelled to merge due to changes in the operating environment, consolidating their operations under mutually agreed frameworks where one institution takes over another's operations. Mergers and acquisitions are sometimes justified due to growing market demand and competition, venture into international markets, leverage emerging unique expertise or address new liquidity requirements mandated by banking laws (Kinoti, 2023). The increased expansion of businesses in the global scope has necessitated use of M&A as a business strategy to help companies achieve profitability. Companies that seek to penetrate new markets use M&A to enter new markets and expand their operations in new countries. Increased competition have also necessitated companies to work together through resource mobilization to develop new products and services that meet the changing needs of customers. Companies have adopted market expansion strategies that enable them gain access to new and advanced technology and acquire resources that improve their business operations. The growth in international business has opened many business opportunities for companies to generate revenue. M&A is among the international

strategies that companies can use to access global markets and compete effectively in the global market.

However, studies suggest that not all mergers are effective due to challenges in post-merger management, raising questions about their profitability (Irawan, 2021). The government's push for a minimum wage increase in 2008 coincided with a rise in successfully integrated mergers by 2010, reaching approximately 30 such instances by 2014 (Joash & Njangiru, 2015). Need for sufficient capital are significant drivers of industry consolidation. According to Otiato (2021), mergers and acquisitions represent one of the most prevalent growth strategies in Kenya. Economic mergers are on the rise in Kenya.

### **1.1.1 Mergers and Acquisitions**

Mergers significantly influence a wide range of stakeholders, including employees, shareholders, and customers (Wanjiku, 2024). According to Haakantu and Phiri (2022), mergers and acquisitions (M&A) help organizations set long-term goals and allocate resources. A key challenge in M&A is identifying profitable business areas (Zhang, 2022) explains that a merger involves two companies of similar size joining to form one, requiring asset and resource reallocation. Most mergers are friendly and supported by both companies' leaders and shareholders (Zhang, 2022). A merger combines firms into a single entity, potentially creating a new organization or adopting one firm's identity (Daniel, 2019). This can involve stock swaps or cash payments, allowing shareholders to share risks (Kibunja et al., 2023). In contrast, an acquisition occurs when one company gains control over another's assets, aiming to assume its operations (Kibunja et al., 2023). M&A is classified into horizontal, vertical, conglomerate, and reverse mergers (Daniel, 2019). Horizontal mergers combine similar businesses for synergies; vertical

mergers involve different production stages; and conglomerate mergers involve unrelated fields for efficiency (Mutuku, 2022).

M&As are strategic initiatives to enhance profitability and operational efficiency, often within similar industries (Mutuku, 2022). Their global surge is due to perceived benefits like increased negotiating power with suppliers (Kibunja et al., 2023). Companies use M&A to expand scale and scope, fostering growth and diversity (Wuorinen, Burgess & Wright, 2021). Since 1989, over 100,000 American firms have engaged in M&A, with global deals totaling about US\$3.7 trillion in 2016 (Sinclair and Keller, 2017). The energy and power sectors were the most targeted, while telecommunications saw the least activity (Gachigo et al., 2022). M&A fosters organizational transformation, business revitalization, and sustainability (Mutuku, 2022). Successful M&A requires shared knowledge and mutual transformation to enhance competitive advantages. However, many acquisitions fail to meet financial objectives due to limited information and complex merger management, especially in terms of human efficiency (Gachigo et al., 2022). Effective integration of the target firm is crucial (Haeruddin, 2017).

M&A is crucial for growth, diversification, and profitability (Gachigo et al., 2022). They offer opportunities to expand market presence, access new technologies, and achieve economies of scale. However, M&A misconduct, especially in acquisitions, leads to high failure rates (Irungu & Wainaina, 2023). A small loss in return on investment can significantly decline shareholder value (Gachigo et al., 2022), necessitating effective transition planning. A cohesive transition plan aligning the vision, mission, and strategy of both companies is vital for smooth transformation and stakeholder buy-in. Addressing cultural differences is crucial as it impacts post-merger success (Kibunja et al., 2023). Anticipating organizational changes helps realize M&A benefits (Irungu & Wainaina, 2023). Proactive change management minimizes resistance and disruptions during

integration. Change management requires understanding the business environment and addressing implementation challenges to achieve desired results. M&A often introduces new changes in business operations which could lead to resistance and failed implementation frameworks. Change management is an essential element of M&A to ensure successful implementation and integration into the business operations. Companies have to ensure adequate resources are allocated to implementation of M&A for success to be realized.

In the cement manufacturing industry, M&A plays a significant role, similar to the banking sector, offering lifelines to financially distressed companies (Gachigo et al., 2022). These transactions can create synergies, economies of scale, and enhanced efficiency (Nguli & Kyule, 2020). However, success is not guaranteed due to potential strategic misalignments and inadequate due diligence. Differences in goals, practices, and cultures can cause friction, and poor due diligence can lead to unforeseen challenges post-merger, contributing to failures (Nguli & Kyule, 2020). In conclusion, while mergers and acquisitions can offer opportunities for distressed cement manufacturing companies to survive and thrive, their success hinges on factors such as strategic alignment between merging entities and diligent pre-transaction assessments. Without careful consideration of these factors, mergers and acquisitions in the cement industry, like in banking, may not deliver the intended benefits and could instead lead to underperformance or failure (Gachigo et al, 2022).

### **1.1.2 Corporate Financial Performance**

Kusumawardani et al. (2021) define corporate financial performance as the comprehensive evaluation of the organizational finances, aimed at assessing its efficiency and profitability in revenue generation. This assessment involves analyzing various financial metrics, as well as factors like stock price, earnings per share (EPS), and other key indicators. Corporate financial

performance is influenced by ongoing decisions made by corporate management (Vo, X. V., & Ellis, C. 2017). Essentially, it is measured as an efficiency ratio or by comparing input and output. A corporation's success in the stock market reflects its financial health and operational outcomes, with its funding assessed through financial ratios (Vo, X. V., & Ellis, C. 2017). The trajectory of financial performance significantly impacts the stock price, with stronger performance correlating with higher stock prices (Irungu & Wainaina, 2023), thereby contributing to enhanced corporate value. Maintaining favorable financial performance is crucial for sustaining a high stock price and attracting investors, which relies on effective corporate management and robust mergers and acquisitions mechanisms (Vo, X. V., & Ellis, C. 2017).

Corporate financial performance encompasses the overall effectiveness of operations and profits. As highlighted by Gachigo et al. (2022), assessing financial performance provides crucial insights into the company's long-term sustainability and viability. This evaluation is typically conducted through various tools and techniques, with financial ratio analysis being a prominent method due to its ability to cater to the diverse informational needs of stakeholders. Trade creditors, according to Mahonga and Matanda (2019), are primarily concerned with the organizations ability to meet short term financial obligations. Conversely, bondholders, with longer-term investments, evaluate long-term debts. They analyze profitability trends, and cash flow to gauge its financial health and sustainability over time. Investors, particularly those involved in common stocks, assess a company's financial performance based on the stability and growth of its earnings, as well as their correlation with industry trends. They also consider the company's profitability and its capacity to maintain dividend payments and avoid financial distress. Profitability measures provide distinct perspectives on the company's financial health by examining different aspects of its operations, expenses, and profits. These metrics play a critical

role in informing stakeholders such as creditors and regulators about the company's financial position and performance, although they may not fully capture its risk profile (Muchemi, 2023).

Corporate effectiveness, as measured by the firm's ability to achieve its profit and revenue objectives, is crucial for its sustained existence (Watakah, 2022). Corporate financial performance directly influences the organization's overall well-being and long-term viability (Muchemi, 2023). Strong financial performance reflects effective management practices, indicating optimal resource utilization and contributing to long-term economic stability. It provides vital data for decision-making across different administrative levels, facilitating economic planning and control (Watakah, 2022). Efficient financial management is critical for manufacturing companies, including cement manufacturing firms, to maintain market competitiveness and industry stability. These companies rely on effective financial practices to optimize production processes, manage costs, and offer competitive pricing while ensuring product quality (Zhang, 2022). Strong financial performance in manufacturing can spur research and development, driving innovation and technological advancements (Watakah, 2022). Efficient financial management also enables companies to navigate economic fluctuations and mitigate risks, ensuring stability amid market uncertainties (Muchemi, 2023). A robust financial position allows cement manufacturing companies to invest in sustainable practices and technologies, meeting consumer demand for eco-friendly products while reducing environmental impact (Watakah, 2022). This enhances the company's reputation and attracts potential investors and partners, fostering long-term sustainability and growth.

Wanjiku (2024) argues that M&A activities can lead to substantial cost reductions, enhancing the financial performance of some institutions but not all. Similarly, Zhang (2022) suggest that while M&A can increase profitability, it may also result in monopolistic tendencies

and synergistic complexities. Girma, Thompson, and Wright (2011) found a notable increase of £300–400 in the average operating profit per employee of acquiring firms three to four years post-acquisition, indicating a positive trend. Different acquisition strategies revealed varying effects on profitability, suggesting that while both types of mergers positively influence profits, the extent and timing differ. Muchemi (2023) observed enhanced financial performance post-merger, with improved asset turnover and reduced capital expenditure. Many organizations pursue M&A to enhance their value, seeing it as effective for improving revenue and profitability by expanding market share and fostering synergies.

### **1.1.3 Cement Manufacturing Companies in Kenya**

Kenya's cement manufacturing industry includes prominent companies such as Bamburi Cement Limited, East African Portland Cement Limited, Savannah Cement Limited, Mombasa Cement, Ndovu Cement, and National Cement Limited. Recently, there has been growing interest from additional firms looking to enter the market, attracted by proposed infrastructure projects like the "Lamu Port-South Sudan-Ethiopia Transport Corridor Project" and the SGR Project (Oxford Business Group, 2017). Existing cement producers in Kenya face significant challenges, primarily from new market entrants. Other issues include high power costs, intermittency, and expense due to tariffs, along with high fuel and coal costs, which are exacerbated by imports and taxes (Murunga, 2016). To enhance efficiency amidst competition and these challenges, Kenyan cement companies have implemented strategies such as outsourcing (Chesaro, 2013). However, there is limited research examining how these strategies impact corporate performance within the sector.

The building and construction sector in Kenya has been expanding rapidly, averaging a growth rate of 14.2%, closely tied to the country's economic performance (Thumbi, 2018). This growth is driven by increased housing construction, government-funded projects, a commercial

boom supported by foreign investment, donor-funded mega infrastructure projects, and the entry of new cement producers. Existing players have also significantly expanded their capacity to meet rising competition. Cement production rose from 2.41 million tons in 2011 to 5.23 million tons in 2015, resulting in an oversupply (Murunga, E. N. 2016; Kenya National Bureau of Statistics, 2016). By 2015, Kenya hosted six cement companies, concentrated in three main mining locations (Kenani, Purnomo & Maoni, 2013). Environmental concerns include particulate and gaseous emissions, impacting local air quality and energy efficiency (Ndetto & Matzarakis, 2015).

In Kenya's cement production sector, significant mergers have shaped its landscape, including Lafarge's acquisition of Bamburi Cement Limited and subsequent merger with Holcim, along with National Cement's acquisition of ARM Cement since 1998. These activities have profound implications for the economy, affecting employment, competition, and pricing dynamics in construction (Murunga, 2016). Concentration of market power through these mergers can reduce competition, potentially leading to higher costs and limited sourcing options for construction firms reliant on cement (Murunga, 2016). However, they can also attract foreign investment, stimulating infrastructure projects and economic expansion (Njeri & Ndeto, 2021). Cement businesses significantly contribute to Kenya's GDP, foreign exchange earnings, and tax revenues, driving economic activities in sectors like transportation and logistics (Njeri & Ndeto, 2021).

As the housing and real estate sectors grow, cement's strategic supply becomes crucial for local value addition and reducing import reliance (Thumbi, 2018). Despite environmental challenges from energy consumption and emissions, Kenyan cement firms are adopting sustainable practices to mitigate impacts (Kenani et al., 2013). M&A activities in cement manufacturing can enhance market share, achieve economies of scale, and improve

competitiveness by integrating technologies and refining production processes (Watakah, 2022). They also enable firms to negotiate better terms with suppliers and customers, enhancing profitability and competitiveness (Watakah, 2022). Strategic analysis of M&A data supports companies in making informed decisions and refining future strategies for sustained growth (Njeri & Ndeto, 2021). Overall, M&A in Kenya's cement industry represents a dynamic strategy for firms to strengthen their market position amidst evolving market dynamics and drive sustainable growth.

## **1.2 Statement of Problem**

Before interest rates were standardized, Kenyan cement manufacturers enjoyed significant profits due to favorable market conditions and low competition (Kenya & Konya, 2015). However, challenges such as fluctuating raw material prices and increased operational costs squeezed profit margins (Muthoni, 2018). The influx of new competitors, both local and international, pressured existing companies to innovate and reduce costs (Njoroge et al., 2017). High capital requirements for machinery, infrastructure, and technology created barriers for smaller companies (Kamau & Ngugi, 2018). High production costs, including labor and materials, further decreased profit margins ((Mwihaki, 2022). Competition from cheaper imported brands forced local manufacturers to lower prices or add value, impacting profitability ((Mwihaki, 2022). These challenges led some companies to consider mergers and acquisitions to enhance their competitive position. Mergers allowed companies to pool resources, reduce costs through economies of scale, and strengthen market presence, thereby diversifying product offerings and geographic reach (Karanja & Muturi, 2019).

