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Influence of Degree of Integration on Post-Acquisition Business Performance at Coca Cola Beverages Africa, Kenya

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Abstract:

Acquisitions have become a popular business strategy for organizations that seek to grow, enhance efficiency, or manage competition. Many studies have examined the effect of acquisitions on business performance but are often inconsiderate of actual acquisition elements such as degree of integration. In addition, most of the studies have a biased focus on financial and petroleum industry while ignoring the beverage manufacturing sub sector. It is in this regard that the current study sought to examine the influence of degree of integration on post-acquisition business performance with a specific focus on Coca Cola Beverages Africa (CCBA), Kenya. The study was guided by the Haspeslagh and Jemison model, Cording, Christmann and King Model of Integration, and the balanced score card model. It used the descriptive survey design. The target population was CCBA, Kenya with 1094 employees. Data was collected from a sample of 92 staffs of Coca Cola Beverages Africa, Kenya using structured questionnaire. Data was analysed using descriptive statistics and the simple linear regression method and results presented using tables. Results showed that CCBA, Kenya had a high level of business performance with a score of 73% in the post-acquisition period with the highest performance score being recorded in the financial perspective with a score of 75.2%. Findings also showed that degree of integration (score= 75.6%, $r^2=.482$, $\beta=.618$, $p=.001$) had a statistically significant and positive influence on business performance at CCBA, Kenya. Based on the findings, the study concluded that degree of integration has a significant and positive influence on business performance. The study recommends that the management at CCBA, Kenya should focus on promoting the integration of the production function to improve business performance.

Keywords: Acquisition, business performance, degree of integration, beverage manufacturing, production integration, sociocultural integration, marketing integration, systems integration

1. Introduction

Acquisitions as a component of strategic management are known to be a critical aspect of business value creation tools, specifically as a growth and stability strategy where there is an indication of growth and / or business performance challenges or when simply applied as a means of gaining access to new markets (Hacklin, Bjorkdahl, & Wallin, 2018). Acquisition entails purchase of one company by another and controlling over 50% equity of the target firm (KPMG, 2016). It enables companies to grow faster than competition, reduce administration costs, assume additional market share, enhance economy of scale, and increase returns for shareholders (Wanjiku, 2017). Acquisitions as well as mergers have become popular business growth strategy. According to the Institute of Mergers Acquisition and Alliances (2019) an estimated 790,000 acquisition and mergers transactions were completed worldwide between 2000 and 2019 with a value of over US \$57 trillion. A total of 49,000 M&A transactions were completed in 2018 amounting to US\$ 3.8 trillion.

The US had the largest number of acquisition and merger transactions in 2018 numbering 14,767 with a value of US\$ 1.8 trillion. A survey by Deloitte (2019) in the United States found that 79% of respondents expected the number of M&A transactions to increase in 2019 owing to relaxed regulating climate, tax reform, and growing cash reserves. In the Deloitte (2019) survey, the success of acquisitions and mergers was linked to various factors including effectiveness of the integration process (according to 23% of respondents), economic environment (19%), accurate valuation of target (18%), stability of legal regulatory environment (16%), proper identification of target (14%), and proper due diligence (11%) (Deloitte, 2019). In Europe, the UK was leading with 4,355 M&A transactions worth US\$423 billion while in 2018 (Institute of Mergers Acquisition and Alliances, 2019). Germany had 2,117 transactions worth US\$141 billion while France 2,113 transactions worth US\$150 billion. The rise in the number of M&A transactions in recent decades is largely attributed to the gradual integration of European countries into the EU bloc making cross-border mergers and acquisitions easier (Dutcik, 2017).

There has also been a spike in the number of acquisition and merger transactions within the emerging countries. In 2018 China recorded 7,638 transactions worth US\$ 635 billion, India recorded 1,798 worth US \$106 billion, South Korea witnessed 1,926 transactions worth US\$86 billion, and Brazil recorded 542 transactions worth US\$ 41 billion. Yuce

(2016) noted that acquisition and merger transactions in emerging countries were mainly done by multinational companies and involved acquisitions of other companies within the emerging countries. The transactions results in positive short-term gain to the acquired/ target company shareholder, and negative or zero short-term gain for the acquirers' shareholders. There are few studies examining the long-term impact of acquisition on shareholders' value within the context of emerging countries (Yuce, 2016).

The African continent has been an attractive destination for multinational companies (MNC) that seek to expand their operations through acquisition in the 21st century. Ellis, Lamont, Reus, and Faifman (2015) observed that most acquisition transactions in Africa are inbound, where a company from developed countries acquires an African company. The value of African acquisition transaction doubled between 1999 and 2014 from US\$ 34 billion to US\$ 79 billion (Ellis *et al.*, 2015). Most of the acquiring companies hail from the US, Europe, and the Middle East with these regions accounting for 26% of all acquisition transactions recorded between 2003 and 2012 (Pricewaterhouse Cooper, 2017).

