EFFECT OF MERGER AND ACQUISITION ON ORAGIZATIONAL PERFORMANCE OF SMALL AND MEDIUM ENPTERPRISES IN MOGADISHU, SOMALIA

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ABSTRACT

Mergers and acquisitions continue to be a highly popular form of corporate development across the globe. Many organizations facing challenges in recent times have often adopted mergers and acquisitions as a means of increasing firm's Performance. However, contrary to their popularity, acquisitions appear to provide at best a mixed performance to the broad range of stakeholders involved. This research fills the gap in literature by investigating the effects of mergers and acquisitions on Organizational Performance of Small and Medium Sized Enterprises in Mogadishu, specifically this study investigated the effects of Horizontal M&A, Vertical M&A, Concentric M&A and Conglomerate M&A on Organizational Performance of SMEs in Mogadishu - Somalia. This study was conducted through a descriptive study. The target population of this study was 43. Responses are given by top managers, owners and investors of four selected industries which are Remittance companies, Electronic companies, Electricity companies and Telecommunication Companies. Therefore, a proportionate sample size of approximate 39 respondents, the population was selected using purposive sampling or judgmental sampling technique. In addition the study employed a survey research design in data collection. The sampling procedure of this study used was non-probability sampling procedure particularly purposive sampling or judgmental sampling.This research employed quantitative data collection method whereby data was gathered by the use of closed ended questionnaires which are self-administered. This research employed quantitative data collection method whereby data is gathered by the use of closed ended questionnaires which are self-administered. The data collected was analyzed using the software called Statistical Package for the Social Sciences (SPSS) version 20 and results shown in terms of frequency distribution and percentages. A regression model would be applied to determine the relationship between Horizontal merger, Vertical merger, Concentric Merger and Conglomerate merger as the independent variables and Organizational Performance of SMEs as the dependent variable.Results confirm the varying importance of the effects of Merger and Acquisitions on Organizational Performance of SMEs in Mogadishu. In general, the results reveal that Horizontal M&A, Vertical M&A and Conglomerate M&A have significant and positive effectson Organizational Performance of SME, the study also revealed that Concentric M&A has insignificant and negative effects on Organizational Performance. The study recommends that to improve Merger and Acquisitions decisions on merchandising and services companies in Mogadishu;there is need for merchandise and services companies to adopt merger/acquisition as a strategic approach to boost organizational performance. The merger/ acquisition strategy is sure way to enhance external Organizational performance of SMEs in Mogadishu. However, correct choice of the target must be identified to allow generation of synergies that will foster Organizational Performance and improve profitability. Merger/Acquired companies should also offer high quality services to satisfy consumers' needs, will be the potential competitive advantage. Management should come up with a sound strategy towards its long term goals so as to avert the problem of mismatching investments

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1. INTRODUCTION

1.1 Background

SMEs are different from large firms in several aspects - they have often a simpler governance structure as the operational manager is also the owner or main shareholder. This difference would directly mitigate the agency problem which normally confronts M&As (Jensen, 2016). Moreover, there is a noticeably greater coordination problem in larger firms (Williamson, 2011); these are further attenuated in the case of restructuring - as in a merger with a comparably large enterprise. Accordingly, the performance effects of M&A might be expected to be greater for SMEs than for the larger organizations upon which that most previous M&A studies focus. There are further factors that rather restrain the synergy effects of mergers in the case of smaller firms; for example, the fact that such firms would not be able to fully exploit the potential of economies of scale or market power. Furthermore, large firms may have more M&A experience, be more open to other business cultures than owner-led SMEs and/or bring more financial resources and so be able to acquire larger targets.

In Africa, M&A activities have become important channels for investment for both global and local market players as they have allowed companies to consolidate their positions in African markets, contributing to better market access and competitiveness. Nevertheless, the African

M&A market is still very small compared to other regions in the world (DiGeorgio, 2012). There are also regional disparities within the continent as the market is essentially dominated by deals in Northern and Southern Africa (Kim & Mauborgne, 2015). The attractiveness of the African continent for M&A deals is mainly underpinned by the high economic growth and the buoyant energy, mining and utilities sectors

"In the last three years, growth through acquisition has been a critical part of the success of many companies operating in the new economy. In fact, I would say that merger and acquisition has been the single most important factor in building up their market capitalization". Merger has been defined as the combination of two or more separate firms into a single firm. The firm that results from the process could take any of the following identities: Acquirer identity or a complete new identity (Hitt, Harrison & Ireland, 2014). Mergers, Amalgamations and Takeovers have been identified as important features of corporate structural changes (Pandey, 2016).