Previous studies on M&A in the Kenyan context yielded mixed results. For example, Mwihaki (2022) found that M&A activities significantly impact profitability, suggesting mergers can improve market share and achieve synergies in the insurance sector. Borodin et al. (2020)

found that economic environment and industry-relatedness impact financial performance variably. Gachigo et al. (2022) demonstrated a significant relationship between M&A strategies and financial performance in commercial banks.

This study addressed the lack of empirical evidence on mergers and acquisitions (M&A) outcomes within Kenya's cement manufacturing industry, contrasting it with more extensively studied sectors like insurance and banking. It aimed to analyze how M&A activities influence corporate financial performance, focusing on financial indicators, cost synergies, market valuation, and changes in debt and capital structures. Specifically, the research examined significant M&A events such as Lafarge and Bamburi Cement, Lafarge and Holcim Merger, and National Cement and ARM Cement since 1998. By comparing financial performance before and after these mergers up to 2022, the study revealed trends and impacts, highlighting economies of scale and scope, improved profitability, and market dominance achieved by merged entities. Operational efficiencies, strategic benefits like expanded market reach and enhanced research and development capabilities, synergies in operations, pooled resources, and integrated assets will also be explored. Moreover, the research discussed broader advantages such as tax benefits and strengthened brand positioning, contributing to streamlined operations and sustained growth. Ultimately, mergers and acquisitions are crucial strategies for enhancing competitiveness and market share, shaping the strategic landscape of Kenya's cement manufacturing industry.

### **1.3 Objective of the study**

#### **1.3.1 General Objective**

The general objective of this study was to investigate the effects of mergers and acquisitions on corporate financial performance in cement manufacturing companies in Kenya.

### **1.3.2 Specific Objectives**

- 1) To examine the financial indicators on corporate financial performance in cement manufacturing companies in Kenya
- 2) To assess the cost synergies on corporate financial performance in cement manufacturing companies in Kenya
- 3) To evaluate the market valuation on corporate financial performance in cement manufacturing companies in Kenya
- 4) To evaluate the debt and capital structure on corporate financial performance in cement manufacturing companies in Kenya

### **1.4 Research Questions**

- 1) How do financial indicators influence corporate financial performance in cement manufacturing companies in Kenya?
- 2) Do cost synergies influence corporate financial performance in cement manufacturing companies in Kenya?
- 3) How does market valuation influence corporate financial performance in cement manufacturing companies in Kenya?
- 4) How does debt and capital structure influence corporate financial performance in cement manufacturing companies in Kenya?

### **1.5 Justification of the Study**

The concept of mergers and acquisitions has gained consistent attention and acknowledgment, with numerous economists arguing that these corporate arrangements offer benefits in enhancing financial performance. These advantages include expanded market reach, entry into new markets, enhanced firm capitalization, and the realization of economies of scale.

Nevertheless, despite the extensive research on mergers and acquisitions, conflicting results exist regarding their effects on the corporate financial performance of cement manufacturing firms in Kenya. Thus, there is a pressing need for a study to investigate this phenomenon and shed light on its effects.

## **1.6 Significance of the Study**

The study will be important to the following stakeholders:

### **1.6.1 Cement Manufacturing Companies**

The research aims to offer valuable insights for cement manufacturing companies' management, explaining the effects of their mergers and acquisitions on corporate financial performance. Such insights will empower these companies to make well-informed decisions regarding future mergers and acquisitions, thereby enhancing their financial robustness and competitive edge within the industry. Ultimately, findings can guide companies in making informed choices regarding their merger and acquisition activities.

### **1.6.2 Policy Makers**

The study will benefit policymakers by providing crucial information that will help them appreciate the effects of their mergers and acquisitions and how they affect their corporate financial performance. This understanding can guide policymakers in making informed decisions and implementing effective strategies to optimize their financial outcomes. The study will also shed light on potential risks and challenges associated with mergers and acquisitions, enabling policymakers to mitigate these factors and ensure long-term success for their organizations.

### **1.6.3 Researchers and Academicians**

The study will be advantageous for researchers and academicians as it furnishes essential knowledge into the impacts of mergers and acquisitions on corporate financial performance. This

understanding will aid in developing strategies to maximize the outcomes of such activities, thereby enhancing corporate financial performance.

### **1.7 Scope of the Study**

This study investigated three major mergers in the Kenyan cement industry (1998–2020): Lafarge and Bamburi Cement, Lafarge and Holcim, and National Cement and ARM Cement. The research surveyed 63 senior management personnel from these firms using a census survey method in Nairobi, where all three companies are headquartered. By examining these mergers spanning two decades, the study assessed their influence on corporate financial performance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter outlines the theoretical foundation of the research and provide a critical analysis of empirical findings aligned with the study's objectives, conceptual framework, and operationalization of variables. It also explore relevant research and literature appropriate to the subject matter.

#### **2.2 Theoretical Review**

This section present the theories related to the current study, which will include the Agency theory, hubris hypothesis theory, and market timing theory. These theories were all be used to guide the study.

##### **2.2.1 Agency Theory**

Agency Theory, initially developed by Ross S.A. in 1973, suggests that when individuals or entities delegate authority to represent their interests to another party, an agency dynamic emerges. Within this framework, one party assumes the role of the principal or stakeholder, while the other, typically representing management or the board of directors, acts on behalf of the principal, often shareholders, in the context of a company (Ross, 1973). This theory was later developed by Michael C. Jensen and William H. Meckling, whose influential paper "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," published in the *Journal of Financial Economics* in 1976, is considered a fundamental contribution (Jensen & Meckling, 1976). Jensen and Meckling introduced the concept of the principal-agent relationship, highlighting the inherent conflicts of interest that arise when the objectives of principals diverge from those of agents. This foundational paper laid the groundwork for a contemporary

understanding of agency theory and its applications across various disciplines. Agency theory has since become a cornerstone in economics, finance, and management, offering insights into the complex dynamics within organizations. Scholars from diverse fields such as accounting (Baiman, 1990), finance (Jensen & Meckling, 1976), sociology (Shapiro, 1987), and political science (Mitnick, 1982a, 1993) have embraced and applied this theoretical framework to analyze organizational behavior and governance structures.

Agency theory is extensively applied to analyze leadership behavior in both private and public sector organizations, revealing how individuals often pursue their own interests, potentially conflicting with organizational objectives (Eisenhardt, 1989). This concept highlights the inherent conflict of interest between principals and agents, leading to agency problems that can impede organizational performance. To tackle these challenges, organizations employ various strategies to mitigate agency problems and align individual interests with organizational goals. These measures include implementing performance-based incentives, fostering transparent communication channels, and establishing effective monitoring mechanisms to promote accountability and alignment, thereby enhancing overall organizational effectiveness and efficiency. Shareholders desire management to maximize firm value but struggle to supervise and ensure that managers prioritize shareholder interests. To incentivize optimal managerial performance, compensation is often tied to the firm's value added by managers (Allen et al., 2020).

Agency theory also explains how excessive cash holdings can lead to inefficient fund utilization, as managers may engage in wasteful spending due to a surplus of liquidity within the firm (Berk and DeMarzo, 2017). This misallocation of funds manifests in overpayment for acquisitions, provision of excessive perks to managers, and investments in projects with negative net present value. The phenomenon of acquisition premiums exceeding anticipated synergy

benefits can be attributed to opportunistic behaviors by executives seeking personal gains (Trautwein, 1990, cited in Hitt et al., 2009). Moreover, acquisitions not only inflate firm size, positively impacting executive compensation, but also reduce employment risk through diversification. Furthermore, agency theory is instrumental in understanding the potential link between firms' liquidity ratios and their frequency of M&A transactions, as excess liquidity may exacerbate agency problems and influence M&A decisions.

In most companies, the decision to proceed with an acquisition typically rests with a collective decision-making body (Weber et al., 2019). Consequently, it is crucial to consider the individuals comprising these decision-making groups and their respective agendas, as per the principles outlined in agency theory. Hambrick and Fukutomi (1991) identified managerial tenure as a significant factor influencing the behaviors of managers and CEOs, as well as the overall performance of a company. They segmented managerial tenure into five distinct phases, with particular emphasis on the final two phases. During the convergence phase, managerial strategies are implemented, and the rate of new innovations and changes diminishes. This trend intensifies during the dysfunction phase, where performance outcomes are also impacted (Hambrick & Fukutomi, 1991). Various justifications, such as increasing sales, diversification, market expansion, or acquiring innovations, may be cited to rationalize an acquisition.

The empirical literature on agency theory and mergers and acquisitions (M&A) underscores the significant impact of agency conflicts between managers and shareholders on deal outcomes. Various studies have elucidated this relationship and proposed mechanisms to mitigate such conflicts. Rhodes-Kropf and Viswanathan (2004) explored the correlation between market valuations and M&A waves, revealing that high market valuations can decrease agency costs and drive increased M&A activity. However, they caution that M&A waves may not solely stem from

fundamental economic factors, emphasizing the need to consider agency conflicts in interpreting M&A trends.

Chatterjee et al. (1992) contributed by investigating the impact of cultural differences on shareholder value in related mergers, affirming that cultural integration strategies positively affect shareholder value, underscoring the importance of aligning managerial actions with shareholder interests to mitigate agency conflicts. Moreover, Cai and Sevilir (2012) examined the influence of board connections on M&A transactions, finding that firms with interconnected boards are more inclined to engage in M&A activities, suggesting that board interlocks may facilitate information exchange and coordination but also raise concerns about potential conflicts of interest.

These empirical studies offer valuable insights into applying agency theory to M&A research, shedding light on the mechanisms underlying M&A decision-making and their implications for firm performance. However, such insights require cautious consideration, particularly in environments with readily accessible external capital, where acquisitions may carry risks if not carefully evaluated and executed, and potentially proving negative to shareholders. Noteworthy observations regarding industries or specific companies engaging in significant levels of acquisitions may signal underlying agency issues, warranting further investigation into managerial life cycle implications. To address this gap, this study will analyze various financial indicators, including cost synergies, market valuation, and effects on debt and capital structure, it aims to comprehensively understand the implications of such transactions within the Kenyan cement industry.

### **2.2.2 Hubris Hypothesis Theory**

In 1986, Richard Roll introduced the concept of managerial hubris, which characterizes the tendency of managers to exhibit overconfidence or excessive pride in their abilities and judgments,

thereby leading to suboptimal or risky decision-making outcomes within organizations (Roll, 1986). This phenomenon sheds light on the psychological biases influencing managerial behavior, such as overestimating capabilities and underestimating risks, with potential detrimental consequences for the organization and its stakeholders. Roll's Hubris theory explains how managers, despite their intentions to benefit their companies, can become overly confident, leading them to overvalue potential acquisitions. Consequently, when a company announces its intention to acquire another, its share price typically decreases, while the target company's share price rises as shareholders anticipate substantial gains from the deal. However, this optimism can sometimes lead to overpayments for the target company, especially in competitive acquisition scenarios. Roll also observed that individuals with high levels of hubris tend to take greater risks and make poorer decisions due to their excessive confidence, thereby influencing their decision-making processes, particularly in acquisition contexts (Malmendier & Tate, 2005; Heaton, 2002). This insight into the impact of personality traits on decision-making highlights how managers may overvalue target companies, mistakenly believing they possess superior judgment of their worth. Such overconfidence, inherent in hubris, can manifest as arrogance, a common trait among those in positions of authority.

The hubris hypothesis suggests that overconfident executives in bidding firms may proceed with acquisitions, even offering valuations above market prices, resulting in excessive payments for their targets. This overvaluation, driven by hubris, is supported by empirical data and comparable to explanations such as tax advantages, synergy, and ineffective target management (Sadler-Smith, 2016). Decisions influenced by hubris lead decision-makers to overestimate their abilities while underestimating challenges, a common trait among corporate managers and CEOs, often leading to risky behavior detrimental to shareholders (Camerer & Lovallo, 1993; Sanders &

Hambrick, 2007). This tendency contradicts the wealth creation goals of mergers and acquisitions, as excessive gains for target shareholders come at the expense of acquiring firms' shareholders (Roll, 1986). Hubris-driven managers tend to create less value in mergers, leading to wealth transfers from acquiring firms to target firms' shareholders, with little benefit for the acquiring firms (Hayward & Hambrick, 1997). They often overvalue their capabilities and underestimate risks, offering substantial premiums to targets, harming their own companies (Martynova & Renneboog, 2008). Hubris may be driven by the "herding phenomenon," where companies imitate others in acquisitions, resulting in irrational decision-making and adverse market reactions (Seth, Song, & Pettit, 2000). Warren Buffet cautions against overestimating synergy gains, likening managerial hubris to a fairytale (Buffet, 1981).

