**COMPANY ACQUISITION AND FINANCIAL PERFORMANCE IN THE TELECOMMUNICATIONS INDUSTRY**

**A CASE STUDY OF ECHOTEL COMMUNICATION PROPRIETARY UGANDA LIMITED**

**BY**

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# DECLARATION

I **KAPASKA MERONE** declare that this dissertation under the topic “company acquisition and financial performance in the telecommunications industry in Uganda focusing on a case study of Echotel Proprietary Uganda Limited” is my original work and is presented for approval for field study.

Signature: …………………………..

Kapaska Merone

# APPROVAL

This dissertation has been approved for the award of the Degree of Master of Business Administration of Nkumba University

Signature: ………………………

Madam Assimwe Violet (Supervisor)

Date: .…/……./……

# DEDICATION

I would like to dedicate this work to my family.

# ACKNOWLEDGEMENT

I thank the almighty God who sustained me throughout my stay at the University.

My appreciation further goes to my family and all my friends for the support, advice and encouragement. I would like to thank my supervisor Madam Asiimwe Violet, for the tireless effort and time devoted to me and the invaluable input. Thank you so much for your advice, guidance and encouragement during my research.

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# LIST OF ABBREVIATIONS

EPUL: Echotel Proprietary Uganda Limited

# ABSTRACT

The study examined the influence of company acquisition on financial performance in the telecommunications industry in Uganda and focused on Echotel Proprietary Uganda Limited as a case study of. It was guided by three objectives, to examine how acquisition has mitigated company weakness and bolstered company strength at Echotel Proprietary Uganda Limited, to assess how acquisition has contributed to achieving market power through reduced competition at Echotel Proprietary Uganda Limited, to examine how acquisition has created synergies and created value addition for Echotel Proprietary Uganda Limited.

The study adopted both phenomenological approach and used both quantitative and qualitative information. The study population was 110 and a sample size of 102 respondents. The study revealed that the most effective contribution of company acquisition to financial performance in EPUL is to created synergies and creation of value addition (Adjusted R Square of 71.7%), followed by market power through reduced competition (Adjusted R Square of 67.1%) and the least contribution is to mitigating company weaknesses and bolstering company strength (Adjusted R Square of 24.3%).

In conclusion, it is noted that there is a statistically significant relationship between company acquisition and financial performance at EPUL and hence the null hypothesis was rejected. This is because all the p-values for the research objectives were below the alpha of 0.05.

The study recommended that EPUL should review its human capital rationalization policies in the post-acquisition period in order to ensure that they are able to effectively leverage on their workforce to enhance its financial performance. In addition, EPUL should utilize a wide array of marketing strategies and tools to entrench its brand recognition and expand its insurance products offering so as reach out to the vast uninsured market.

# CHAPTER ONE

# INTRODUCTION

# Overview

This chapter presents the background to the study, statement of the problem, purpose of the study, research objectives, research questions, and hypotheses of the study, scope of the study, the significance of the study and the arrangement of the study.

# Background to the study

The study was about company acquisition and financial performance in the telecommunications industry in Uganda. It based on a case study of Echotel Proprietary Uganda Limited (EPUL).

Echotel Proprietary Uganda Limited was selected for this study because it is a good representative of companies that have undergone the process of company acquisition. According to Mulema (2019), ICT solution provider, iWay Africa Uganda, announced a change in ownership which resulted in a name change to Echotel Proprietary Uganda Limited, and now forms part of the Echo Group, an ICT service business.

The study is justified because nowadays many organisations have been able to grow in a drastic manner and have generated revenue by means of aggressive acquisition strategies; in regards to the telecommunications industry, experienced executives have in the previous years looked for ways in which they can generate revenue and gain market share in an efficient and profitable manner and this has been done through facilitating strategic growth through acquisition (Chatterjee, 2016). Acquisition has been identified as an inorganic growth strategy done with motives of gaining a new product line, customer segment or geographical expansion. In addition, Ruback (2015) explains that companies go through with acquisition for a lot of reasons which include diversification into a new type of market, capturing synergistic resource exchanges among firms that are merging as well as overcoming barriers to entry in a new market environment.