In Somalia most M&A engagements begin in this 21st century. However, mergers coincide historically with the existence of companies. In 2008, for example,Dahabshiil acquired a majority stake (90%) in Somtel to diversify into Telecommunication industry. In 2010, The Trans-National Industrial Electricity and Gas Company is an energy conglomerate based in Mogadishu, Somalia. It unites five major Somali companies from the trade, finance, security and Telecommunication s sectors, after an agreement was signed in Istanbul, Turkey that will see this new firm provide electricity and gas in Somalia. With an investment budget of $1 billion, the company's aim is to create 100,000 jobs and build the necessary infrastructure to accommodate its energy projects in the country. In the 2013, Hormuud – the leading telecommunication s and mobile services company in the southern and middle regions in Somalia, trying to diversify beverage industry and acquired the largest stake in Coca cola branch in Somali.

The Great Merger and Acquisition movement in Somalia happened in 2012. During this time, small electrical private companies in Mogadishu namely: Somali Energy, Somali Electric and Somali National Electric Company merged and formed newly named company (BECO with the aim to form large, powerful institution that dominated their markets, and the engagement was succeeded and led the newly formed company to become dominant by provide efficient and sustainable electricity solutions to Banadir region residents and this led monopolies, and BECO become the leading enterprise in the energy sector in Somalia, operating with the highest standard of efficiency, effectiveness and development of sustainable energy programs in Somalia. In addition many other merger and acquisition historical activities happened during last decade which include when deregulation and policies changes emerged by the federal government of Somalia announced and informed that the private fuel companies should build fuel tanks to store, and this led that some fuel companies come together and merge and they formed a new company named Somali Fuel Company in order to combine their efforts and create synergies. In 2016 is also another example, when Kulmiye News Network (KNN) and Kalsan Radio – both which are private radios in Mogadishu merged.

1.2 Statement of the problem

Horizontal M&A, Vertical M&A and Conglomerate M&A have significant and positive effect on Organizational Performance of SMEs while Concentric M&A has insignificant and negative effect on organizational Performance of SMEs. M&A activities have become important channels for investment for both global and local market players as they have allowed companies to consolidate their positions in African markets, contributing to better market access and competitiveness. Nevertheless, the African M&A market is still very small compared to other regions in the world (DiGeorgio, 2017). A major motivation of strategic M&A is the synergistic effect. In the upsurge of M&A at home and abroad, failed to achieve the synergistic effect is one of the important reasons of a high failure rate of M&A (Sinkin and Putney, 2014). Many studies (Cooper et al. and Ryan & Ryan, 2013) have been carried out to find out whether that companies adopted merger and acquisition activities have been accepted more over the years compared to those which not engaged in to M&A. Limited studies have also been carried out to identify the dominant Factors and reasons behind Merger and Acquisitions engagements for a specific type of Industries and in general Daniel et al., (2015).

Additionally it is important to analyze if mergers and acquisitions have any effect on Organizational Performance of SMEs in Mogadishu over a given period of time. The SMEs in Mogadishu are facing a number of challenges which are: Firstly, there is a lack of research identifying if the activities of M&A in large organizations are similar or can even be compared to those in SMEs. Secondly, In addition to the lack of SME merger insight Thirdly, there is also absence of strategies used by SME in Mogadishu furthermore the fact that such firms would not be able to fully exploit the potential of economies of scale or market power. Therefore, this study sought to fill the research gap by investigating the effects of merger and acquisition on Organization Performance of small and medium –sized enterprises in Mogadishu.1.3 Objectives of the study

1.3.1 General objective

The general objective of this study was to investigate the effects of mergers and acquisitions on Organizational Performance of Small Medium-sized Enterprises in Mogadishu- Somalia.

1.3.2 Specific objectives

1. To analyze the effects of horizontal merger and acquisition on Organizational Performance of Small and medium sized enterprise in Mogadishu- Somalia
2. To examine the effects of vertical merger and acquisition on Organizational Performance of small and medium enterprises in Mogadishu- Somalia
3. To determine the effect of concentric merger and acquisition on Organizational Performance of small and medium enterprises in Mogadishu- Somalia
4. To determine the effect of conglomerate merger and acquisition on Organizational Performance of small and medium enterprises in Mogadishu- Somalia

2. LITERATURE REVIEW

2.1 Theoretical Framework

The following section presents the related theories of effects of merger and acquisition on Organizational Performance. This study is anchored on three major theories namely, synergy theory, market power theory, and diversification theory.

2.1.1 Synergy Theory

Synergistic mergers theory holds that firm's managers achieve efficiency gains by combining an efficient target with their business and then improving the targets performance. Buyers recognize specific complementary between their business and that of the target. Thus, even though the target is already performing well, it should perform even better when it is combined with its complementary counterpart, the buyer firm. The synergetic theory implies that target firms perform well both before and after the mergers. There are three types of synergies i.e. financial, operational and managerial. According to (Gaughan, 2013) operational synergy appears in the form of revenue enhancements and cost reductions. Financial synergy is achieved when the cost of capital may be reduced through the combination of the two companies. (Hitt, 2014) on the other hand describes managerial synergy as synergy realized when additional value is created through the decision makers' ability to integrate the two companies and create competitive advantage.