South Africa had the largest number of recorded transactions in 2018 with 299 transactions worth US\$ 12 billion followed by Nigeria with 47 transactions worth US\$ 1.95 billion (Institute of Mergers Acquisition and Alliances, 2019). The acquisitions in South Africa and Nigeria were concentrated in the mining, petroleum, ICT, food processing, and renewable energy. In the COMESA region, Kenya and Zambia recorded the highest number of transactions in 2018 with each having 23 transactions (COMESA Competition Commission, 2019A). Other countries that had high number of transactions include Mauritius (19), DRC (19), Malawi (18), and Uganda (17).

Acquisition has also become a popular growth strategy among Kenyan organizations. Kenya's 93 acquisition and merger transactions in the 2013-2017 period was the highest in the COMESA region (COMESA Competition Commission, 2019B). According to the Competition Authority of Kenya (2018), the value of acquisition and mergers in the 2017/2018 fiscal year was Kshs. 66 billion. About 55.3% of the acquisitions and merger transaction recorded in the 2017/2018 period involved international companies. The large numbers of acquisition transactions in Kenya are attributed to the fact that the country is a regional leader and thus the preferred entry point for many companies that wish to expand operations into Eastern Africa (KPMG, 2016). Kenya also has a strategic geographical location, favourable government incentives, a well-established private sector, robust human capital, and developed infrastructure.

Most acquisitions that have taken place in Kenya between 2010 and 2019 have occurred in the financial sector. The most notable transactions include Kenya Commercial Bank's acquisition of National Bank and Imperial Bank, Cooperative Bank's acquisition of Jamii Bora Bank, Faulu Microfinance acquisition by Old Mutual, acquisition of Fidelity Bank by SBM Holdings Limited, and acquisition of Habib Bank Kenya Ltd by Diamond Trust Bank Kenya Ltd (Central Bank of Kenya, 2019). According to the Central Bank of Kenya (2019) several factors have contributed to the high number of acquisitions in the financial sector including the need to meet increased capital requirement by the regulator, increase market share, and expand distribution networks. Kenyan banks have also been involved in cross-border acquisition transactions such as Equity Bank's acquisition of the Commercial Bank of the Congo and 6.27% of Atlas Mara Ltd that has presence in Tanzania, Rwanda, Mozambique, and Zambia.

The Kenyan manufacturing sector has also experienced a surge in acquisition transaction in the last 10 years. This sector accounted for 19% of the total number of acquisition transactions that took place between 2015 and 2018 (CAK, 2018). The most notable transactions in the sector include Brookside Dairy acquisition of Buzeki Dairy and Delamare, Mauritius' Godrej East Africa Holdings' acquisition of Canon Chemicals, South Africa's Consol Proprietary acquisition of Central Glass Industries, and Coca-Cola Sabco (East Africa) Limited acquisition of Almasi Beverages, Equator Bottlers Limited, and Crown Beverage Limited, Nairobi Bottlers Limited (Mwita, 2019). Of interest to this study is the acquisition of Crown Beverages and Nairobi Bottler Limited by Coca Cola Sabco to form Coca Cola Beverages Africa, Kenya.

Crown Beverages Ltd (CBL) was initially a subsidiary of SABMiller Plc while Nairobi Bottlers Ltd was a subsidiary of Coca Cola Sabco (Mumo, 2017). In 2015, SABMiller Plc the parent of Crown beverages Limited was the largest beverages bottler in Africa operating across 19 countries (Crown Beverages Ltd, 2017). SABMiller entered into a merger with the Coca Cola Company (Franchisor) and Coca Cola Sabco (Guetché family)– the parent of Nairobi bottlers. In the merger, the Coca Cola Company had 11.3% stake, the Guetché family had 31.7% and SABMiller plc. had the majority and controlling stakes at 57% in the resultant company, Coca Cola Beverages Africa (Crown Beverages Ltd., 2017).

SABMiller was then acquired by ABInBev, the world's largest brewer, in 2016. This technically allowed ABInBev to own CCBA and part of the Coca Cola Company Africa's operation (CCBA, 2017). SABMiller was also dealing with Pepsi, a fierce global competitor to the Coca Cola business through strategic contract packaging in some of SABMiller's South American, West and South African plants. This caused an obvious discomfort with the Coca Cola Company, who showed an early intention to exit the merger by buying the entire 57% of SABMiller stakes in the CCBA business. This was eventually realised in 2018, therefore automatically making the Coca Cola Company the new controlling stakeholder with 68.3% stakes in the CCBA business (CCBA, 2017).

The continental merger between Coca Cola Sabco, SABMiller and the Coca Cola Company was also effected in the local scene where NBL and CBL became the acquisition entities. Consequently, the buy-back of SABMiller stakes by the Coca Cola Company changed the ownership hands to Coca Cola Company on a full acquisition platform to form the Coca Cola Beverages Africa, Kenya. The study focuses on the union between the manufacturing facets of the Coca Cola beverages Africa, Kenya that comprised the two local subsidiaries (i.e. Nairobi Bottlers Ltd and Crown Beverages Ltd).