The debate over whether managers act to maximize their own utility or shareholder wealth has been examined in various empirical studies. Recent inquiries have particularly focused on understanding the concept of managerial hubris within the context of acquisitions. Anderson and Smith (2017) delved into the impact of tender offers on bidder returns, revealing a negative influence on such returns. Similarly, Patel and Chang (2019) observed negative abnormal returns for acquirer bank stockholders. Conversely, Lee and Kim (2016) found positive abnormal returns for bidder banks in the United States. These findings were echoed by Wang et al. (2018), Jones and Garcia (2020), Lee and Park (2017), Rodriguez and Martinez (2015), and Patel and Chang (2021). Huang and Li (2018) explored the motives driving mergers and acquisitions, identifying synergy as the primary driver with evidence of concurrent hubristic motives. Chen et al. (2016) examined acquisitions of U.S. companies by foreign firms, highlighting synergy theory as the primary justification alongside hubris motives. Smith and Johnson (2019) confirmed hubris and managerial discretion as key drivers of mergers and acquisitions in their study spanning from 2000

to 2015. Gupta and Patel (2018) found a negative correlation between bidding and target firm CAR, suggesting hubris-driven acquisitions in their examination of mergers and acquisitions on the New York Stock Exchange from 2005 to 2020. In summary, there's a notable lack of research on the hubris hypothesis, particularly in developing nations like Kenya, highlighting the urgent need for further investigation. By focusing on the cement manufacturing sector in Kenya, this study will offer valuable insights that can inform future decision-making processes in both academia and industry.

### **2.2.3 Q-Theory**

The *Q* theory, initially proposed by Nicholas Kaldor suggests that investment is positively correlated with *Q*, defined as the ratio of market value to the replacement cost of capital. Craine (1989) examines the impact of total risk on capital allocation within a basic general equilibrium framework, demonstrating that heightened risk levels prompt a reallocation of capital toward less risky investments. Tobin and William Brainard further refined this theory in the late 1970s and early 1980s, developing what they termed a "fundamentals" approach to asset valuation, which integrates the capital asset pricing model with standard financial theory. This integration, a recurring theme in Tobin's earlier works since 1952 (Tobin, 1952), establishes a connection between asset valuation in financial markets and investment decisions in the real economy.

According to Jovanovic, B., and Rousseau, P. L. (2002), the *Q* theory of investment suggests that a firm's investment rate should increase in accordance with its *Q*, which represents the ratio of the market value to the replacement cost of its capital. We contend that this theory also provides insight into the rationale behind firms engaging in acquisitions. Our analysis reveals that a firm's merger and acquisition (M&A) investments exhibit a stronger response to its *Q* compared to its direct investments, with M&A investments responding approximately 2.6 times more

(Jovanovic, B., & Rousseau, P. L., 2002). This heightened sensitivity may be attributed to the nature of M&A investments, which are characterized by high fixed costs and low marginal adjustment costs. It is observed that firms often allocate funds toward M&A activities, sometimes at the expense of internal investments, reflecting the notion of "free cash flow." However, this phenomenon only partially explains the occurrence of mergers, as other factors also play a significant role. Historical patterns, such as the merger waves of the 1900s, 1920s, 1980s, and 1990s, appear to be responses to lucrative reallocation opportunities. However, the merger wave of the 1960s seems to have been driven by different factors.

According to Jovanovic, B., and Rousseau, P. L. (2002), the Q theory of investment suggests that a firm's investment rate should increase in line with its Q, representing the market value of the replacement cost of its capital. This theory also sheds light on firms' motivations for engaging in acquisitions. Our analysis finds investments display a stronger response to its Q compared to its direct investments, with M&A investments responding approximately 2.6 times more (Jovanovic, B., & Rousseau, P. L., 2002). This heightened sensitivity can be attributed to the characteristics of M&A investments, which are characterized by high fixed costs and low marginal adjustment costs. Firms often allocate funds toward M&A activities, sometimes at the expense of internal investments, reflecting the notion of "free cash flow." However, this phenomenon only partially explains the occurrence of mergers, as other factors also play a significant role. Historical patterns, such as the merger waves of the 1900s, 1920s, 1980s, and 1990s, seem to respond to lucrative reallocation opportunities. However, the merger wave of the 1960s appears to have been driven by different factors, according to Jovanovic, B., & Rousseau, P. L. (2002).

The Q-theory of mergers, as proposed by Jovanovic and Rousseau (2002), suggests that the factors influencing firms' direct investments are also influential in their decisions regarding

mergers with other firms. From a macroeconomic perspective, mergers are viewed as mechanisms for addressing the broader issue of reallocating capital within the economy. This reallocation becomes necessary as new technologies emerge, potentially revolutionizing business operations. The transition of existing capital stock, both physical and human, to adapt to these new technologies is more cost-effective when newer firms, acquainted with these technologies, acquire older firms while retaining their organizational capital. This transfer allows the acquirer's management skills and technological adaptability to be infused into the assets of the target company, facilitating their transition to the technological forefront, according to Jovanovic and Rousseau (2002). One significant implication is that firms with high Tobin's Q values, indicating a greater potential to enhance the value of target assets, are more inclined to utilize acquisitions rather than investing in more expensive new capital. Analyzing data from exchange-listed U.S. firms from the Standard and Poor's Compustat database spanning from 1970 to 2000, Jovanovic and Rousseau (2002) discovered that M&A investments are significantly more responsive by a factor of 2.6 to Tobin's Q compared to direct investments.

When considering the substantial transaction costs involved, such as brokerage and legal fees. Firms must thoroughly evaluate these costs in comparison to the potential benefits of M&A versus direct investment. Research indicates that high-Q firms, which possess superior technologies, tend to pursue increases in their capital stocks significant enough to offset the transaction costs linked with mergers. This trend is supported by empirical data from the U.S. market, suggesting a strategic approach by such firms. The literature reviewed underscores the significance of Q theory in comprehending firms' M&A decisions. The positive correlation between Q theory and M&A activities highlights the influence of investment opportunities and firm value on strategic choices. Further exploration in this field holds promise for uncovering the

underlying mechanisms through which Q theory shapes M&A behavior. Moreover, it can shed light on the implications of such behavior for firm performance and shareholder value.

## **2.3 Empirical Review**

### **2.3.1 Financial Indicators on Corporate Financial Performance**

According to Masavi (2021), financial indicators such as interest rates and various financial aggregates, along with activity measures like shifts in real and nominal private final expenditure, are crucial in analyzing economic trends. Analyzing these indicators enables economists to develop a deeper understanding of the current economic landscape and anticipate future trends. Kusumawardani et al. (2021) define corporate financial performance as the comprehensive evaluation of a company's financial position over a specific period, aimed at assessing its efficiency and profitability in revenue generation.

Daryanto, Samidi & Siregar (2018) examined the financial performance of Indonesia's cement industry during a period of infrastructure development, utilizing the Ministry of SOEs Decree No.KEP-100/MBU/2020 and financial ratios for two state-owned companies, PT. Semen Indonesia and PT. Semen Baturaja. The findings revealed that both companies maintained strong financial performance during the studied periods and provided valuable recommendations for industry managers to enhance financial performance. Baranidharan and Dhivya (2020) analyzed the financial performance of ACC Limited in India from 2011 to 2015, focusing on liquidity, profitability, solvency ratios, and trend analysis. They found the company's liquidity satisfactory, ensuring short-term liabilities were met, but noted that profitability was less impressive. Gopi (2018) evaluated the financial performance of three Indian cement companies using the extended DuPont approach, which considers ROE, pretax margin, asset turnover, interest burden, tax efficiency, and equity multiplier. The study indicated a decline in profitability (ROE) across the

companies, suggesting that ROE calculations may not be effective for making rational economic decisions. Alam, Alam & Hoque (2017) investigated working capital management and profitability in six listed Bangladeshi cement companies, finding unsatisfactory profitability and working capital positions but a significant positive correlation between profitability and working capital components. The study recommended reducing day sales outstanding to enhance profitability.

Kaium and Haq (2016) assessed the credit strength of Bangladeshi cement companies using Altman's Z-score and ratio analysis, revealing that only Heidelberg Cement was in a safe zone. Despite this, industry growth and performance trends were positive. Balasubramanian (2015) conducted an inter-firm comparison of Indian cement companies, noting declines in liquidity, profitability, and financial structure ratios due to raw material shortages and power supply issues. Majeed and Mazhar (2019) used Altman's Z-score to analyze the financial progress of Pakistan's cement industry, finding satisfactory financial progress and advising investors to invest for high returns. Mizan and Hossain (2014) examined the financial soundness of five Bangladeshi cement companies, showing mixed results with some companies at serious risk of financial distress, and recommended managers take corrective actions. Munyasya and Muathe (2023) studied performance among cement manufacturing firms, finding declines in value-added, shareholder profitability, and ROA, with no efficiency improvements post-privatization. Rajashekar and Keshavarz (2019) explored the impact of environmental management accounting on the financial performance of two Indian cement companies, noting improvements in environmental disclosure practices and energy consumption.

Rezina et al. (2020) investigated profitability determinants in the Bangladeshi cement industry, highlighting the significant impacts of leverage, GDP growth rate, and real interest rate on profitability. Heng (2011) examined the Malaysian construction sector's capital structure and

corporate performance, noting a relationship between the two variables during the 2007 crisis. Soni (2018) analyzed JK Cement's financial performance in India, finding that while the company could meet short-term liabilities, its debt-equity ratio posed a bankruptcy risk. Venkatacham and Kasthuri (2016) assessed the financial performance of India's cement industry using ANOVA, recommending that companies reduce interest burdens by improving product quality and brand image and maximize production capacity.

Various financial analysis techniques, such as ratio analysis, Altman's Z-score, the extended DuPont model, and trend analysis, are utilized in the studies reviewed. Daryanto (2018) and Baranidharan and Dhivya (2020) emphasize financial ratios to assess liquidity, profitability, and solvency, while Gopi (2018) employs the extended DuPont model to delve deeper into profitability drivers. Hoque et al. (2015) and Rezina et al. (2020) focus on the relationship between working capital management, profitability, and macroeconomic factors. Regional nuances are evident, with studies highlighting robust financial health in the Indonesian and Pakistani cement industries (Majeed & Mazhar, 2019) and areas of concern such as profitability challenges in Indian companies (Dhivya et al., 2017; Soni, 2018). Recommendations across studies emphasize strategic initiatives to enhance financial performance, improve working capital efficiency, and consider broader economic impacts on profitability.

The proposed merger between National Cement Company Limited and Cemtech in Kenya underscores the complex dynamics of financial performance in the cement industry. While traditional financial ratios provide a picture of company health, the extended DuPont approach offers deeper insights into profitability drivers like asset turnover and profit margins. Effective management practices, including efficient working capital management and robust environmental sustainability initiatives, are crucial for operational resilience and long-term success. Lessons from

industry-specific challenges such as privatization and environmental management emphasize the need for integrated strategies that integrate financial caution with operational efficiency and sustainability. This integrated approach is essential for navigating the competitive landscape and maximizing performance in Kenya's cement industry.

### **2.3.2 Cost Synergies on Corporate Financial Performance**

According to the Institute of Cost Accountants of India (2017), cost synergy refers to the reduction in operating expenses resulting from a situation where various cost management activities work together to leverage their respective strengths. This concept implies the optimal utilization of input resources, resulting in the attainment of the least costly combination. Examples such as corporate expansions through vertical and horizontal integrations illustrate strategic efforts aimed at achieving cost synergy. Ultimately, the realization of cost synergy contributes to gaining a competitive edge in the market. The Institute of Cost Accountants of India (2017) defines synergy as "the simultaneous interaction of distinct individual components, which collectively generate a more significant impact than any of the components could achieve independently." The costnomic definition asserts that cost represents the resources utilized to enhance value. Therefore, cost synergy is understood as the combined beneficial effect resulting from a series of cost management activities undertaken throughout the value enhancement process.

The idea of synergies revolves around enhancing value through resource sharing and gaining advantages that might not have been attainable otherwise, or might have been attainable but at a higher expense. Synergies manifest in various forms across organizations, depending on the nature of mergers and acquisitions and the respective businesses involved. Cost synergies, for instance, entail reducing expenses, often associated with economies of scale like administrative and overhead costs (Bhandari & Pradhan, 2024). Underutilized resources and competencies, which

may not operate at full capacity or efficiency, can be effectively harnessed when combined with new, supplementary, or related activities, thereby lowering average costs (Osuma et al., 2021). Ultimately, cost synergies have the potential to enhance efficiency and profitability for the merged entities. Through the optimization of resources and competencies, organizations can maximize their capabilities and establish a competitive edge in the market.

Recent studies have highlighted the crucial link between cost synergies and financial performance in the context of mergers and acquisitions (M&As), emphasizing the need for effective post-merger integration to leverage synergies (KPMG, 2018; McKinsey & Company, 2019; Berger & Humphrey, 2020). Strategic planning, rigorous execution, and organizational alignment are key factors in maximizing the benefits of cost synergies. However, it's essential to acknowledge the challenges associated with integrating synergies and conducting realistic assessments of their value to ensure successful M&A outcomes. The concept of synergies in M&As has been extensively discussed in the literature, with varying perspectives on its impact. Some scholars, like Osuma et al. (2021) caution against the overreliance on synergies to justify M&A transactions, citing instances where optimistic estimations led to poor deal outcomes. Conversely, Yazar et al.(2020) argues that successful M&A's are those that achieve predetermined financial, commercial, or strategic objectives, thereby creating shareholder value.

Critics of the synergy concept point out the difficulty in accurately defining and quantifying potential synergies (Ullah et al., 2021), as well as the tendency for bidders to adjust synergy values to match their preferences ((Jubaedah et al., 2023). Despite claims of significant added value in M&A deals (Ullah et al., 2021), not all transactions deliver the promised benefits, with some estimates surpassing the standalone value of the acquired company ((Jubaedah et al., 2023). Additionally, research by Dhingra (2023) indicates that many managers overestimate synergies,

further complicating the assessment process. To address these challenges, Motoyama, (2024) introduces the synergy matching principle, advocating for a comprehensive consideration of both benefits and costs, including integration expenses, before determining the total deal value. This approach aims to address the complexity of calculating true synergy value and realization costs ((Jubaedah et al., 2023).