2.1.2 Market Power Theory

Market power may be interpreted as the ability of a firm to control the quality, price, and supply of its products as a direct result of the scale of their operations. Because takeover promises rapid growth for the firm, it can be viewed as a strategy to extend control over a wider geographical area and enlarge the trading environment (Leigh and North, 1978). Therefore the market power hypothesis can serve as an explanation for horizontal and vertical takeovers. Economic theory of oligopoly and monopoly identifies the potential benefits to achieving market power, such as higher profits and barriers to entry. The market power theory therefore explains the mass of horizontal takeovers and the increasing industrial concentration that occurred during the 1960s. For example, in the United Kingdom, evidence shows that takeovers were responsible for a substantial proportion of the increase in concentration over the decade (Hart and Clarke, 2000).

2.1.3 Diversification Theory

The diversification theory suggests a theoretical explanation for conglomerate takeovers. The diversification of business operations, i.e. the core businesses of different industries has been broadly accepted as a strategy to reduce risk and stabilize future income flows. It is also an approach to ensure survival in modern competitive business environments. In the United

(Kingdom, Goudie and Meeks, 1982) observed that more than one-third of listed companies experiencing takeover in mainly manufacturing and distribution sectors during 1949-1973 could be classified as conglomerates. Since then, conglomerate takeover has become widespread as an approach to corporate external growth (Stallworthy and Kharbanda, 1988) and (Weston and Brigham, 1990). Although different from (Schall's, 1972) value additivity principle. This argues that the value of a conglomerate will be greater than the sum of the value of the individual firms because of the decreased firm risk and increased debt capacity, also (Ross, 2002). Appropriate diversification can effectively reduce the probability of corporate failure, which facilitates conglomerate fund raising and increases market value. Kim and (McConnell, 2007) noted that the bondholders of conglomerates were not influenced by the increased leverage simply because the default risk is reduced. This result remains valid even when takeovers were financed by increased debt. Takeover can also result in an increased debt capacity as the merged firm is allowed to carry more tax subsidies, and according to the MM Proposition (1958, 1963), the tax shield provided by borrowings is a dominant factor in firm valuation. In summary, the potentially higher tax deductions, plus the reduced bankruptcy costs, suggest that conglomerates will be associated with higher market values after takeovers.

Corporate diversification can also improve a firm's overall competitive ability. (Utton 2002) stated that large diversified firms use their overall financial and operational competence to prevent the entry of rivals. One way to achieve this is through predatory pricing and cross subsidization, both of which can effectively form an entry barrier into the particular industry, and force smaller existing competitors out of the market. Entry via takeover reveals the inefficiency of incumbents as entry barriers are successfully negotiated. (McCar-dle and Viswanathan, 2004) predicted that the stock prices of such companies should suffer. In fact, many writers had discussed this ”build or buy” decision facing potential entrants (Fudenberg and Tirole, 1986; Harrington, 1986); (Milgrom and Roberts, 1982). And (McCardle and Viswanathan, 2004) used game theory to model the market reaction to direct/indirect entry via takeover. From these game theoretic models, there are indications that corporate diversification will not cause an increase in market value for the newly combined firm as opposed to Lewellen’s (1971, 1972).

2.2 Conceptual Framework

A Conceptual frameworkisahypothesizedmodelidentifying themodel understudy and therelationshipsbetween thedependentvariable and theindependentvariables (Mugenda&Mugenda,2003).