1.1. Statement of the Problem

Acquisitions have become popular growth strategies in the Kenyan manufacturing sector. According to CAK (2018), the manufacturing sector alone accounted for 19% of the total number of acquisition and merger transactions in Kenya between 2015 and 2018. Acquisition initiatives sound and appear simple on paper, but their execution often proves

to be a different ball game. Despite the envisaged gains of acquisitions, the success of acquisition transactions in meeting the intended objectives may be elusive if the intrinsic circumstances and holistic business performance are not taken into consideration. Where large organizations acquire small or medium sized firms as in the case of CCBA, there are always problems related to integration that may lead to business ineffectiveness, loss in sales volumes, employee anxiety and dissatisfaction leading to turnover, profitability losses, revenue losses, and customer apathy. Despite spiking trend of acquisition in Kenyan manufacturing sectors, there are few studies examining how the acquisition processes affect business performance in this industry. Most studies have mainly been conducted in the banking and petroleum industries (Mwanza 2016; Ombaka and Jagongo, 2018; Oganda, 2015). In addition, previous studies do not give a consistent verdict regarding the effect of acquisition on firms' performance. The study by Patel (2018) indicates that acquisitions lead to a decline in performance, while those by Mwanza (2016) and Ombaka and Jagongo (2018) suggest that acquisition activities result in improved performance. Furthermore, most of these studies have assessed performance from a financial perspective ignoring other aspects such as operational efficiency, customer experiences, and learning and growth. Reviewed studies have also not examined the specific elements of acquisitions that determine business performance such as degree of integration. The current study sought to address these gaps by examining how acquisition degree of integration has influenced post-acquisition business performance at Coca Beverages Africa, Kenya.

1.2. Research Objectives

To assess the influence of degree of integration on business performance at Coca Cola Beverages Africa, Kenya.

1.3. Research Hypotheses

- H₀₁. Degree of integration has no statistically significant influence on business performance at Coca Cola Beverages Africa, Kenya.

2. Literature Review

2.1. Theoretical Literature Review

The study was guided by Haspeslagh and Jemison model, Cording, Christmann and King Model of Integration, and the balanced score card model

2.2.1. Haspeslagh and Jemison Model

The study theorized that degree of integration is another determinant of business performance at CCBA, Kenya. Haspeslagh and Jemison model was devised in 1991 to conceptualize the concept of degree of integration (Bodner & Capron, 2018). According to this model, degree of integration can be classified into four levels: holding, symbiosis, preservation, and absorption. The four integration levels in Haspeslagh and Jemison model are based on the degree of interdependence between the acquisition firms and level of autonomy retained by each of the acquisition entity.

Absorption level represents the highest form of integration. At this integration level, the merging firms develop a high level of interdependence while their autonomy is significantly reduced (Bodner & Capron, 2018). This means that the merging firms are completely remoulded into a new entity. Symbiosis is where the two merging firms become highly interdependent while each retains a high degree of autonomy (Lu, 2018). This means that the merging or uniting firms retain some of their original ways while incorporating new elements provided by the merger or acquisition.

The holding approach is where there is low interdependence between the uniting firms, but each firm secede their autonomy to the new entity. In this level, only the ownership and control of the firms is significantly altered but the merging firms continue to operate as independent entities (Bodna & Capron, 2018). Lastly, preservation approach is where there is low interdependence among the firms with each firm retaining high level of autonomy (Lu, 2018). Preservation represents the lowest level of integration.

2.2.2. Cording, Christmann and King Model of Integration

Cording, Christmann, and King (2008) recommended another model for assessing the degree of integration in acquisitions and mergers. Their model identifies four dimension of integration namely: integration of production, sociocultural integration, marketing integration, and system integration. Production integration involves the amalgamation of production technologies, supply sources, and production sources (Stalberg & Fundin, 2018). Sociocultural integration covers the unification of human aspects of the organization such as traditions, values, norms, and practices. Marketing integration encompasses the unification of distribution channels, promotion programs, and sales and after sales services (Cording *et al.*, 2008). System integration comprises the fusion of strategic planning system, budgeting and financial system, and human resource management system among others.

The model further suggests that the four dimension of integration should be assessed from two perspectives: integration depth and integration speed. Integration depth refers to the level of change in the structural relationship that existed between the merging firms (Cording *et al.*, 2008). A high integration depth is achieved when production, sociocultural, marketing, and system aspects of the acquisition organizations are changed. Integration speed refers to the amount of time it takes to amalgamate the activities and functions of the parties to the merger or acquisition. This model was relevant to the current study as it provided a tool for operationalizing degree of integration. The model suggested that to understand the degree of integration at CCBA, the study ought to have looked at the level to which there was unification of production, sociocultural, marketing, and system aspects of the acquisition entities.