Adhikari et al. (2023) summarize key challenges in realizing synergies, such as overestimation of value, inadequate consideration of realization costs, and negative cash flow effects during implementation. Recognizing the temporal aspect of cost synergies is also crucial, as faster realization increases the likelihood of success (Maani & Rajkumar, 2024). In conclusion, while synergies hold the potential to enhance financial performance in M&A deals, careful planning, realistic assessments, and thorough integration efforts are essential for realizing their benefits and achieving successful outcomes.

### **2.3.3 Market Valuation on Corporate Financial Performance**

According to Merriman and Merriman (2017), "market value" indicates the prevailing price at which an asset can be sold, a measure that may diverge from the value determined through the accounting principle of "fair value." Understanding market valuation is crucial for investors, as it empowers them to grasp the true worth of their assets, facilitating informed decision-making (Art & Zingales, 2017). While the definition of market value encompasses features of competition prevailing in the market, it does not necessarily require adherence to all aspects of pure competition, particularly the requirement for goods to be exact substitutes for each other. Essentially, market value, as defined, is the target that appraisers aim to estimate during the appraisal process.

Empirical studies have shown that robust financial performance is often correlated with higher market valuations. For instance, a study by La and Truong (2024) found that firms with higher profitability ratios, such as ROA and ROE, tend to have higher market valuations. This is because investors view these companies as more efficient and capable of generating higher returns on their investments. Research by Maani and Rajkumar (2024) indicated that market capitalization and stock prices are significant indicators of corporate financial health. Their study on the Nigerian cement industry revealed that firms with higher market capitalization also displayed stronger financial performance metrics, suggesting a positive feedback loop where better financial health drives investor confidence, thereby increasing market valuation. The cyclic nature of the cement industry, which is heavily influenced by economic cycles, also plays a crucial role. Studies like those by Tan and Ma (2016) demonstrate that during economic downturns, market valuations of cement companies often decline due to reduced demand for construction materials. Conversely, during periods of economic growth, increased construction activity boosts both financial performance and market valuations. Research by Asiri and Hameed (2014) highlighted that cement companies with higher levels of transparency and adherence to corporate governance standards tend to have better financial performance and higher market valuations. Investors are more likely to invest in firms that demonstrate accountability and effective management practices. The global nature of the cement industry means that companies face competition from international players. Studies like those by Karaca and Savsar (2012) indicate that firms investing in innovation and efficient production technologies often exhibit better financial performance, which in turn enhances their market valuation. Companies that can differentiate themselves through innovation tend to attract more investor interest.

The empirical literature on market valuation and corporate financial performance in the cement manufacturing industry highlights important insights but has limitations. Studies by Tan and Ma (2016) focus on specific markets like China, providing valuable but context-limited findings. The traditional financial metrics used in these studies may overlook nuanced factors like market sentiment. Asiri and Hameed (2014) emphasize corporate governance, while Karaca and Savsar (2012) focus on innovation and global competition. A holistic approach, integrating comprehensive financial metrics, corporate governance, macroeconomic indicators, and sustainability, is essential for a nuanced understanding. Future research should explore how specific innovations impact financial performance and conduct comparative studies across different markets to capture diverse economic and regulatory environments.

Empirical research consistently underscores the strong interdependence between market valuation and corporate financial performance in the cement manufacturing industry. Financial health, economic cycles, corporate governance, and innovation are pivotal factors that influence this relationship. Companies that maintain robust financial performance, adopt effective governance practices, and invest in innovation are more likely to achieve higher market valuations, reflecting investor confidence and market competitiveness.

#### **2.3.4 Debt and Capital Structure on Corporate Financial Performance**

According to Patel (2017), the capital structure represents the blend of debt and equity utilized by organizations to finance their operations. Retained earnings, however, are only relevant to established firms, as newly started companies typically lack them. The composition of a firm's capital structure can profoundly influence its performance and dictate the allocation of operating cash flows between shareholders and debt holders (Hossain et al., 2019). Companies heavily reliant on debt may not necessarily yield higher profits due to the increased interest payments,

which diminish overall earnings. Conversely, equity-based companies forego interest payments but provide dividends to shareholders, potentially distributing higher profits if the company performs well. Thus, achieving a balanced mix of debt and equity is essential for optimal performance (Ansari et al., 2021).

This analysis begins by detailing the primary sources of financing for firms, emphasizing the prevalent practice of utilizing a blend of equity and debt, as extensively discussed by Nyarige et al. (2022). Their foundational work highlights the significance of capital structure decisions, which has been further explored across different sectors and regions by scholars such as Ahmeti and Prenaj (2015). Cement companies often face high fixed costs related to production facilities and transportation infrastructure. Research by Mwhaki (2022) suggests that such industries tend to have higher debt ratios due to the need for substantial initial investments in plant and equipment.

Empirical evidence from studies like that of Patrick et al. (2022) indicates that while moderate leverage can enhance profitability through tax shields, excessive debt levels may lead to financial distress and reduced profitability in the long term. The cycle of the cement market affects firms' capital structure decisions. During downturns, firms may increase leverage to manage liquidity and sustain operations, as discussed by Yazar et al. (2020) in the context of varying market conditions. Research by Patrick et al. (2022) highlights how firms in capital-intensive industries balance debt levels with the need to maintain financial flexibility and manage risk. This trade-off is crucial in industries like cement manufacturing, where operational risks and market volatility are significant. Effective corporate governance, as explored by Ansari et al. (2021) can influence how cement companies structure their capital to align with long-term strategic goals and investor expectations, thereby impacting financial performance positively.

The cement industry faces increasing scrutiny and regulatory pressures related to environmental sustainability. These factors can affect both the cost and availability of debt financing, influencing firms' capital structure decisions and their financial performance (Baliño et al., 2020). One prominent theoretical framework guiding research on debt and capital structure is the trade-off theory. According to this theory, firms aim to achieve an optimal capital structure that balances the tax benefits of debt with the costs associated with financial distress, as articulated by Watakah (2022). Empirical studies investigate how firms navigate this trade-off to enhance their financial performance, taking into account factors such as growth opportunities and cash flow stability. Capital structure decisions are critical due to their significant investment implications and consequential impact on performance. For instance, Otiato (2021) provide empirical evidence of the adverse effects of a highly leveraged capital structure on firm performance, despite potential tax advantages. Similarly, Ahmad, Abdullah, and Roslan (2012) underscore the importance of prudent capital structure decisions, which can enhance firm value.

Umar et al. (2012) emphasize the significant influence of capital structure on financial performance, while exploring its determinants, including agency costs and tax rates. Additionally, the composition of the capital structure, including the mix of debt and equity financing, influences corporate financial performance. Factors such as firm size, asset tangibility, and growth opportunities shape these decisions. Ownership structure also plays a crucial role, with family ownership and effective governance positively impacting firm performance (Osuma et al., 2021). Assessing the impact of debt and capital structure on financial performance requires considering alternative metrics beyond traditional measures. These include risk-adjusted returns, cost of capital, and financial flexibility, which provide a more comprehensive evaluation. In conclusion, the synthesis of empirical findings underscores the critical role of capital structure in shaping firm

performance. Balancing debt and equity is necessary to optimize financial outcomes while also considering debt limitations imposed by creditors to ensure effective operational capability. Future research should continue exploring the evolving role of debt and capital structure, considering firm-specific factors, market conditions, and regulatory environments.

The study explores how capital structure choices affect corporate financial performance in the cement industry, drawing on foundational theories such as Modigliani and Miller's capital structure irrelevance proposition. This theory posits that, ideally, capital structure should not impact firm value due to offsetting debt-equity dynamics. Empirical insights from studies like Ahmeti and Prenaj (2015) are integrated, revealing how industry-specific factors and market imperfections influence capital structure decisions across sectors and regions. In the cement sector, firms tend towards higher debt levels driven by substantial initial investments, emphasizing the balance between leveraging for tax advantages and avoiding financial distress. Strategic trade-offs between debt utilization and financial flexibility, especially in risk-intensive sectors like cement.

Governance frameworks highlighted by Mutuku (2022) align capital decisions with strategic objectives and investor expectations. Synthesizing these perspectives, the study illustrates the complex dynamics influencing firm value through capital structure decisions. It underscores the contextual benefits of leverage noted by Mbutia (2021) and the risks of excessive debt cautioned by Masavi (2021). Given high fixed costs, operational risks, and regulatory demands in the cement industry, the study advocates for tailored capital structure management to optimize financial outcomes. Further research into evolving market conditions and regulatory frameworks is urged to foster sustainable value creation in this sector. In conclusion, empirical research underscores that while debt can provide essential funding for growth and operational efficiency in cement manufacturing, prudent capital structure decisions are crucial. These decisions must

balance leverage benefits with the industry's specific risks and regulatory requirements to optimize financial performance over the long term. Future studies should continue to explore how evolving market dynamics and environmental considerations shape capital structure strategies in the cement industry.

## **2.4 Summary of Literature Review**

Assessing corporate financial performance relies on key indicators like interest rates and activity measures such as shifts in expenditure. These metrics guide decision-making, especially in mergers and acquisitions (M&A). Evaluating financial ratios like return on assets and equity offers insights into a company's health, aiding in M&A and investment strategies. Studies emphasize factors such as debt and capital structure, financial indicators, and liquidity metrics in determining firm success. Cost synergies, achieved through coordinated cost management, contribute significantly to competitive advantage but require careful planning. Market valuation influences investment decisions and shareholder wealth, impacting corporate strategies. Debt and capital structure decisions play a crucial role, with a balanced mix essential for optimal outcomes. Analyzing these factors is vital for understanding and enhancing corporate financial performance and guiding strategic decisions effectively in modern business environments.

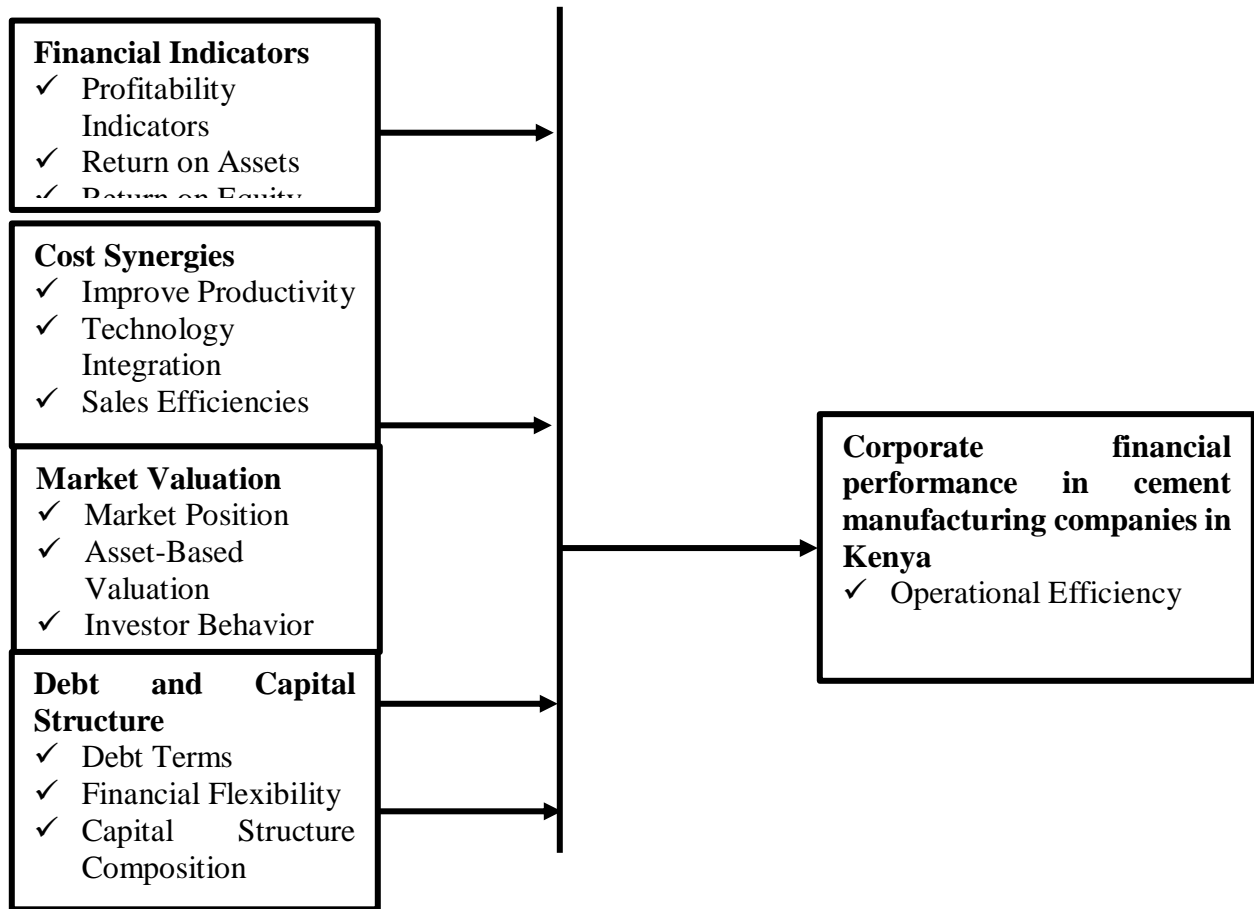
## **2.5 Conceptual Framework**

The conceptual framework will clarify the correlation between independent and dependent variables, demonstrating how mergers and acquisitions integrate with various factors to influence the corporate financial performance of cement manufacturing firms in Kenya.