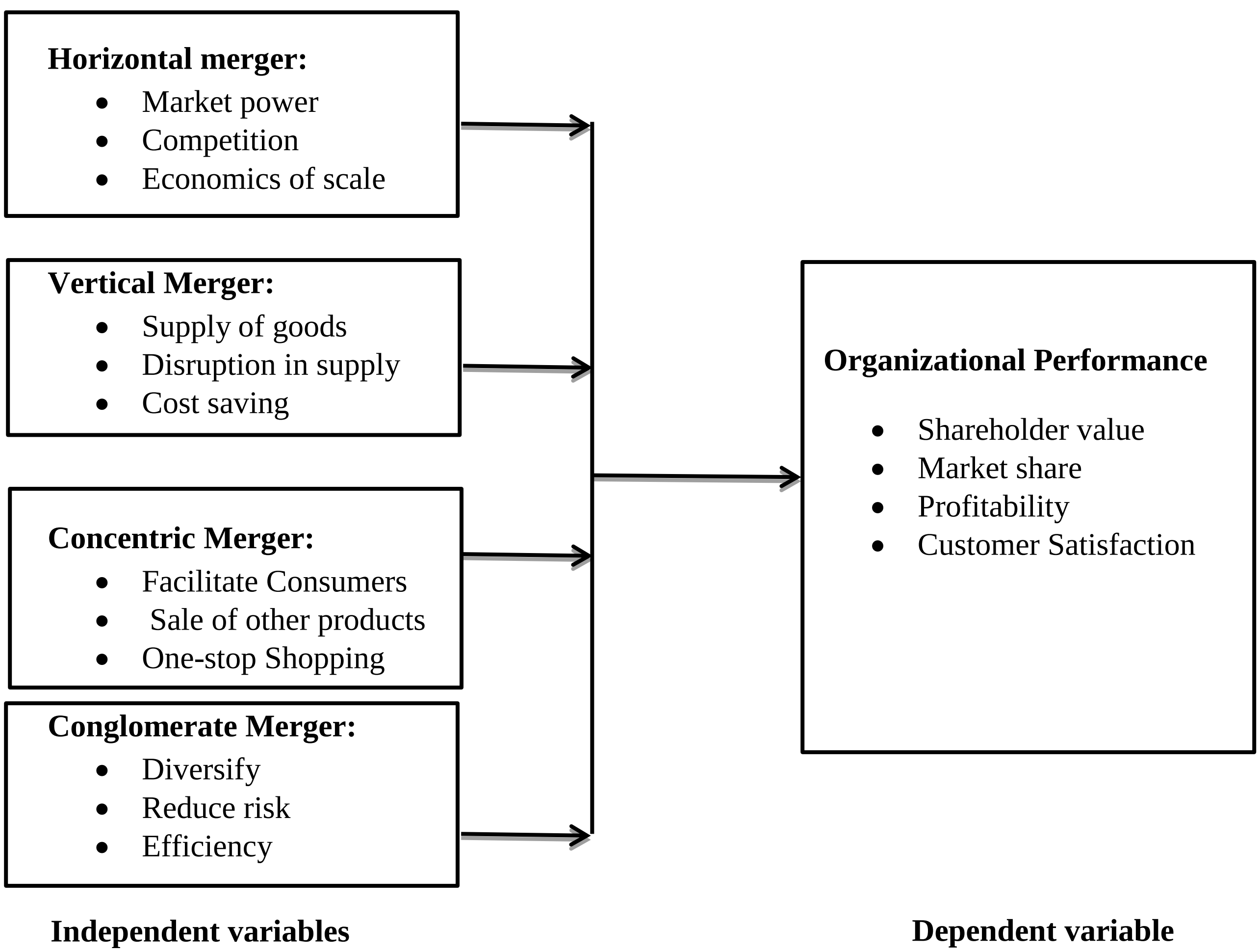

Figure 2.1 Conceptual Framework

2.3 Review of Variables

2.3.1 Horizontal Merger

A horizontal merger involves combination of two firms operating and competing in the same kind of business activity and geographical market (Gaughan, 2013). In 1998, two petroleumcompanies, Exxon and Mobil, combined in a $78.9 billion merger. If a horizontal mergercauses the combined firm to experience an increase in market power that will have anticompetitiveeffects, the merger may be opposed on antitrust grounds. In recent years,however, the U.S. government has been somewhat liberal in allowing many horizontalmergers to go unopposed. (Gaughan, 2013) a horizontal merger can enhance market power simply by eliminating competition between the merging parties. This effect can arise even if the merger causes no changes in the way other firms behave. This type merger also offers economies of scale due to increase in size as average cost decline due to higher production volume, it also hence cost efficiency, since redundant and wasteful activities are removed from the operations i.e. various administrative departments or departments such as advertising, purchasing and marketing.

A horizontal merger is modelized as an exogenous change in market structure. As a result, the level of competition decreases which increases the market price and market power of firms as well. In the case of linear demand and cost functions, the resulting anticompetitive forces are mostly to the bene.t of outsiders and mergers are advantageous to the merging firm just in the circumstance that market share of merging firm is extremely high, at least 80% which is almost merging to a monopoly (Salant, Switzer and Reynolds, 2013). (Benchekroun, 2013) shows that when firms use open-loop strategies merger is profitable only if the market share of the merged firm is significant enough, There are other studies showing that mergers are privately profitable if they are leader-generating (in industries where about less than one-third of the firms are leaders) (Daughety, 2015), or if merger generates synergies (Farrell and Shapiro, 2016). However, the incentive to merge always exists once price is employed as the strategic variable rather than quantity. In a differentiated product industry, (Deneckere and Davidson, 2015) demonstrate that mergers of any size are beneficial if firms are engaged in a price-setting game.