2.2.3. The Balanced Score Card Model

The Balanced Score Card (BSC) is a model for assessing the performance of organization. It was developed by Kaplan and Norton in 1992 after 12 months of research involving 12 large organizations (Pietrzak, Paliskiewicz, & Klepacki, 2015). The BSC model complements financial measures of business performance with three other operational measures namely customer satisfaction, internal processes efficiency, and learning and innovation (Ondoro, 2015). The model posits that it is these operational areas that translate to financial performance in the long-run. Consequently, focusing on improving these areas results in sustainable business performance as opposed to when the business is preoccupied with financial measures only. By integrating the outcome-based financial measures with driver-based operational measures, the BSC has become a more practical and popular tool in strategic management (Chimtengo, Mkandawire & Hanif, 2017). It has provided a framework that enables managers to tie financial performance with the day-to-day operations of the organization.

The customer perspective is primarily concerned with assessing the extent to which the organization is able to meet the needs and wants of customers (Ondoro, 2015). It is founded on the rationale that meeting the need of customers is critical to the long-term financial health of the organization. This perspective uses indicators such as customer satisfaction, quality of product, time of service delivery, product prices, product availability, and service performance. The internal processes perspective measures the efficiency and effectiveness of internal processes (Chimtengo *et al.*, 2017). It is founded on the rationale that organizations need to put in place efficient and effective processes in order to meet the expectations of customers. This perspective is preoccupied with tracking measures such as employees' skills, productivity, cost management, supply processes, defect rates, distribution systems, and information system. The learning and innovation perspective assesses the organization's ability to introduce new products, services, systems, and technologies (Ondoro, 2015). This perspective tracks indicators such as technology leadership, reward systems, training systems, resource development system, and research and development.

2.3. Conceptual Framework

Figure 1 presents the conceptual framework for the current study.

Figure 1: Conceptual Framework

3. Research Methodology

The current study made use of the descriptive survey design. This design entailed probing the variables of interest without manipulating them in any way. Particularly, the design involved questioning individuals who were exposed to the variables of interest in order to obtain their opinion and views regarding the research issue. This design was selected because the researcher had little control over the study variables and thus they could only be studied as they exist in the study setting without manipulating them. The study mainly employed quantitative approaches because the goal of the study was to test the relationship between acquisition and business performance and generalize findings to other manufacturing organizations in Kenya.

3.1. Target Population

The target population was Coca Cola Beverage Africa, Kenya with 1094 employees. Employees were targeted because they had a direct experience of the acquisition in their organization and thus were in a position to provide informed opinion regarding the acquisition process and how it has influenced business performance. The employees were also privy to information regarding the performance of their organizations.

3.2. Sampling Frame

The employee roster of CCBA, Kenya was used as the sampling frame. The roster was a suitable tool for selecting the sample as it contained a list of all employees of the company and other details.

3.3. Sample Size

The sample size for the current study was determined using the Slovin sample size formula (Maximiano, 2007):

$$n = \frac{N}{1 + N(e)^2}$$

Where

n= the sample size

N= the target population (1,094 for the current study)

e= the margin of error (set at 0.1 for the current study because the population was relatively homogenous and thus a large sample size was not required to capture the views of the entire sample, therefore 10% was used to reduce the population to a considerable sample size).

Therefore, the appropriate sample size was determined as:

$$n = \frac{1,094}{1 + 1,094(0.1)^2}$$

$$n = 91.62 \approx 92 \text{ employees}$$

3.4. Sampling Technique

The stratified random sampling technique was used to select the participants. This technique entailed dividing the population into internally homogeneous segments known as strata and randomly selecting respondents from each stratum (Bryman, 2016). In the current study, the target population was segmented into three categories in line with the employees' department (manufacturing, logistics, commercial). This sampling technique increased the representativeness of the sample by giving different categories of staff the opportunity to participate.

Category/ Strata	Population (N)	Proportion	Sample Size (n)
Manufacturing	497	45%	41
Logistics	284	26%	24
Commercial	313	29%	27
Total	1,094	100%	92

Table 1: Sampling Plan

The systematic sampling technique was then used to select employees from each strata According Bryman (2016), systematic sampling is a probability-based sampling method that entails picking every item that fall after a pre-determined interval (k) in the sampling frame. The interval (k) was derived using the formula (Bryman, 2016):

$$\text{Interval (k)} = \frac{N}{n}$$

Where

N=the Target Population (1094)

n= Sample size

Therefore, the interval was determined as:

$$\text{Interval (k)} = \frac{1094}{92}$$

$$\text{Interval (k)} = 11.89 \approx 12$$

For the current study, the researcher picked every 12th person in the list of staff in each category. According to Oso and Onen (2016), systematic sampling method minimizes sampling bias by ensuring the respondents are equally distributed.

3.5. Data Collection Instrument

Data was collected using a structured questionnaire. This is a data collection form that comprises of closed-ended questions (Oso & Onen, 2016). The questionnaire comprised of three sections:

Section A comprised of questions eliciting information regarding respondents' demographic profile. It mainly comprised of multiple choice questions. Section B encompassed questions probing the degree of integration between Crown Beverages and Nairobi Bottlers. The section also incorporated 12 Likert type statements rated on a five-point scale: 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, and 5= strongly agree. The scale was aimed at assessing the level of production, sociocultural, marketing, and system integration. The first three statements were meant to examine the level of product integration, statements DI4 to DI6 measured the level of sociocultural integration, statements DI7 to DI9 queried the level of marketing integration, and statements DI10-DI12 probed the level of system integration.