**Figure 2.1: Conceptual Framework**

**Independent Variable**

**Dependent Variable**



Source, Author, 2024

**Table 2.1: Operationalization of Variables**

Type of Variables	Variable	Indicators	Measure	Type of scale
Dependent variables	Corporate financial performance	Operational Efficiency	5-point Likert Type Scale 1=Not at all 5=Very Great Extent	Ratio
Independent Variables	Financial indicators	Profitability Indicators Efficiency Indicators Liquidity Indicators	5-point Likert Type Scale 1=Not at all 5=Very Great Extent	Nominal Scale

		Market Valuation Indicators		
Independent Variables	Cost synergies	Operational Efficiency Technology Integration Sales Efficiencies Administrative	5-point Likert Type Scale 1=Not at all 5=Very Great Extent	Nominal Scale
Independent Variables	Market Valuation	Market Position Asset-Based Valuation Market Multiples Investor Behavior	5-point Likert Type Scale 1=Not at all 5=Very Great Extent	Nominal Scale
Independent Variables	Debt and capital structure	Debt Levels Debt Terms Financial Flexibility Capital Structure Composition	5-point Likert Type Scale 1=Not at all 5=Very Great Extent	Nominal Scale

Source, Author, 2024

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describe the chosen research methodology for the study, establish the target population and the methodology for determining sample size, discuss data collection procedures, and conclude with an overview of data analysis techniques and the presentation of findings.

#### **3.2 Research design**

The proposed study employed a descriptive research approach to analyze the demographic composition and preferences of the specified population. Descriptive research, according to Dannels (2018), involves gathering data to represent current trends and patterns in a subject under investigation. It is particularly useful for addressing questions of when, how, and who, as highlighted by Stratton (2021). This methodology allows researchers to efficiently use time and resources, according to Mugenda and Mugenda (2013), making it valuable for social science research involving large and diverse populations. By applying statistical techniques to analyze the data, the study aimed to provide insights for future decision-making processes.

#### **3.3 Population Target**

The target population, as defined by Mugenda and Mugenda (2013) and clarified by Kothari (2014), comprises all elements under study, sharing identifiable characteristics for easy recognition by the researcher. Kothari (2014) further emphasizes that it includes all individuals or objects from which relevant data for the study is gathered, which is crucial for drawing conclusions and testing hypotheses. In this study, the sample consist of 63 senior management personnel selected from three major cement manufacturing firms involved in mergers and acquisitions

between 1998 and 2020: Lafarge and Bamburi Cement, the Lafarge and Holcim merger, and National Cement and ARM Cement. The research employed a census survey method to gather data on the experiences and perspectives of these personnel within the cement manufacturing industry.

**Table 3.1: Population Target**

<b>Institution</b>	<b>Merged with</b>	<b>Current Name</b>	<b>Date Approved</b>	<b>Respondents</b>
Lafarge	Bamburi Cement	Bamburi Portland Cement Ltd	1998	19
Lafarge	Holcim Merger	LafargeHolcim	2015	23
National Cement	ARM Cement	National Cement	2020	21
<b>Total</b>				<b>63</b>

**Source: Capital Market Authority**

### **3.4 Instrumentation**

According to Mugenda and Mugenda (2013), a research instrument is the tool used by researchers to gather data throughout the research process. Selecting and composing this instrument is crucial for obtaining accurate data from the target population. In this study, both questionnaires and financial statements were utilized. Questionnaires gathered primary data from selected employees of the three cement merger companies in Kenya. Secondary data on the financial performance of these companies were sourced from their financial statements. This approach provided information on both internal and external factors influencing the companies' performance, ensuring a comprehensive understanding of their financial status and operational dynamics.

### **3.5 Data Collection**

In this study, the researcher used both primary and secondary data to examine how mergers and acquisitions impact the financial performance of Kenyan cement manufacturing firms. Primary data was collected through questionnaires using a Likert scale to gauge respondents' views

(Lobe et al., 2020). Questionnaires were distributed via email or in-person interviews based on participant availability. Secondary data was sourced from the financial statements of listed cement firms involved in mergers, accessible from institutions like the Central Bank of Kenya, the Capital Markets Authority, and the Nairobi Securities Exchange. Data includes key financial metrics such as earnings per share, return on equity, and dividend per share, alongside economic indicators like inflation and interest rates. The study spanned two years, pre- and post-merger, analyzing annual financial reports and comparing post-merger cumulative abnormal returns.

### **3.6 Data Processing and Analysis**

The research aimed to investigate the impact of mergers on the financial performance of cement manufacturers in Kenya. It conducted a comparative analysis of financial indicators before and after mergers to ascertain whether these corporate actions led to improved financial outcomes. The study utilized a t-test, a variant of ANOVA, to statistically evaluate significant differences in means between pre- and post-merger periods. This methodological approach ensured a structured analysis of how mergers have potentially influenced key financial metrics, providing insights into the efficacy of such strategic decisions in the Kenyan cement industry.

### **3.7 Diagnostic Test**

Before conducting the regression data analysis, the researcher assessed the gathered data to determine whether it aligns with the criteria for assumptions.

#### **3.7.1 Normality Test**

This statistical test, according to Gujarati (2018), is utilized to assess the degree to which data obtained from a particular field conforms to a standard normal distribution. In this research, the Shapiro-Wilk test was employed to ascertain the distribution level of the data. A value exceeding 0.05 indicates that the data is considered normal.

### **3.7.2 Homoscedasticity Test**

According to Osborne and Waters (2019), homoscedasticity is an occurrence in linear regression where the error terms in the relationship between the predictor and dependent variables are the same across all the values of the variables. Levene's test was conducted to test if the variance between independent and dependent variables is the same. According to Shearr, Nordstokke and Zumbo (2019), if the significance is greater than 0.05, the variances are roughly equal, and the assumption is tenable.

### **3.7.3 Multicollinearity Test**

Multicollinearity refers to the extent to which independent variables in a statistical model exhibit correlation (Kothari, 2014). In this research, the researcher assessed multicollinearity by examining the variance inflation factor (VIF). According to Kothari (2014), a VIF value of less than 5 indicates the absence of multicollinearity.

## **3.8 Reliability and validity of the research instrument**

The researcher utilized Cronbach's alpha to assess the internal consistency of techniques employed for evaluating the reliability of research instruments. Typically ranging between 0 and 1, Cronbach's alpha indicates increasing reliability as its value rises. Values exceeding 0.7 generally indicate instrument reliability. According to Mugenda (2008), validity pertains to how well an instrument measures its intended target, emphasizing error reduction in data collection and measurement. Given the various types of validity, the study prioritized both validity and content validity.

## CHAPTER FOUR

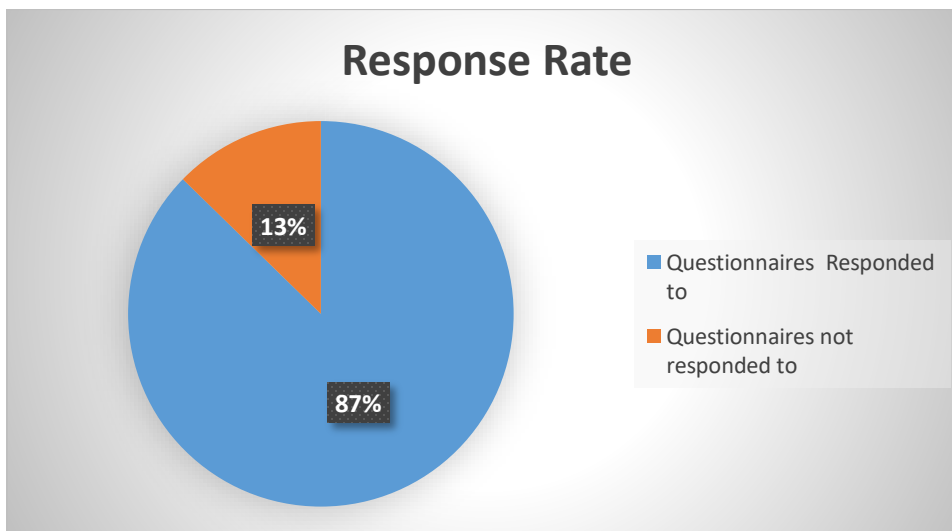
### FINDINGS AND DISCUSSION

#### 4.1 Introduction

The findings of the study, data analysis, data presentation, and data interpretation are presented in this chapter. The study sought to establish the extent to which financial indicators, cost synergies, market valuation, debt and capital structure affect corporate financial performance in cement manufacturing companies in Kenya.

#### 4.2 Response Rate

The population size for this study was 63 senior management from the cement manufacturing companies in Kenya. Figure 4.1 presents an overall successful response rate of 87%. A response rate of above 50% is sufficient according to Orodho (2009), therefore, 87% response rate is adequate for the study.



**Figure 4.1: Response Rate**

### 4.3 Pilot Test Results

A pilot study was conducted to check the reliability of the questionnaires. The questionnaires were pre-tested on a pilot set of 6 respondents to detect weaknesses in design and instrumentation. This represents 10% of the sample population. The researcher conducted a pre-test study by administering the same questionnaires to a section of 6 respondents in the cement manufacturing companies.

#### 4.3.1 Reliability of Research Instrument

Mugenda (2008) indicates that reliability whether an instrument presents similar answers in different places. Reliability was measured using Internal Consistency method, Cronbach Alpha. According to Seltman (2014), reliability of 0.7 and above is considered acceptable. A coefficient of 0.7 reliability was used as the acceptable scale for this study. A pre-test study was conducted by administering the same questionnaires to a section of respondents in the cement manufacturing companies. The Cronbach alpha values for each variable were higher than 0.7. Therefore, the questionnaires were reliable for the study.

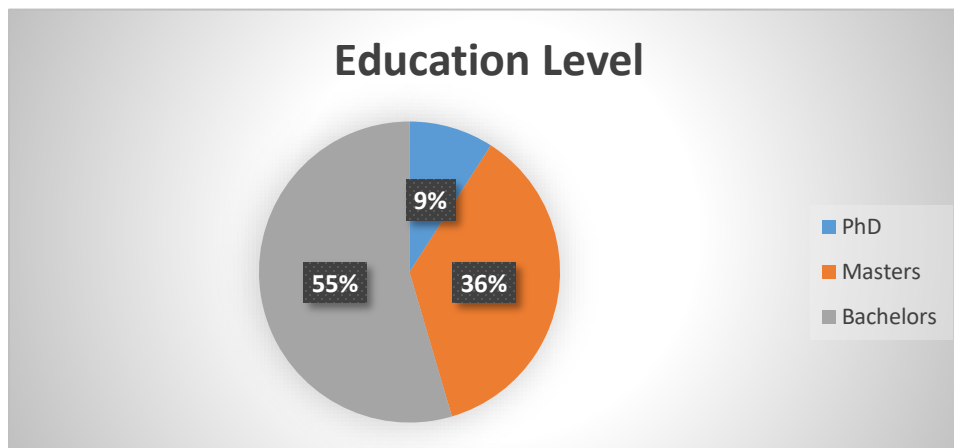
**Table 4.1 Reliability Results**

<b>Scale</b>	<b>Cronbach's Alpha</b>	<b>Number of Items</b>	<b>Recommendation</b>
Financial indicators	0.715	5	Reliable
Cost synergies	0.889	5	Reliable
Market valuation	0.772	5	Reliable
Debt and capital structure	0.837	5	Reliable
Performance	0.851	4	Reliable

## 4.4 Demographic Characteristics

### 4.4.1 Education level

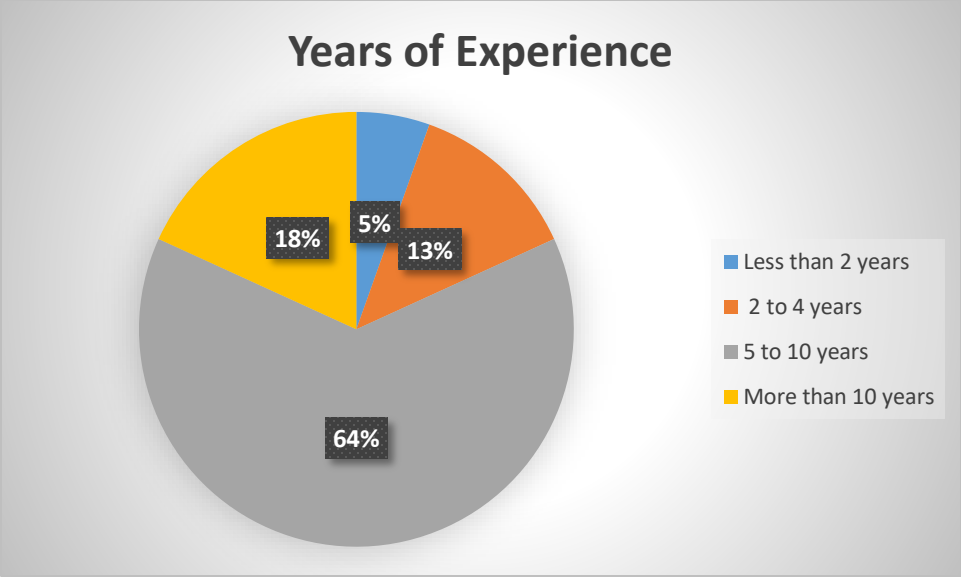
The study sought to determine the level of education of senior managers in the cement manufacturing companies. The results of the study revealed that 9% of the respondents had a doctoral level of education, 36% had Masters level while 55% had Bachelors level of education. The results implied that, the respondents had a better understanding of the topic under study as guided by their level of education which in this case majority had Bachelors and Masters degrees as their highest level of education. The findings are shown in figure 4.2.