2.3.2 Vertical Merger

Vertical merger or acquisition involves firms at different stages of the production and distribution process of the same product or service; it integrates the operations of a supplier and a customer. When a company buys its vendors, in the direction of its consumer to reduce marketing and delivering costs, it is called a backward merger and acquisition whereas in a forward merger the supplier combines with the customer (Alan, 2014). The key strategic objective of Vertical mergers is to increase Organization Performance by the previous distributors. This kind of merger are usually undertaken to secure supply of essential goods, and avoid disruption in supply (Alan, 2014). It is also done to restrict supply to competitors, hence a greater market share, revenues and profits. Vertical mergers also offer cost saving and a higher margin of profit, since manufacturer's share is eliminated.

In strategic perspective, one of the most important strengths for corporations across the world is merger through vertically (Vanitha&Selvam, 2015). According to (Weston, Mitchell, and Mulherin, 2014), through mergers and acquisitions firms are able to overcome the problem of disruption in supply. Further, it generally believed that M&As are expected to fuel the rate of growth of business and Organizational Performance (Vanitha&Selvam, 2015). (Usman and

Wajid, 2014) examined the Organizational Performance of merged companies in the Electricity sector of Pakistan for the period of 2001–2005.

2.3.3 Concentric Merger

Concentric mergers take place between firms that serve the same customers in a particular industry, but they don't offer the same products and services. Their products may be complements, product which go together, but technically not the same products. (Lubatkin, 2013) outlined that concentric mergers provide opportunities to reduce cost and/or enhance differentiation through exploiting the economies of scale and scope in various operational areas such as manufacturing, distribution, and administration. Second, related mergers provide the potential for power gains and, by becoming larger, can influence the price of its outputs or inputs.

According to (Lubatkin, 2013), concentric mergers have greater potential to create shareholder value than unrelated mergers. These are usually undertaken to facilitate consumers, since it would be easier to sell these products together. Also, this would help the company diversify, hence higher profits. Selling one of the products will also encourage the sale of the other, hence more revenues for the company if it manages to increase the sale of one of its product. This would enable business to offer one-stop shopping, and therefore, convenience for consumers. This kind of mergers offer opportunities for businesses to venture into other areas of the industry reduce risk and provide access to resources and markets unavailable previously.

2.3.4 Conglomerate Merger

Conglomerate merger is a merger of two companies engaged in different or unrelated lines of business. The main purpose for conglomerate is to help firms reduce capital costs and overheads and achieve efficiency. Mergers and acquisitions can also be classified as friendly or hostile (Chunlai and Findlay, 2013). M&A transactions could either be domestic or cross-border with regards to where the companies involved base or operate. A cross boarder M&A transaction involves two firms located in different economies or two firms operating within one economy but belonging to two different countries (Chunlai and Findlay, 2013). Accordingly in domestic M&A transactions the firms involved originate from one country and operate in that economy – country, this is usually done to diversify into other industries, which helps reduce risks.

Many corporate firms consider conglomerate mergers and acquisitions a best way to expand their ownership boundaries (Dash, 2015). Similarly, firms also pursue conglomerate mergers and acquisitions to increase their diversification, efficiency (both production and cost efficiency), reduce risks, and to get operation, financial, and managerial synergies (Moeller and Brady, 2015), and (Petitt and Ferris, 2013). According to merger and acquisition theory, successful merger and acquisition deals increase the Organizational Performance of the merged/acquirer firms. This increase in Organizational Performance could be result of improved monopoly or an increase in efficiency (Beena, 2014). On the other hand, according to the managerial theory of a firm, mergers and acquisitions have a negative impact on merged/acquirer firm's financial performance and Organizational Performance specifically (Ghatak, 2015); (Kumar & Bansal, 2013). There is also empirical evidence that merger and acquisition deals do not significantly influence the Organizational Performance and financial performance of corporate firms (Al-Hroot,2016), (Bhabra and Huang, 2013) and (Poornima and Subhashini, 2013).

2.3.5 Organizational Performance

Firms can enhance their Performance in two ways – organic expansion and expansion through merger and acquisitions (Marris, 2014). The motives for an acquisitions strategy include expansion of market share, diversification, hedging risk, acquiring new technologies and finding entry points into other territories and other sectors.

(Azhagaiahand Sathishkumar, 2013)found that the M&Aprocess has significant effect on the Organizational Performanceof acquiring firms in Indiaafter merger. (Azhagaiahand Sathishkumar**,** 2013)also foundthat there was an increase in operating profit, gross profit, and netprofit; there is a significant positive effect of M&Ason the shortrunpost-merger Organizational Performanceof acquiring firms of chemical industry in India. **(**Venkateshaand Manjunatha, 2013) found that M&A**s**havepositively affected the banks' financial performance.

Theories show that firm growth is integrally intertwined with the profit maximization objective – expansion is the means for the firm to achieve its optimal size. Later theories include managerial incentives (for example, empire building and prestige, (Marris, 2014), which may be in conflict with profit maximization. Also, there may be a managerial constraint to the pace of expansion in a given period, because existing management structures would be too stretched to cope effectively withlarger operations (Penrose, 2016).