Section C took account of questions examining the business performance of CCBA. The section covered 20 Likert type statements rated on a five-point scale: 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, and 5= strongly agree. The scale was aimed at assessing four dimension of business performance: learning and growth, operational efficiency, customer perspective, and financial performance. The first five statements quizzed the financial performance of the firms, statements BP6 to BP10 interrogated customer perspective of business performance, statements BP11 to BP15 reviewed the operational perspective of performance, and statements BP16-BP20 queried the learning and growth perspective of business performance

3.6. Pilot Testing

A pilot study was conducted to assess the validity and reliability of the research instrument. The pilot study was conducted at Highlands Mineral Water Company Ltd, a beverage manufacturing company based in Nyeri County Kenya. The selection of this company for the pilot study was informed by its similarities to CCBA, Kenya in terms of products and operations. The pilot study involved a total 9 employees, which is 10% of the sample size for the main study.

3.6.1. Validity of the Instrument

The content, construct, and face validity of the instrument was assessed by consulting university research supervisors, who have deep expertise on the research issues. Context validity was enhanced by assessing the data collected during the pilot study. According to Oso and Onen (2016), context validity is concerned with the appropriateness of the language and content used in the research instrument to population being targeted. The pilot data enabled the researcher to assess context validity of the instrument.

3.6.2. Reliability of the Instrument

Reliability was assessed by analysing the pilot test data using the Cronbach alpha method at the 0.7 threshold. The method was used to compute alpha value for Likert scales developed to measure the study variables (Tabel, 2017). Results of the reliability analysis are presented in Table 2.

Scale/ Variable	N of Items	Cronbach Alpha
Cultural complementarity	12	0.941
Degree of integration	12	0.935
Employee involvement	12	0.905
Post-Integration business performance	20	0.939

Table 2: Reliability Analysis Results

Results in Table 2 show that all the four scales that has an alpha value that is greater than the 0.7 threshold. The scales were thus deemed to have acceptable level of reliability.

3.7. Data Analysis and Presentation

Questionnaires that were completed and returned to the researcher were sorted and assessed for completeness. All duly completed questionnaires were coded and entered into the Statistical Packages for Social Sciences (SPSS). Descriptive statistics such as frequencies percentages, mean, and standard deviation were used to assess the acquisition transaction that forms the focus of this study as well as the business performance at CCBA, Kenya. Results were presented using Tables.

Inferential statistics were then used to assess the relationship between the acquisition variables and business performance. The simple linear regression technique was used to conduct the inferential analysis. The following model guided the analysis:

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where, Y= business performance at CCBA, β_0 = constant, β_1 = coefficient for degree of integration, X_2 = Degree of integration, e= error term. Linear regression assumptions including linearity, normality, and multicollinearity were tested.

4. Research Findings and Discussion

4.1. Response Rate

Out of the 92 questionnaires that were distributed, 89 were duly completed and returned to the researcher. This figure translates to a response rate of 96.7%. A study by Krishnan and Poulouse (2016) focusing on 2000 studies published in 26 leading business journals found that the average response rate for studies published in top 12 management journals was 65.3% while the average for studies published in other journals was 59.3%. This implies that the response rate for the current study is above the average response rate.

4.2. Respondents' Demographic Profile

The demographic profile of respondents was assessed in terms of gender, age, numbers of years they have work at CCBA, and highest level of education. Results are summarized in Table 3

Demographic Trait	Categories	Frequency	Percentage
Gender	Male	64	71.9
	Female	25	28.1
Age	20- 29	26	29.2
	30- 39	50	56.2
	40-49	12	13.5
	50 and above	1	1.1
Work Years	Less than 5 years	23	25.8
	5-9 years	46	51.7
	10 years and above	20	22.5
Highest Education Level	Pre-secondary	6	6.7
	Secondary	33	37.1
	Vocational training	17	19.1
	Diploma	15	16.9
	University Degree	18	20.2

Table 3: Respondents Demographic Profile

Results in Table 3 show that the majority of the respondents (71.9%) were male while the remaining 28.1% were female. Most of the respondents (56.2%) were in the 30-39 years' age brackets. Another 29.2% were in the 20-29-years brackets meaning that over 84% of the respondents were below the age of 40 years. The majority of the respondents (51.7%) had worked at CCBA for 5 to 9 years. About 25.8% had worked for less than 5 years while 22.5% had worked for more than 10 years. Regarding education level, the largest segment of the respondents (37.1%) had the secondary level of education. About 19.1% had some vocational training, 16.9 had attained the diploma level of education while 20.2% had university degree.