**Figure 4.0.2: Respondents Education level**

### 4.4.2 Respondent's Years of Experience

The results of the study revealed that 18% of the respondents had worked for over 10 years, majority (64%) had worked for between 5 and 10 years , 13% had worked for between 2 and 4 years and 5% had worked for less than 2 years. The results of the study indicate that most of the respondents had worked for over 5 years and therefore they had a great understanding on the cement manufacturing industry.



**Figure 4.0.3: Respondent’s Years of Experience**

**4.5 Descriptive Findings and Analysis**

This part provides the results of the descriptive analysis carried out by the study consisting percentages, mean and standard deviation. The findings were presented as per each objective. The respondents were asked to indicate the extent to which they agree with the statements based on a Likert scale where Very Great Extent -5, Great Extent -4, Moderate Extent -3, Little Extent -2, Not at All -1. The means and standard deviations were used to interpret the findings where a mean value of 1-1.4 Not at All, 1.5-2.4 Little Extent, 2.5-3.4 Moderate Extent, 3.5-4.4 Great Extent and 4.5-5 Very Great Extent. Standard deviation greater than 2 was considered large meaning responses were widely spread out and not tightly clustered around the mean.

**4.5.1 Financial Indicators**

The first objective was to examine the effect of financial indicators on corporate financial performance in cement manufacturing companies in Kenya. The results of the study were as shown in table 4.2.

**Table 4. 2: Descriptive Statistics for Financial Indicators**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
At what rate are the financial indicators changing the corporate financial performance of cement manufacturing companies in Kenya?	4.00	0.79
At what rate are profitability indicators used to assess the operational efficiency and financial performance of cement manufacturing companies in Kenya?	3.96	0.67
At what rate do efficiency indicators contribute to profitability and corporate financial performance in cement manufacturing companies in Kenya?	3.95	0.44
To what extent do liquidity indicators determine corporate financial performance in cement manufacturing companies in Kenya?	3.91	0.59
To what extent do market valuation indicators contribute to cost management and corporate financial performance in Kenyan cement manufacturing companies?	3.74	1.02
<b>Aggregate Score</b>	<b>3.91</b>	<b>0.70</b>

The findings show that respondents agreed to a great extent that financial indicators are changing the corporate financial performance of cement manufacturing companies in Kenya (M= 4.00, SD= 0.79); that to a great extent, profitability indicators are used to assess the operational efficiency and financial performance of cement manufacturing companies in Kenya (M= 3.96, SD= 0.67); that to a great extent efficiency indicators contribute to profitability and corporate financial performance in cement manufacturing companies in Kenya (M= 3.95, SD= 0.44); that to a great extent liquidity indicators determine corporate financial performance in cement manufacturing companies in Kenya (M= 3.91, SD= 0.59); and that to a great extent market valuation indicators contribute to cost management and corporate financial performance in Kenyan cement manufacturing companies (M= 3.74, SD= 1.02).

The findings supported by an aggregate mean of 3.91(SD= 0.70) show that respondents agreed to a great extent that financial indicators affects corporate financial performance in cement manufacturing companies in Kenya. The findings agree with Baranidharan and Dhivya (2020) study which emphasized financial ratios to assess liquidity, profitability, and solvency.

#### 4.5.2 Cost Synergies

The second objective was to assess the effect of cost synergies on corporate financial performance in cement manufacturing companies in Kenya. The results of the study were as shown in table 4.3.

**Table 4. 3: Descriptive Statistics on Cost Synergies**

<b>Statements</b>	<b>Mean</b>	<b>Std. Dev.</b>
To what extent do cost synergies contribute to corporate financial performance in cement manufacturing companies in Kenya?	3.96	0.86
To what extent does operational efficiency improve productivity in the corporate financial performance of cement manufacturing companies in Kenya?	3.93	0.45
To what extent does technology integration improve profitability in the corporate financial performance of cement manufacturing companies in Kenya?	3.87	0.61
To what degree do sales efficiencies contribute to liquidity in the corporate financial performance of cement manufacturing companies in Kenya?	3.75	0.76
To what degree does administrative consolidation have on cost management in the corporate financial performance of cement manufacturing companies in Kenya?	3.72	0.61
<b>Aggregate Score</b>	<b>3.84</b>	<b>0.66</b>

Based on the findings, respondents agreed to a great extent cost synergies contribute to corporate financial performance in cement manufacturing companies in Kenya (M= 3.96, SD= 0.86); that to a great extent operational efficiency improve productivity in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.93, SD= 0.45); that to a great extent technology integration improve profitability in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.87, SD= 0.61); that to a great extent sales efficiencies contribute to liquidity in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.75, SD= 0.76); and that to a great extent administrative consolidation have on cost management in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.72, SD= 0.61).

The findings supported by an aggregate mean of 3.84 (SD= 0.66) show that respondents agreed to a great extent that cost synergies affects the corporate financial performance of cement manufacturing companies in Kenya. The findings are consistent with Bhandari and Pradhan, (2024) who established that cost synergies have the potential to enhance efficiency and profitability for the merged entities through the optimization of resources and competencies.

### 4.5.3 Market Valuation

The third objective was to evaluate the effect of market valuation on corporate financial performance in cement manufacturing companies in Kenya. The results of the study were as shown in table 4.4.

**Table 4. 4: Descriptive Statistics on Market Valuation**

<b>Statements</b>	<b>Mean</b>	<b>Std. Dev.</b>
To what level does market valuation shape the financial performance of cement manufacturing companies in Kenya?	4.01	0.58
To what extent does market position contribute to the operational efficiency of the corporate financial performance of cement manufacturing companies in Kenya?	3.90	0.50
To what level does asset-based valuation shape profitability and guide the corporate financial performance of cement manufacturing companies in Kenya?	3.96	0.74
To what extent do market multiples have on liquidity in the corporate financial performance of cement manufacturing companies in Kenya?	3.92	0.57
To what extent does investor behaviour contribute to cost management in the corporate financial performance of cement manufacturing companies in Kenya?	3.75	0.32
<b>Aggregate Score</b>	<b>3.91</b>	<b>0.54</b>

The findings show that respondents agreed to a great extent that market valuation shape the financial performance of cement manufacturing companies in Kenya (M= 4.01, SD= 0.58); that to a great extent market position contribute to the operational efficiency of the corporate financial performance of cement manufacturing companies in Kenya (M= 3.90, SD= 0.50); that to a great extent asset-based valuation shape profitability and guide the corporate financial

performance of cement manufacturing companies in Kenya (M= 3.96, SD= 0.74); that to a great extent market multiples have on liquidity in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.92, SD= 0.57); and that to a great extent investor behavior contribute to cost management in the corporate financial performance of cement manufacturing companies in Kenya.

The study findings supported by an aggregate mean of 3.91 (SD= 0.54) show that respondents agreed to a great extent that market valuation affects the corporate financial performance of cement manufacturing companies in Kenya. The study findings agree with La and Truong (2024) study which indicated that market capitalization and stock prices are significant indicators of corporate financial health, that firms with higher market capitalization also displayed stronger financial performance metrics.

#### 4.5.4 Debt and Capital Structure

The fourth objective was evaluate the effect of debt and capital structure on corporate financial performance in cement manufacturing companies in Kenya. The results of the study were as shown in table 4.5.

**Table 4. 5: Descriptive Statistics on Debt and Capital Structure**

<b>Statements</b>	<b>Mean</b>	<b>Std. Dev.</b>
To what extent do debt and capital structures affect the corporate financial performance of cement manufacturing companies in Kenya?	4.01	0.58
To what extent do debt levels influence operational efficiency in the corporate financial performance of cement manufacturing companies in Kenya?	3.94	0.52
To what extent do debt terms shape the profitability of the corporate financial performance of cement manufacturing companies in Kenya?	3.95	0.56

To what level does financial flexibility drive the liquidity of the corporate financial performance of cement manufacturing companies in Kenya?	3.93	0.54
To what level does capital structure contribute to composition cost management in the corporate financial performance of cement manufacturing companies in Kenya?	3.91	0.54
<b>Aggregate Score</b>	<b>3.95</b>	<b>0.55</b>

The findings show that the respondents agreed to a great extent that debt and capital structures affect the corporate financial performance of cement manufacturing companies in Kenya (M= 4.01, SD= 0.58); that to a great extent debt levels influence operational efficiency in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.94, SD= 0.52); that to a great extent debt terms shape the profitability of the corporate financial performance of cement manufacturing companies in Kenya (M= 3.95, SD= 0.56); that to a great extent financial flexibility drive the liquidity of the corporate financial performance of cement manufacturing companies in Kenya (M= 3.93, SD= 0.54); and that to a great extent capital structure contribute to composition cost management in the corporate financial performance of cement manufacturing companies in Kenya (M= 3.91, SD= 0.54).

The findings supported by an aggregate mean of 3.95 (SD= 0.55) showed that respondent agreed to a great extent that debt and capital structure affects the corporate financial performance of cement manufacturing companies in Kenya. The study findings align with Patrick et al. (2022) study which emphasized the significant influence of capital structure on financial performance.

#### **4.5.5 Corporate Financial Performance in Cement Manufacturing Companies in Kenya**

The study sought to establish the effects of mergers and acquisitions on corporate financial performance in cement manufacturing companies in Kenya. The respondents were asked to indicate the extent to which financial indicators, cost synergies, market valuation and capital structure affected financial performance. The results of the study were as shown in table 4.6.

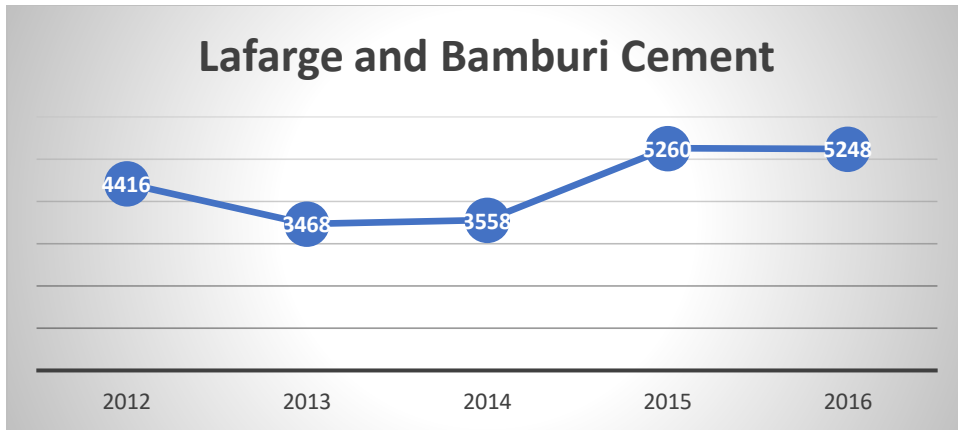
**Table 4. 6: Descriptive Statistics on Corporate Financial Performance**

<b>Statements</b>	<b>Mean</b>	<b>Std. Dev.</b>
Financial indicators affect corporate financial performance	4.00	0.83
Cost synergies affect corporate financial performance	3.99	0.56
Market valuation affect corporate financial performance	3.88	0.51
Debt and capital structure affect corporate financial performance	3.87	0.64
<b>Aggregate Score</b>	<b>3.94</b>	<b>0.64</b>

The findings show that respondents agreed to a great extent that financial indicators affect corporate financial performance (M= 4.00, SD= 0.83); that to a great extent cost synergies affect corporate financial performance (M= 3.99, SD= 0.56); that to a great extent market valuation affect corporate financial performance (M= 3.88, SD= 0.51); and that to a great extent debt and capital structure affect corporate financial performance (M= 3.871, SD= 0.643).

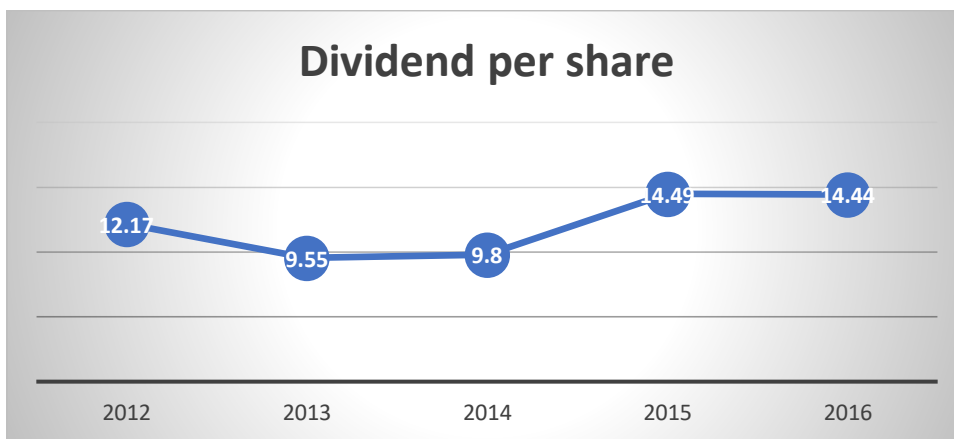
The aggregate mean of 3.94 (SD= 0.64) show that the respondents agreed to a great extent that mergers and acquisitions affect corporate financial performance in cement manufacturing companies in Kenya. The study findings resonate with Rezina et al. (2020) study which established the significant impacts of leverage, GDP growth rate, and real interest rate on profitability.