Through Merger and Acquisitions engagements SMEs can realize returns soon after the investment is made, as the target firm is already in operation. Second, adding an already functioning business (that has a working staff complement) to the firm may relax the managerial constraint to growth. Also merger and acquisitions may offer the firm opportunities for internal expansion (Cable, 2015), which could enhance market share.

(Schoar, 2017) offers a more nuanced perspective by portraying diversifying acquisitions essentially as a mechanism of transferring efficiency from the more efficient industries of acquirers to the less efficient industries of their targets. The evidence presented by (Schoar, 2017) confirms the view taken by (Dickerson, 2014) and paints a more detailed picture of the pre-acquisitions and post-acquisition behavior of both acquirers and targets.

Most evidence about merger and acquisitions still stems from market valuations and event studies and takes a short-term view of gains, while (Dickerson, 2014) attempt to shift the focus to a longer-term perspective and take the economics approach. This paper is an attempt to bring the latter kind of enquiry into an emerging market context.

(Gaughan, 2013). The faster way to achieve market share in such case would be to merger and acquire necessary resources to achieve competitive goals. In this process, the acquirer will pay premium for acquisition of other company or assets, but ideally, the strategy would not be as expensive as that of internal growth. Synergy is one of the most commonly cited reasons to go for mergers. Synergy is simply defined as 2+2=5 phenomenon. The value of the company

3. RESEARCH METHODOLOGY

3.1 Research Design

This study was conducted through a descriptive study; the purpose of descriptive research was to describe an accurate profile of persons, events or situations. And the regression model is indicated as shown as follows:

$Y=\beta 0+\beta 1x1+ \beta 2x2+ \beta 3x3 + \beta 4x4 +$

Where:-

Y = represents the dependent variable, Organizational Performance

$\beta 0 \ldots \beta 4$ are the Regression Coefficient

X1 = Horizontal Merger

X2 = Vertical Merger

X3 = Concentric Merger

X4 = Conglomerate Merger

ϵ = Error term

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Study variables Findings

The following presents the findings on the various study variables.

4.1.1 Horizontal M&A on Organizational Performance

The study required to investigate the effects of Horizontal Merger and Acquisition on Organizational Performance of SMEs. Table 4.7 summarizes respondents' level of agreement on how Horizontal M&A affects Organizational Performance. Most of the respondents agreed that Horizontal merger causes the combined firms to experience an increase in market power as shown by a mean of 1.87. Also most of the respondents agreed to the fact that Horizontal merger offers economies of scale due to increase in size as average cost decline due to higher production volume, reporting a mean of 2.16. Horizontal merger removes redundant and wasteful activities from the operations of different departments reported a mean of 2.34. A horizontal merger is modelized as an exogenous change in market structure. As a result, the level of competition decreases which increases the market price and market power of firms as well.

Table 4.1 Horizontal M&A on Organizational Performance

Statement	n	Mean	S.D
Horizontal mergercauses the combined firms to experience an increase in market power	38	1.87	0.875
Horizontal merger offers economies of scale due to increase in size as average cost decline due to higher production volume	38	2.16	0.789
Horizontal merger removes redundant and wasteful activities from the operations of different departments	38	2.34	0.815
Organizational Performance is dependent to Merger and Acquisitions	38	2.32	1.141

4.1.2 Vertical M&A on Organizational Performance

The study required to establish the effects of Vertical M&A on Organizational Performance. From the findings indicated in table 4.8 most of the respondents agreed that Vertical merger ensure the security of supply of essential goods, and avoid disruption in supply with a mean of 1.92 being obtained. The results also conquer with the findings on the question that was asked whether Vertical merger is done to restrict supply to competitors, and increase market share, revenues and profits. The findings on this question obtained a mean of 2.05. Vertical merger reduce marketing and delivering costs due to merging entities of supply chain reported a mean of 2.37. Also respondents agree that Vertical merger has great influence on firm’s Performance.

Studies show that one of the most important strengths for corporations across the world is merger through vertically (Vanitha&Selvam, 2015).

Table 4.2 Vertical M&A on Organizational Performance

Statement	N	Mean	S.D
Vertical merger ensure the security of supply of essential goods, and avoid disruption in supply.	38	1.92	0.818
Vertical merger is done to restrict supply to competitors, and increase market share, revenues and profits	38	2.05	1.064
Vertical merger reduce marketing and delivering costs due to merging entities of supply chain	38	2.37	1.149
Vertical merger has great influence on firm's Performance	38	1.89	1.008

4.1.3 Concentric M&A on Organizational Performance

The study sought to establish the effects of Concentric M&A on Organizational Performance. Respondents agreed that concentric merger provide opportunities to reduce cost and/or enhance differentiation in various operational areas as represented by a mean of 1.79, most of the respondents also agreed that concentric mergers have greater potential to create shareholder value than unrelated mergers as showed by a mean of 2.00. And a mean of 2.45 were obtained on the question whether concentric merger has great influence on the increase of the sale of one of other products.