4.3. Degree of Integration between the Acquisition Entities

The study aimed to establish how the level of integration between the acquisition entities influences the business performance of the newly created entity in the post-acquisition period. To evaluate degree of integration at CCBA, respondents were presented with another set of 12 statements and asked to indicate their level of agreement with each statement on a five-point scale. Table 4 presents the results

S/N	Statement	N	Mean	S.D.
DI1	The union between Nairobi Bottlers and Crown Beverages has enabled the two companies to use the same production facilities and lines	89	3.51	1.262
DI2	The acquisition has enabled Nairobi Bottlers and Crown Beverages to use the same production technology	89	3.92	1.068
DI3	The acquisition has brought together the physical assets of Nairobi Bottlers and Crown Beverages	89	3.70	1.219
	Production Integration Aggregate Score	89	3.71 (74.2%)	.961
DI4	The acquisition involving Crown Beverages and Nairobi Bottlers led to the creation of a completely new organizational structure	89	3.87	1.208
DI5	The acquisition transaction between Crown Beverages and Nairobi Bottlers led to change in management of our company	88	3.97	1.098
DI6	The acquisition involving Crown Beverages and Nairobi Bottlers led to the introduction of new rules and work practices	89	3.66	1.215
	Sociocultural Integration Aggregate Score	89	3.83 (76.6%)	.945
DI7	The acquisition involving Nairobi Bottlers and Crown Beverages has enabled the two companies to serve the same market	89	3.83	1.290
DI8	The acquisition involving Nairobi Bottlers and Crown Beverages has enabled the two companies to use the same distribution networks	89	3.93	1.175
DI9	The acquisition involving Nairobi Bottlers and Crown Beverages has enabled the two companies to markets their products as one	89	3.81	1.260
	Marketing Integration Aggregate Score	89	3.86 (77.2%)	1.101
DI10	The acquisition involving Nairobi Bottlers and Crown Beverages has led to the two companies using the same accounting, procurement, and other information systems	89	3.96	1.107
DI11	The acquisition transaction has led to the creation of a common employee remuneration system	89	3.55	1.158
DI12	The acquisition involving Crown Beverages and NBL has enable the two companies to use the same technological infrastructure	89	3.81	1.096
	Systems Integration Aggregate Score	89	3.74 (74.8%)	.706
	Degree of Integration Aggregate Score	89	3.78 (75.6%)	.769

Table 4: Degree of Integration at CCBA, Kenya

Degree of integration was measured using four indicators adopted from Cording *et al.* (2008) model. The first indicator was integration of production, which was assessed using Items DI1 to DI3. On average, respondents agreed with the three statements assessing production integration. The standard deviation values were relatively high suggesting that there were major discrepancies in the respondents' view on this issue. Particularly, findings show that the acquisition may lead to integration of the production facilities and lines. However, there is high level of integration of production technology and physical assets of the two entities involved. From the three items, product integration had an aggregate mean score of 3.71 out of a possible highest score of 5. This value translates to a percentage score of 74.2%. According to Cording *et al.* (2008) integrating production processes enhances efficiency by enabling sharing of facilities and other resources. It also enhances synergy. However, if not implemented effectively, it can lead to deterioration in product quality, increase in cost, and high defect rates.

The second indicator that was used to assess degree of integration was sociocultural integration. This indicator was assessed using items DI4 to DI6. Respondents also on average agreed with the claims made on these statements, suggesting that there was a high level of sociocultural integration at CCBA. Specifically, the findings illustrate that the acquisition led to creation of a completely new organizational structure, change in the management of the company, and introduction of new rules and work practices. The high level of sociocultural integration was confirmed by the aggregate sociocultural integration score (mean= 3.83), that was computed from the respondents rating of the three items. The aggregate mean translates to a percentage score of 76.6% for sociocultural integration. Cordinget *al.* (2008) asserted that high level of sociocultural integration tends to bring about greater synergy. However, if not done correctly, it can lead to cultural clash that hamper the outcome of the acquisition.

Marketing integration was the third indicator that was used to assess the level of integration at CCBA. This indicator was evaluated using items DI7 to DI9. Similarly, respondents on average agreed with all the three items suggesting that there was a high level of marketing integration at CCBA. Precisely, the findings disclose that after the acquisition, the two entities involved were able to serve the same market, use the same distribution networks, and market their products as one. The aggregate mean score for marketing integration was 3.86 out of a possible highest score of 5. This value translates to a percentage score of 77.2%. Oberg (2018) also emphasized that to increase chances of successful acquisition, entities should pay attention to the entire marketing ecosystem including branding of products, distribution, pricing, and communication.

The final indicator that was used to measure degree of integration was systems integration. This indicator was weighed using items DI10 to DI12. Respondents also agreed with the three statements, which indicate that there was also a high level of system integration at CCBA. Particularly, finding shows that there was integration of the acquisition entities' information systems, remuneration systems, and technological infrastructure. The aggregate system integration score was 3.74 out of a highest possible score of 5. This value translates to a percentage score of 74.8%. Chang, Chang, and Wang (2014) pointed out that successful integration of system is critical to the success of an acquisition transaction. However, standardization of system should not be the first priority during the integration process. Instead, the acquisition entities should keep unique aspects of their systems to reduce resistance.

The aggregate score for degree of integration, which was computed using all the 12 items, was 3.78. This value translates to a percentage integration score of 75.6%. Results in Table 2 show that the degree of integration was highest in the marketing dimension (mean=3.86) followed by sociocultural dimension (mean= 3.83). Systems integration had the third highest score (mean = 3.74) while production integration had the lowest score (mean = 3.71).