Further secondary data was used to assess the financial performance of cement companies before and after mergers and acquisitions. Fig 4.4 shows the profitability of Bamburi Cement before and after its acquisition by Holcim in 2014. The figure shows declining profits before its acquisition between 2012-2014. The profits increased sharply in 2015 after its acquisition which implies that the acquisition had a significant effect on financial performance of Bamburi Cement.



**Figure 4.4: Bamburi Cement Profitability**

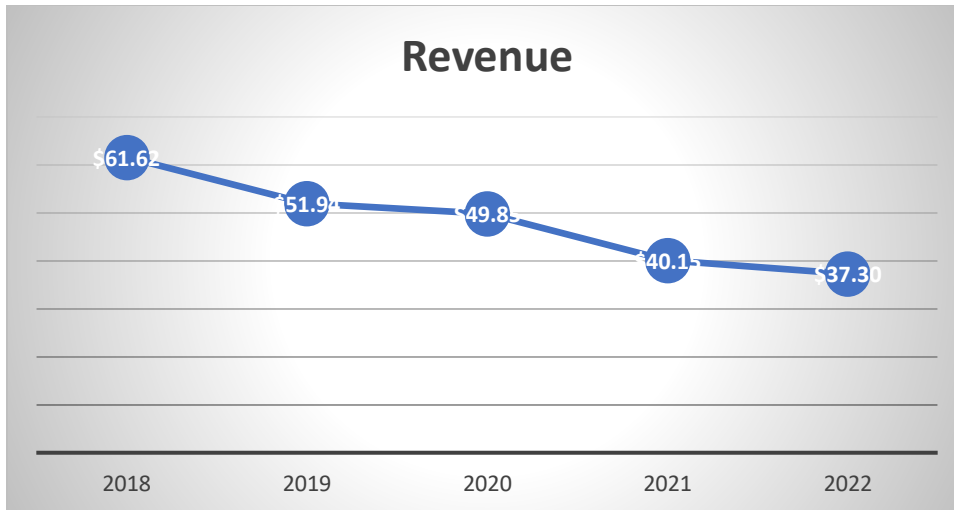
In addition, the study examined the dividend per share after Bamburi Cement acquisition by Holcim in 2014. Fig 4.4 shows the results.



**Figure 4.5: Bamburi Cement Dividend per Share**

Results showed that dividend per share increased sharply in 2015 after the acquisition of Bamburi Cement by Holcim in 2014. The results imply that the acquisition had a positive and significant impact on financial performance of Bamburi Cement.

Further secondary data was used to assess the financial performance of National Cement company before and after acquiring ARM Cement. Fig 4.6 shows the revenue changes of National Cement before and after acquiring ARM Cement in 2020.



**Figure 4.6: National Cement Revenue**

Results indicate that revenue at National Cement decreased after acquiring ARM Cement in 2020. Revenue declined before the acquisition in 2018-20120 and continued to decline after the acquisition. In 2019, revenue declined by 15.7%, in 2020 revenue declined by 4.02%, in 2021 revenue declined by 19.45% after acquiring ARM Cement and continued to decline in 2022 by 7.1%. The results imply that there are other factors affecting financial performance of cement manufacturing companies besides mergers and acquisition. The results further imply that there exist challenges in effectively executing mergers and acquisitions which can affect financial performance negatively.

#### **4.6. Diagnostic Tests**

These the diagnostic tests' outcomes were conducted to verify data adherence to regression assumptions before proceeding with regression analysis. The tests aimed to ensure the adequacy of estimates in explaining variable relationships and prevent misleading results from influencing the study. Assessments covered include multicollinearity, normality to align with study objectives.

#### 4.6.1 Test of Normality

The assumption was tested using Shapiro-wilk test. From the Table 4.7, Shapiro-Wilk tests, there's sufficient evidence to conclude that any of the variables examined significantly deviate from a normal distribution at a conventional significance level of 0.05. This finding supports the assumption of normal distribution.

**Table 4.7: Test of Normality**

	<b>Statistic</b>	<b>df</b>	<b>Sig.</b>
Financial indicators	.938	55	.080
Cost synergies	.762	55	.459
Market valuation	.930	55	.067
Debt and capital structure	.929	55	.345
Corporate financial performance	.932	55	.067

a. Lilliefors Significance Correction

#### 4.6.2 Test of Multicollinearity

A multicollinearity test was carried out to determine the correlation between the study's independent variables – financial indicators, cost synergies, market valuation, debt and capital structure. Table 4.8, presents the results for the test of multicollinearity.

**Table 4.8: Test for Multicollinearity**

<b>Model</b>		<b>Collinearity Statistics</b>	
		<b>Tolerance</b>	<b>VIF</b>
	(Constant)		
1	Financial indicators	.714	1.400
	Cost synergies	.626	1.243
	Market valuation	.878	1.596
	Debt and capital structure	.805	1.139

Multicollinearity was determined using tolerance level and the variance inflation factor (VIF). From the findings, the study's independent variables - financial indicators, cost synergies, market valuation, debt and capital structure – had a tolerance level of above 0.1. A tolerance level

of above 0.1 is acceptable and reflects the lack of presence of multicollinearity between a study's independent variables. In addition, a VIF of less than 10 signifies the lack of multicollinearity in a given set of data. From the findings, all the study's independent variables have a VIF of less than 10. This implies the lack of presence of multicollinearity between the study's independent variables.

#### **4.7 Correlation Results**

The scores computed for this part of analysis were used to determine the relationship between the independent variables and the dependent variable and the level of influence that the independent variables have on the dependent variable. This was achieved by Pearson Moment correlation as well as fitting a linear multivariate regression model for the data. The study carried out correlation tests to determine the relationship between the independent and dependent variables. Pearson correlation, which ranges between -1 and +1 was used because the data was discreet. A positive Pearson correlation value indicates a positive relationship while any negative Pearson correlation value indicates a negative relationship. The association between the variables becomes stronger as the Pearson correlation value approaches either +1 or -1. The results of the correlation analysis were shown in table 4.9.

**Table 4.9: Correlation Analysis**

		Corporate financial performance	Financial indicators	Cost synergies	Market valuation	Debt and capital structure
Corporate financial performance	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	55				
Financial indicators	Pearson Correlation	.649**	1			
	Sig. (1-tailed)	.000				
	N	55	55			
Cost synergies	Pearson Correlation	.721**	.047	1		
	Sig. (1-tailed)	.000	.112			
	N	55	55	55		
Market valuation	Pearson Correlation	.795**	.293	.372	1	
	Sig. (1-tailed)	.000	.209	.093		
	N	55	55	55	55	
Debt and capital structure	Pearson Correlation	.749**	.120	.099	.296	1
	Sig. (1-tailed)	.000	.076	.103	.129	
	N	55	55	55	55	55

\*\* . Correlation is significant at the 0.05 level (1-tailed).

Corporate financial performance shows a strong positive correlation with financial indicators ( $r = 0.649$ ,  $p < 0.05$ ). This indicates that as the financial indicators are more extensively utilized, the performance of the financial performance tends to improve significantly. These finding aligns with Munyasya and Muathe (2023) who found that financial indicators such as interest rates and various financial aggregates, along with activity measures like shifts in real and nominal private final expenditure, are crucial in analyzing economic trends.

Corporate financial performance also showed a strong positive correlation with cost synergies ( $r = 0.721$ ,  $p < 0.05$ ). A higher emphasis on cost synergies corresponds to better corporate financial performance. These findings are consistent with Osuma et al. (2021) who concluded that

recognizing the temporal aspect of cost synergies is also crucial, as faster realization increases the likelihood of success.

Furthermore, corporate financial performance shows a strong positive correlation with market valuation ( $r = 0.795$ ,  $p < 0.05$ ). This suggests that high market valuations leads to improved financial performance. These findings are consistent with Maani and Rajkumar (2024) study which concluded that robust financial performance is often correlated with higher market valuations, that firms with higher profitability ratios, such as ROA and ROE, tend to have higher market valuations.

Finally, corporate financial performance showed a significant positive correlation with debt and capital structure ( $r = 0.749$ ,  $p < 0.05$ ), indicating that greater emphasis on debt and capital structure leads to improved corporate financial performance. The findings align with Baliño et al. (2020) which established that the cost and availability of debt financing, influence firms' capital structure decisions and their financial performance.

## **4.8 Regression Results**

The multiple linear regression analysis was carried out to determine the combined effect of mergers and acquisitions on corporate financial performance in cement manufacturing companies in Kenya. Multivariate regression analysis was used to assess the relationship between independent variables and the dependent variable.

### **4.8.1 Model Summary**

Model summary was used to test the amount of variation in corporate financial performance in cement manufacturing companies in Kenya as a result of changes in mergers and acquisitions. Table 4.10 presents the findings.

**Table 4.10 Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.796	0.772	0.757	0.2877

a Predictors: (Constant), financial indicators, cost synergies, market valuation, debt and capital structure

The findings in Table 4.10 showed that mergers and acquisitions which comprises financial indicators, cost synergies, market valuation, debt and capital structure has a high positive correlation with corporate financial performance in cement manufacturing companies in Kenya as shown by a joint Pearson Correlation value of 0.796. The results showed that mergers and acquisitions has a coefficient of determination value of 0.772. This shows that mergers and acquisitions accounts for up to 77.2% of the variations in corporate financial performance in cement manufacturing companies in Kenya. The regression results show that R was 0.796 which shows that the correlation between the independent variables and the dependent variable is positive.

#### **4.8.2 Model Significance**

The results of the study also showed that the overall regression model linking financial indicators, cost synergies, market valuation, debt and capital structure and corporate financial performance in cement manufacturing companies in Kenya was significant as indicated by F calculated value of 38.377 at 5% level of significance as shown by a significance level of 0.000. ( $F(4, 50) = 38.377, p < 0.05$ ), this showed that the overall model was statistically significant at 5% significance level. The results of the study are as shown in table 4.11.

**Table 4.11 Analysis of Variance (Model significance)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.836	4	2.959	38.377	.000
	Residual	8.867	50	0.077		
	Total	20.704	54			

a Dependent Variable: Corporate financial performance

b Predictors: (Constant), financial indicators, cost synergies, market valuation, debt and capital structure

### 4.8.3 Regression Coefficients

The summary of the findings regression analysis are as shown in table 4.12.

**Table 4.12 Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.236	.246		0.959	.339
1 Financial indicators	.217	.078	.221	2.782	.029
Cost synergies	.232	.101	.229	2.297	.009
Market valuation	.359	.107	.307	3.355	.000
Debt and capital structure	.322	.105	.316	3.067	.003

a. Dependent Variable: Corporate financial performance

The fitted regression model was as follows:

$$Y = 0.236 + 0.217 X_1 + 0.232 X_2 + 0.359 X_3 + 0.322 X_4$$

The beta coefficient for the financial indicators variable is 0.217, with a p-value of 0.029, indicating a statistically significant positive relationship with the corporate financial performance of cement manufacturing companies in Kenya. This suggests that for every one-unit increase in the financial indicators, the corporate financial performance of cement manufacturing companies is expected to increase by 0.217 units. This finding implies that the use of financial indicators, is associated with improved corporate financial performance. The p-value indicates that this relationship is significant. This aligns with the study by Majeed and Mazhar (2019) which used

Altman's Z-score to analyze the financial progress, finding satisfactory financial progress and advising investors to invest for high returns.

The beta coefficient for the cost synergies variable is 0.232, with a p-value of 0.009, indicating a statistically significant positive relationship with the corporate financial performance of cement manufacturing companies in Kenya. This suggests that for every one-unit increase in cost synergies, the corporate financial performance of cement manufacturing companies is expected to increase by 0.232 units. This finding implies that employing cost synergies is associated with enhanced corporate financial performance. The p-value suggests that this relationship is significant. This aligns with the research conducted by Yazar et al.(2020) which concluded that cost synergies entail reducing expenses, often associated with economies of scale like administrative and overhead costs.

The beta coefficient for the market valuation variable is 0.359, with a p-value of 0.000, indicating a statistically significant positive relationship with the corporate financial performance of cement manufacturing companies in Kenya. This suggests that for every one-unit increase in market valuation, the corporate financial performance of cement manufacturing companies is expected to increase by 0.359 units. This finding implies that adopting market valuation, is associated with improved corporate financial performance. The p-value indicates that this relationship is significant. This aligns with the research by La and Truong (2024) which showed that firms with higher profitability ratios, such as ROA and ROE, tend to have higher market valuations, robust financial performance is often correlated with higher market valuations.