Table 4.3 Concentric M&A on Organizational Performance

Statement	n	Mean	S.D
Concentric merger provide opportunities to reduce cost and/or enhance differentiation in various operational areas	38	1.79	0.777
Concentric mergers have greater potential to create shareholder value than unrelated mergers	38	2.00	0.959
Concentric merger has great influence on the increase of the sale of one of other products.	38	2.45	0.978
Concentric merger enable business to offer one-stop shopping convenience for consumers.	38	2.13	1.166

4.1.4 Conglomerate M&A on Organizational Performance

A number of questions were asked to determine how Conglomerate M&A effects Organizational Performance. Respondents agreed that Conglomerate merger helps firm reduce capital costs and overheads and achieve efficiency obtaining a mean of 1.95. Another question asked was Conglomerate mergers and acquisitions enable firm's to diversify into other areas and reduce risk obtaining a mean of 2.29. It is also questioned whether Conglomerate merger has negative influence on firm's Organizational Performance due to unrelated diversification obtaining a mean of 2.11.A study conducted shows that many corporate firms consider conglomerate mergers and acquisitions a best way to expand their ownership boundaries (Dash, 2015).

Table 4.4 Conglomerate M&A on Organizational Performance

Statement	n	Mean	S.D
Conglomerate merger helps firm reduce capital costs and overheads and achieve efficiency	38	1.95	1.038
Conglomerate mergers and acquisitions enable firm's to diversify into other areas and reduce risk	38	2.29	1.206
Conglomerate merger has negative influence on firm's Organizational Performance due to unrelated diversification.	38	2.11	1.060
Integrated operating system is a key requirement of performance of conglomerate mergers	38	2.11	0.831

4.1.5 Organizational Performance

A number of questions were asked to determine how Organizational Performance is handled by SMEs in Mogadishu. The Organizational performance is solely attributed to merger/ or acquisition undertaken by the firm obtaining a mean of 2.45. The respondent also agreed that Mergers and acquisitions have led to increased Organizational Performance which led enhanced organizational performance obtaining a mean of 2.47 and similarly a mean of 2.24 the question of Mergers and Acquisition have improved internal efficiency of the company. And last question asked was Merger and acquisition have significant positive effect on the short run post-merger performance of acquiring firms obtained a mean of 2.13. (Azhagaiahand Sathishkumar, 2013)found that the M&Aprocess have significant effect on the Organizational Performanceof acquiring firms in Indiaafter merger. (Azhagaiahand Sathishkumar**,** 2013)also foundthat there was an increase in operating profit, gross profit, and netprofit; there is a significant positive effect of M&Ason the shortrunpost-merger Organizational Performanceof acquiring firms of chemical industry in India. **(**Venkateshaand Manjunatha, 2013) found that M&A**s**havepositively affected the banks' financial performance.

Table 4.5 Organizational Performance

Statement	n	Mean	S.D
The Organizational performance is solely attributed to merger/ or acquisition undertaken by the firm.	38	2.45	0.891
Mergers and acquisitions have led to increased Organizational Performance which led enhanced organizational performance.	38	2.47	0.895
Mergers and Acquisition have improved internal efficiency of the company.	38	2.24	1.076
Merger and acquisition have significant positive effect on the short run post-merger performance of acquiring firms	38	2.13	1.095

4.2 Correlation Analysis

Pearson Bivariate correlation coefficient was used to compute the correlation between thedependent variable (Organizational Performance) and the independent variables (Horizontal M&A, Vertical M&A, Concentric M&A, Conglomerate M&A). According to Sekaran (2014), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari, 2013). From table 4.15, the results generally indicate that independent variables (Horizontal M&A, Vertical M&A, Conglomerate M&A) were found to have positive significant correlations on Organizational Performance at 5% level of significance. However, also there was negative and insignificant correlation of concentric M&A on Organizational Performance.

There was a strong positive and highly significant correlation between Conglomerate M&A and Organizational Performance ($r = .679$, $P < 0.05$). A study conducted by Chong et al (2010) in china found out that Organization's engagement and support in M&A in connection with high organizational Performance.

There was a strong positive and highly significant correlation between Vertical M&A and Organizational Performance ($r = .659$, $P < 0.05$). Setting good quality strategies to fulfil organization's long term goals and objectives, with integrated operations and resources in innovative and well established plans and tactics, will be the potential competitive advantage of organizations that triggers high organizational performance, sustainability and growth in the future (Farshadhavasi et al, 2013). At present, studies show that Mergers and Acquisitions have successfully geared the firms better and high organizational performance reduced operating and administrative cost and expenses and gain competitive advantage over competitors (Migdadi, 2008; Suganthi, 2010 and Bankole et al, 2013)

There was a strong positive and highly significant correlation between Horizontal M&Aand Organizational Performance ($r = .571$, $P < 0.05$). According to (Lubatkin, 2013), concentric mergers have greater potential to create shareholder value than unrelatedmergers. These are usually undertaken to facilitate consumers, since it would be easier to sell these products together. Also, this would help the company diversify, hence higher profits. Selling one of the products will also encourage the sale of the other, hence more revenues for the company if it manages to increase the sale of one of its product (Suzan, 2011).