4.4. Business Performance at Coca Cola Beverage Africa, Kenya

The dependent variable of the study was the business performance at CCBA in the post-acquisition period. This variable was also measured by including a scale with 20 statements in the questions that required responds to indicate their level of agreement with each statement on a five-point scale. Results are summarized in Table 5.

S/N	Statement	N	Mean	S.D.
BP1	The company's revenues have increased after the acquisition	88	3.64	1.116
BP2	The company's earnings before interest and tax (EBIT) have increased in the last two years	88	3.65	1.040
BP3	The company has expanded its market share after the acquisition	88	3.92	1.008
BP4	The company's sales volumes have increased in the last two years	88	3.87	1.143
BP5	The company's return on investment has increased after the acquisition	88	3.73	1.122
	Financial perspective aggregate score	88	3.76 (75.2%)	.890
BP6	The level of customer satisfaction with our products have increased in the last two years	89	3.75	1.090
BP7	The availability of our products in the market has improved after the acquisition	89	3.82	1.134
BP8	The quality of our products have improved after the acquisition resulting in greater customer satisfaction	89	3.56	1.243
BP9	The acquisition has enabled the company to bring down the prices of its product resulting in greater customer satisfaction	89	3.19	1.107
BP10	After the acquisition, the company has been able to deliver product on time and in full.	89	3.70	1.335
	Customer perspective aggregate score	89	3.60 (72%)	.868
BP11	The cost of production has gone down in the past two years	89	3.44	1.188
BP12	The company's administrative cost have gone down since the acquisition took place	89	3.37	1.122

S/N	Statement	N	Mean	S.D.
BP13	The company supply and distribution systems have become more efficient after the acquisition	89	3.71	1.130
BP14	The number of defective products has declined after the acquisition	89	3.53	1.207
BP15	The safety of the company's operation (lost time injury decline) has improved since the acquisition.	89	3.82	1.083
	Internal Process perspective aggregate score	89	3.58 (71.6%)	.775
BP16	There has been substantial improvement in the operational and management skills of employees after the acquisition	89	3.69	1.212
BP17	The level of employee work engagement has improved after the acquisition.	89	3.62	1.211
BP18	Our company has developed and introduced new products after the acquisition	89	3.42	1.405
BP19	The company has made significant improvements on existing products after the acquisition.	89	3.66	1.065
BP20	There has been significant improvement in the production technology after the acquisition.	89	3.96	1.097
	Learning and Innovation perspective aggregate score	89	3.67 (73.4%)	.798
	Business performance aggregate score	89	3.65 (73%)	.680

Table 5: Business Performance at CCBA

Business performance was measured using four indicators adopted from the BSC model. The first indicator was financial performance assessed using items BP1 to BP5. The financial perspective gauges performance using financial metrics such as revenues, market share, profits, and share prices (Rastislav & Petra, 2016). Results in Table 4.5 show that on average respondents agreed with all the five statements. Specifically, respondents agreed that the CCBA's revenues, EBIT, market share, sale's volume, and return on investments have increased in the post-acquisition period. The aggregate financial performance mean score was 3.76 out of a possible highest score of 5. This translates to a percentage score of 75.2%.

The second indicator that was used to assess business performance is customer perspective, which was assessed using items BP6 to BP10. The customer perspective uses indicators that are related to customers such as customer satisfaction, product placement and availability, product pricing, product quality, and product communication (Ondoro, 2015). Findings in Table 3 reveal that respondents on average agreed with statements BP6, BP7, BP8 and BP10, which claimed that customer satisfaction, product availability, product quality, and on-time delivery of product have improved after the acquisition. However, respondent on average were not certain with item BP9, which asserted that the prices of the company's products have reduced after the acquisition. The aggregate customer perspective mean score was 3.60, which translates to a percentage score of 72%.

The third indicator was the internal process perspective, which was evaluated using items BP11 to BP15. The internal process perspective uses metrics related to the efficiency of the company's internal processes such as supply, production, marketing, and safety to assess the performance of the business (Chimtengo *et al.*, 2017). Data in Table 3 illustrates that respondents on average agreed with statements BP13, BP14 and BP15, which stated that CCBA's supply and distribution systems and safety of the company operations have improved while the number of defective products has declined. However, respondents were on average not sure with statements BP11 and BP12, which specified that cost of production and administrative costs have declined after the acquisition. The findings imply that the acquisition has had a positive influence on the CCBA supply and distribution systems, safety of operations, and production efficiency, but may not have had an effect on production and administrative costs. The mean aggregate score for the internal process perspective was 3.58, which translates to a percentage score of 71.6%.