The beta coefficient for the debt and capital structure predictor variable is 0.322, with a p-value of 0.003, indicating a statistically significant positive relationship with corporate financial performance of cement manufacturing companies in Kenya. This suggests that for every one-unit

increase in debt and capital structure, the corporate financial performance is expected to increase by 0.322 units. This finding implies that embracing debt and capital structure practices is associated with enhanced corporate financial performance. The p-value suggests that this relationship is significant. This corresponds to the research by Mwihaki (2022), which concluded that how cement companies structure their capital to align with long-term strategic goals and investor expectations, impact financial performance positively.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Introduction

The results of the data analysis are summarized in this chapter. The summary is presented per objective and research question. The conclusions and recommendations of the study are presented in this chapter. The conclusions and recommendations relate the objectives of the study. The summary of the results guided the conclusions and recommendations.

#### 5.2. Summary of Findings

This section presents the summary of study findings. The summary included both the descriptive and inferential analysis. The study relied on the study findings to make conclusions in answering the research questions.

##### 5.2.1 Financial Indicators

The first objective was to examine the financial indicators on corporate financial performance in cement manufacturing companies in Kenya. The study respondents agreed to a great extent that financial indicators affects corporate financial performance in cement manufacturing companies in Kenya supported by an aggregate mean of 3.91(SD= 0.70). The study also revealed a significant positive correlation between financial indicators and corporate financial performance in cement manufacturing companies in Kenya ( $r = 0.649, p < 0.05$ ). This suggests that as the use of financial indicators increases, corporate financial performance tends to improve. Additionally, in the regression analysis, the financial indicators emerged as a significant predictor of corporate financial performance ( $\beta = 0.217, p < 0.05$ ), indicating that higher levels of financial indicator adoption are associated with better corporate financial performance.

### **5.2.2 Cost Synergies**

The second objective was to assess the cost synergies on corporate financial performance in cement manufacturing companies in Kenya. The study respondents agreed to a great extent that cost synergies affects the corporate financial performance of cement manufacturing companies in Kenya supported by an aggregate mean of 3.84 (SD= 0.66). The study also revealed a significant positive correlation between cost synergies and corporate financial performance in cement manufacturing companies in Kenya ( $r = 0.721, p < 0.05$ ). This suggests that as the use of cost synergies increases, corporate financial performance tends to improve. Additionally, in the regression analysis, cost synergies was a significant predictor of corporate financial performance ( $\beta = 0.232, p < 0.05$ ), indicating that higher levels of cost synergies are associated with better corporate financial performance.

### **5.2.3 Market Valuation**

The third objective was to evaluate the market valuation on corporate financial performance in cement manufacturing companies in Kenya. The study respondents agreed to a great extent that market valuation affects the corporate financial performance of cement manufacturing companies in Kenya supported by an aggregate mean of 3.91 (SD= 0.54). The study also revealed a significant positive correlation between market valuation and corporate financial performance in cement manufacturing companies in Kenya ( $r = 0.795, p < 0.05$ ). This suggests that as the use of market valuation increases, corporate financial performance tends to improve. Additionally, in the regression analysis, market valuation emerged as a significant predictor of corporate financial performance ( $\beta = 0.359, p < 0.05$ ), indicating that higher levels of market valuations are associated with better corporate financial performance.

#### **5.2.4 Debt and Capital Structure**

The fourth objective was to evaluate the debt and capital structure on corporate financial performance in cement manufacturing companies in Kenya. The study respondents agreed to a great extent that debt and capital structure affects the corporate financial performance of cement manufacturing companies in Kenya supported by an aggregate mean of 3.95 (SD= 0.55).

The study also revealed a significant positive correlation between debt and capital structure and corporate financial performance in cement manufacturing companies in Kenya ( $r = 0.749$ ,  $p < 0.05$ ). This suggests that as the use of debt and capital structure practices increases, corporate financial performance tends to improve. Additionally, in the regression analysis, debt and capital structure emerged as a significant predictor of corporate financial performance ( $\beta = 0.322$ ,  $p < 0.05$ ), indicating that higher levels of debt and capital structure adoption are associated with better corporate financial performance.

#### **5.3. Conclusion**

The study concludes that using financial indicators in mergers and acquisitions positively influences corporate financial performance in cement manufacturing companies in Kenya. By focusing on profitability indicators, return on assets, return on equity, organizations can enhance their corporate financial performance. The findings suggest that improved profitability indicators efficiency is essential for achieving improved corporate financial performance.

Based on the study findings, it was concluded that embracing an cost synergies significantly impacts corporate financial performance in cement manufacturing companies in Kenya. The ability to improve productivity, integrate technology and sales efficiency plays crucial role in improving corporate financial performance. Organizations can achieve improved performance through overall operational efficiency achieved through cost synergies.

The study concludes that using market valuations has a substantial influence on corporate financial performance in cement manufacturing companies in Kenya. By assessing market position, investor behaviours and using asset based valuation, organizations can achieve improved corporate financial performance. The findings highlight the importance of market valuations in mergers and acquisitions to achieve high corporate financial performance.

In conclusion, the study suggests that embracing effective debt and capital structures positively impacts corporate financial performance in cement manufacturing companies in Kenya. Adoption of debt and capital structure practices such as financial flexibility, capital structure composition and debt terms contribute to improved corporate financial performance. Organizations that prioritize debt and capital structure management are better positioned to achieve high corporate financial performance.

#### **5.4. Recommendations**

The section presents the recommendations of the study based on the study findings. The study recommendations have been made per objective and guide beneficiaries of the study such as managers of cement manufacturing companies, policy makers and other organizations.

##### **5.4.1 Financial Indicators**

Since financial indicators have a significant effect on corporate financial performance in cement manufacturing companies in Kenya, the study recommends that managers of cement manufacturing companies should consider financial indicators as an important aspect of mergers and acquisitions to improve corporate financial performance. There is a need to use effective financial indicators such as profitability indicators, return on assets, return on equity to achieve high financial performance.

#### **5.4.2 Cost Synergies**

The study also recommends that managers of cement manufacturing companies and other organizations involved in mergers and acquisitions need to implement effective cost synergies since they play a significant role in corporate financial performance. There is need to improve productivity in the companies, ensure effective technology integration to cut costs and improve sales efficiencies to achieve improved corporate financial performance.

#### **5.4.3 Market Valuation**

In order to have an improvement in corporate financial performance, there is a need for companies to utilize market valuations in mergers and acquisitions since that would significantly improve corporate financial performance. Organization should consider adopting asset-based valuation to assess the expected value in mergers and acquisition. In addition, management of cement manufacturing companies and other organizations should evaluate market positions and investor behaviours in mergers and acquisitions to achieve high corporate financial performance.

#### **5.4.4 Debt and Capital Structure**

The study recommends that the management team in cement manufacturing companies and other organizations need to consider improving debt and capital structure to improve corporate financial performance. High debts could destabilize operations of the companies, hence, management should establish clear debt terms and develop effective capital structure composition. In addition, management of these companies should establish policies to enhance financial flexibility to ensure effective debt management and effective capital structure for improved corporate financial performance.

## **5.5. Areas for Further Research**

The knowledge gaps upon which the current study was built on came from the critique of literature indicating a necessity to carry out this study. It was established that mergers and acquisitions practices which include financial indicators, cost synergies, market valuations, debt and capital structure could only explain up to 77.2% of the variations in corporate financial performance in cement manufacturing companies in Kenya. The implication is that there are other factors that also account for corporate financial performance in cement manufacturing companies in Kenya in the tune of 22.8%. Further research can be done to fill these gaps. The research identified contextual gaps since it did not assess the effect of mergers and acquisitions in all sectors in Kenya. Besides, the research was conducted among only four cement companies involved in mergers and acquisitions which present contextual gaps. There is a need to fill the contextual research gaps of this study. Furthermore, a similar study can be conducted using a different method of analysis.

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**APPENDICES**

**Appendix A: Questionnaire**

The questionnaire is intended purely for academic purposes and will be handled with the utmost confidentiality to ensure the privacy of the respondents. The study is designed to investigate the effects of mergers and acquisitions on the financial performance of corporations within the cement manufacturing sector in Kenya, with a specific focus on the three major firms that are involved in the merger, Lafarge and Bamburi Cement, Lafarge and Holcim, and National Cement and ARM Cement. Your open-ended feedback is greatly appreciated, and respondents are encouraged to express their opinions openly and honestly.

**Introduction**

Please tick appropriate in the box provided and for any explanation please be brief.

**Section A**

Background Information of Respondents.

**Highest Level of Education:**

- PhD
- Master’s Degree
- Degree
- Diploma
- If others specify.....

**Years of Work Experience**

- Below 2 Yrs.
- 2-4yrs
- 5-10 Yrs.
- Over 10 Yrs.

**SECTION B: To Examine the Financial Indicators on Corporate Financial Performance in Cement Manufacturing Companies In Kenya**

On a scale of 1 to 5 where 5: Very Great Extent, 4: Great Extent, 3: Moderate Extent, 2: Little Extent, and 1: Not at All. Indicate the extent to which you agree or disagree with each of the statements.

<b>Financial Indicators</b>	<b>Very Great Extent</b>	<b>Great Extent</b>	<b>Moderate Extent</b>	<b>Little Extent</b>	<b>Not at All</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
At what rate are the financial indicators changing the corporate financial performance of cement manufacturing companies in Kenya?					
At what rate are profitability indicators used to assess the operational efficiency and financial performance of cement manufacturing companies in Kenya?					
At what rate do efficiency indicators contribute to profitability and corporate financial performance in cement manufacturing companies in Kenya?					
To what extent do liquidity indicators determine corporate financial performance in cement manufacturing companies in Kenya?					
To what extent do market valuation indicators contribute to cost management and corporate financial performance in Kenyan cement manufacturing companies?					

**SECTION C: To Assess the Cost Synergies on Corporate Financial Performance in Cement Manufacturing Companies in Kenya**

On a scale of 1 to 5 where 5: Very Great Extent, 4: Great Extent, 3: Moderate Extent, 2: Little Extent, and 1: Not at All. Indicate the extent to which you agree or disagree with each of the statements.

<b>Cost Synergies</b>	<b>Very Great Extent</b>	<b>Great Extent</b>	<b>Moderate Extent</b>	<b>Little Extent</b>	<b>Not at All</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
To what extent do cost synergies contribute to corporate financial performance in cement manufacturing companies in Kenya?					
To what extent does operational efficiency improve productivity in the					

corporate financial performance of cement manufacturing companies in Kenya?					
To what extent does technology integration improve profitability in the corporate financial performance of cement manufacturing companies in Kenya?					
To what degree do sales efficiencies contribute to liquidity in the corporate financial performance of cement manufacturing companies in Kenya?					
To what degree does administrative consolidation have on cost management in the corporate financial performance of cement manufacturing companies in Kenya?					

**SECTION D: To Evaluate the Market Valuation on Corporate Financial Performance in Cement Manufacturing Companies in Kenya**

On a scale of 1 to 5 where 5: Very Great Extent, 4: Great Extent, 3: Moderate Extent, 2: Little Extent, and 1: Not at All. Indicate the extent to which you agree or disagree with each of the statements.

<b>Market Valuation</b>	<b>Very Great Extent</b>	<b>Great Extent</b>	<b>Moderate Extent</b>	<b>Little Extent</b>	<b>Not at All</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
To what level does market valuation shape the financial performance of cement manufacturing companies in Kenya?					
To what extent does market position contribute to the operational efficiency of the corporate financial performance of cement manufacturing companies in Kenya?					
To what level does asset-based valuation shape profitability and guide the corporate financial performance of cement manufacturing companies in Kenya?					
To what extent do market multiples have on liquidity in the corporate					

financial performance of cement manufacturing companies in Kenya?					
To what extent does investor behavior contribute to cost management in the corporate financial performance of cement manufacturing companies in Kenya?					

**SECTION E: To Evaluate the Debt and Capital Structure on Corporate Financial Performance in Cement Manufacturing Companies in Kenya**

On a scale of 1 to 5 where 5: Very Great Extent, 4: Great Extent, 3: Moderate Extent, 2: Little Extent, and 1: Not at All. Indicate the extent to which you agree or disagree with each of the statements.

<b>Debt and Capital Structure</b>	<b>Very Great Extent</b>	<b>Great Extent</b>	<b>Moderate Extent</b>	<b>Little Extent</b>	<b>Not at All</b>
	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
To what extent do debt and capital structures affect the corporate financial performance of cement manufacturing companies in Kenya?					
To what extent do debt levels influence operational efficiency in the corporate financial performance of cement manufacturing companies in Kenya?					
To what extent do debt terms shape the profitability of the corporate financial performance of cement manufacturing companies in Kenya?					
To what level does financial flexibility drive the liquidity of the corporate financial performance of cement manufacturing companies in Kenya?					
To what level does capital structure contribute to composition cost management in the corporate financial performance of cement manufacturing companies in Kenya?					

**SECTION F: Effects of Mergers And Acquisitions on Corporate Financial Performance in Cement Manufacturing Companies In Kenya**

On a scale of 1 to 5 where 5: Very Great Extent, 4: Great Extent, 3: Moderate Extent, 2: Little Extent, and 1: Not at All. Indicate the extent to which you agree or disagree with each of the statements.

No	Statement	Not at All	Little Extent	Moderate Extent	Great Extent	Very Great Extent
		1	2	3	4	5
1	Financial indicators affect corporate financial performance					
2	Cost synergies affect corporate financial performance					
3	Market valuation affect corporate financial performance					
4	Capital structure affect corporate financial performance					