However, There was a strong negative but insignificant correlation between Concentric M&A and Organizational Performance (r = .360, P > 0.05). According to Synergy Theory, when two or companies combine their efforts and resources they get better results compared when do things in a separate way. Thompson et al. (2015) used firm's success factors towards organizational performance as a basis for their success and sustainability. Cultural theory draws focus away from concepts such as risk and safety, and towards social institutions. To deal with risk in a reasonable manner one must understand the underlying mechanisms. According to Thompson et al. (2015), people feel the need to justify their own way of life. The results imply that Horizontal Merger, Vertical M&A and Conglomerate M&A significantly influenced Organizational Performance of SMEs in Mogadishu.

Table 4.15 Correlation

		Horizontal M&A	Vertical M&A	Concentric M&A	Conglomerate M&A	Organizational Performance
Horizontal M&A	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	38				
Vertical M&A	Pearson Correlation	.194	1			
	Sig. (2-tailed)	.244				
	N	38	38			
Concentric M&A	Pearson Correlation	.075	.627**	1		
	Sig. (2-tailed)	.655	.000			
	N	38	38	38		

Conglomerate M&A	Pearson Correlation	.339*	.569**	.268	1	
	Sig. (2-tailed)	.037	.000	.103		
	N	38	38	38	38	
Organizational Performance	Pearson Correlation	.571**	.659**	.360*	.679**	1
	Sig. (2-tailed)	.000	.000	.026	.000	
	N	38	38	38	38	38

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

**. Correlation is significant at the 0.01 level (2-tailed).5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary of Findings

The study come out to examine the effects of Merger and Acquisition on Organizational Performance of SMEs in Mogadishu, in which Organizational Performance was evaluated, based on, Horizontal M&A, Vertical M&A, Concentric M&A and Conglomerate M&A these formed the variables for the study. In particular it set out to answer the research question of whether Merger and acquisition has an effect on Organizational Performance of SMEs in Mogadishu. The study established that mergers and acquisitions have increased Organizational Performance of SMEs in Mogadishu. According to the study, increase in overall Organizational Performance was consistent after the merger /or acquisition in the companies studied. However, it was established that M&A was not solely responsible for the Performance of the merged company but there was a significant relation between M& A and growth in market share of the firms involved. Findings illustrated that, mergers and acquisition of SMEs contributed to increased market share of the companies. Acquisition of new markets and customer loyalty was enhanced due M&A. It was also established that quality of products developed by companies after merger had a great impact in the growth of market share which resulted high organizational Performance

Findings revealed that, engagement of mergers and acquisition greatly contributed to improved internal processes and procedures of the merger/acquired companies, this helped in realizing internal efficiency. The existence of similar operating structures between the acquirer and the target assisted the merged entities to accelerate growth.

5.2 Conclusions

The study concludes that indeed mergers and acquisition has great effects on Organizational Performance of SMEs in Merchandise and Service industries. Most of the firms studied showed improved Organizational performance after merger /or acquisition in terms of profitability, market growth etc. This was due to reduced cost of operation brought about by economies of scale. However, the study also found out that mergers and acquisition was not the only contributor to Organizational Performance; other factors did also contribute towards increased Organizational Performance.

In regard to Organizational Performance, there was a strong correlation between mergers and acquisition and Organizational Performance. It was established that M&A helps companies acquire new markets at the same time enhance customer loyalty, which in turn translates to increased market share and high performance. The quality of products offered also plays a major role in improving market share of the merged firm and therefore companies are urged to develop quality products that meet market needs.

On the effects of M&A on operational efficiency of the company, the study admits that M&A has led to enhanced internal processes and procedures, better information & technology systems and improved internal efficiency.

5.3 Recommendations

Based on the findings and conclusions made, the study makes the following recommendations:

1. There is need for merchandise and services companies to adopt merger/acquisition as a strategic approach to boost organizational performance.
2. The merger/ acquisition strategy is sure way to enhance external Organizational performance of SMEs in Mogadishu. However, correct choice of the target must be identified to allow generation of synergies that will foster Organizational Performance and improve profitability.
3. Merger/Acquired companies should also offer high quality services to satisfy consumers' needs, will be the potential competitive advantage
4. Management should come up with a sound strategy towards its long term goals so as to avert the problem of mismatching investments

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