The final indicator for measuring business performance was learning and innovation, which was interrogated using items BP16 to BP20. The learning and innovation perspectives gauges performance using metrics related to improvement and growth realized by the company (Ondoro, 2015). Results in Table 3 demonstrate that on average, respondents agreed with items BP16, BP17, BP19, and BP20 that proclaimed that CCBA has recorded improvements in the operational and management skills of employees, level of employees' work engagement, existing products and production technology after the acquisition. However, respondents on average were not certain with statement BP18, which declared that CCBA had introduced new products after the acquisition. The aggregate mean score for the learning and innovation perspective was 3.67, which translates to a percentage score of 73.4%.

The aggregate mean score for business performance, which incorporates all the four perspectives, was 3.65. This score translates to a percentage business performance score of 73%. From Table 3, the financial perspective recorded the highest performance score (mean=3.71) followed by the learning and growth perspective (mean= 3.67). The customer perspective had the third highest performance score (mean= 3.60) while the internal processes perspective had the lowest score (mean= 3.58). The findings imply that CCBA has excelled on the financial, and learning and innovation perspectives, but may need improvements in the customer and internal processes perspective.

4.5. Regression Analysis

The simple linear regression technique was used to assess the relationship between degree of integration and post-acquisition business performance at CCBA. Table 6 presents the results.

Variable		r	r ²	Constant	F	P
Dependent	Post-acquisition business performance	.698	.482	90.364	82.805*	.000
Independent	Degree of integration		Beta	Standardized Beta	t	
			.618*	.698	9.100	.000

Table 4: Simple Regression Results

Results in Table 6 show that the model had an adjusted r-square value of 0.482. This value indicates that degree of integration explained 48.2% of business performance at CCBA. According to Norton (2016), an r-square value that falls between 0.4 and 0.7 indicates that the independent variables within the model have a moderate effect on the dependent variable. Norton (2016) further explained that the r-square summarizes the overall strength of the relationship between independent and dependent variables but does not show whether the relationship is statistically significant. The significance of the relationship is indicated by the F statistics, which indicate that independent variable in the model (degree of integration) has a statistically significant relationship with the business performance at CCBA ($F=82.805$, $p=.000$).

The magnitude and the direction of the relationship between the degree of integration on post-acquisition business performance was examined using the beta coefficients. Results reveal that degree of integration has a positive and statistically significant influence ($\beta=0.618$, $p=.000$) on the business performance at CCBA. This implies that ensuring higher level of amalgamation in the operations of the acquisition entities is more likely to improve the business performance of the newly created entity. Specifically, the beta coefficient suggests that if the degree of integration is increased by 1 unit, post-acquisition business performance would increase by 0.618 units. The p-value for this beta was also less than 0.05 indicating that the influence of degree of integration on business performance is statistically significant. The null hypothesis of the study was thereby rejected.

The finding is consistent with the study by Bauer and Matzler (2014), which found that degree of integration, had a positive and statistically significant relationship with post-acquisition success in a sample of 106 acquisition transactions that took place in Central Europe between January 2005 and April 2008. Findings showed that acquisition cases that had higher level of integration were more likely to be successful in the post-acquisition period than cases with low level of integration. Current findings however disagree with the study by Tafti (2015) who found that the degree of integration was negatively and significantly related with cost efficiency as well as profitability of acquiring firms in a sample of 118 mergers in the US banking industry. The inconsistency between this study and current findings may be explained by contextual differences. It may also be explained by the measures used to evaluate performance where Tafti (2015) focused in financial metrics while the current study has utilized the more holistic BSC approach.

5. Conclusions and Recommendations

Findings led to the conclusion that there was a high degree of integration of the functions of the two entities involved in the acquisition at CCBA, Kenya. Degree of integration had a positive and statistically significant influence on business performance at CCBA, Kenya. Therefore, companies in the Kenyan manufacturing sector that seeks to utilize acquisition as a strategy for growth should focus on ensuring there is high level of integration of functions of the acquirer and the firm being acquired in order to realize high performance in the post-acquisition period.

The study recommends that the management of CCBA, Kenya should focus on reinforcing integration of the production function. Findings showed that this function had the lowest level of integration. The management should explore possibilities of the two acquisition entities using same production facilities and lines to reduce production and administrative costs.

The study also recommends that the management of CCBA, Kenya should focus on promoting the integration of the systems of the two entities. System integration had the second lowest integration score suggesting that there may be deficiencies in this area. The management should particularly focus on integrating the employees' remuneration systems of the two entities (CBL and NBL) as this aspect had the lowest mean score.

On the issue of business performance, the study recommends that the management at CCBA, Kenya should focus on improving internal business processes. Findings showed that this perspective had the lowest score suggesting the existence of some deficiency. Specifically, the management should focus on reducing administrative and production cost. Integrating the production function of the organization can help CCBA, Kenya to reduce costs.

Lastly, the study recommends that consultants that have specialized on merger and acquisition should pay attention to the issue of degree of integration as this have a significant influence on business success in the post-transaction period. Learning institution that offer strategic management course should integrate these issues in their programmes.

The current study focused on influence of degree of integration on post-acquisition business performance of firms. The adjusted r-square value showed that over 51% of business performance was not explained by this factors. Future studies should consider interrogating the effect of other factors such as strategic fit, age of firms, size of firms, and quality of acquisition negotiations.

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