The historical trend of company acquisition shows that the wave is usually caused by a combination of economic, regulatory and technological shocks. Gaughan (2017) notes that the first four waves occurred between 1897 and 1904, 1916 and 1929, 1965 and 1969, and 1984 and 1989. The first merger wave occurred after the depression of 1883, peaked between 1898 and 1902, and ended in 1904. During the second merger wave, several industries were consolidated in many parts of the world. The third merger wave featured a historically high level of merger activity. After the third merger wave, a historic merger paved the way for a type that would be pervasive in the fourth wave: the hostile takeover by major established companies. Clearly, the value of deals in the sixth merger wave covering the four-year period 2004-2007 was comparable to the fifth wave and exceeded that of the fourth wave.

Mailanyi (2014) defines acquisition as a situation where one company known as an acquirer or predator acquires another firm known as the target firm, which means that the process occurs when one company takes over another in terms of management or ownership. Acquisitions involve the taking over by one company of the share capital of another in exchange for cash, ordinary shares, loan stock or a combination of this. This results in the identity of the target being absorbed into that of the acquirer. The acquiring firm retains its name and identity, and it acquires all of the assets and liabilities of the acquired firm leading to none existence of the acquired firm (Akinbuli and Kelilume, 2013).

Richard and Robinson (2012) define financial performance as the actual output or results of an organisation as measured against its intended outputs or objectives. It is further noted that financial performance encompasses three specific areas of firm outcomes which include financial performance (profits, return on assets, return on investment), product market performance (market share) and shareholder return (total shareholder return, economic value). Torgar (2015) adds that financial performance is a broad contrast which captures what organisations do, produce, and accomplish for the various constituencies with which they interact. The study adopted the definition by Richard, et al (2012) as it clearly explores the working dimensions of the dependent variable.

The study was guided by the Synergy Gain Theory which was advanced by Ansoff, H. in 1987 and the Stewardship theory which was developed by Donaldson and Davis in 1991. The Synergy Gain Theory is best fit to guide the study because it embraces the idea that acquisitions are done to get synergistic benefits out of the combined firm that is of acquirer and target together. The Synergy Gain Theory assumes that the value of combined firm is likely to be greater than the acquirer and the target firm separately. Weston (2010) explains that the gains arise out of the financial or operating synergies though economies of scale of operations. It means when the two firms combine, their fixed cost is distributed among the large scale of productions leading to less fixed cost. Apart from the economies of scale, there is another variant of it which is called as economies of scope where the complementary resources of the acquirer and target firm are combined to bring synergy gains. For example, the acquirer is good at marketing and target is good at its research division, they combined to produce a new product and market it.

The Stewardship theory is fit to guide the study because it argues that people are intrinsically motivated to work for others or for organizations to accomplish the tasks and responsibilities with which they have been entrusted in a bid to increase on company’s financial performance (Menyah, 2013). The Stewardship Theory is further relevant because it argues that people are collective minded and pro-organizational rather than individualistic and therefore work toward the attainment of organizational, group, or societal goals because doing so gives them a higher level of satisfaction.

Increased competition arising from the fast-changing global market has resulted in a situation where firms are finding it increasingly difficult to remain competitive. More than ever before many skills, capacities and resources that are essential to a firm’s current and future prosperity are being found outside existing boundaries and outside management’s direct control. Accordingly, managers must think outside these boundaries in order to ensure that their firms remain competitive and enter into relationships that will avail tangible and intangible benefits. The changing environments and the new forms of competition have created new opportunities and threats for firms. This has forced many of them to adopt many forms of restructuring activity. It has therefore become common phenomenon for firms to come together in pursuit of a common strategy which avails gains to both firms (Gupta, 2012).

Acquisitions are one of the routes that firms are using to achieve required capacities and resources in an effort to increase their earning capacity. According to Piaskoki and Finkelstein (2004), acquisitions bring operational efficiencies which may arise from economies of scale, production economies of scope, consumption economies of scope, improved resource allocation like moving to an alternatively less costly production technology, improved use of information and expertise, a more effective combination of assets and improvements in the use of brand name capital.

According to Kumar and Rajib (2017) acquisitions create corporate synergies which may result in more efficient management, improved production techniques and exploitation of increased market power. The target company shareholders will be willing to sell their stock to the acquiring company when there are high prospects of higher-than-normal gains from the sale or when they know their company may not survive alone (Koller at el, 2010). The shareholders of the acquiring company would be willing to pay a price even if high to acquire a target company when they expect that such a purchase would be beneficial to them in the long run. However, various studies done by different researchers have failed to agree as to who acquisitions actually benefit.

Maditinos et al (2014) suggest that at least in the short run it can never be a win-win situation for the shareholders of the target and acquiring companies. They assert that if the shareholders of the target company gain then this can only be at the expense of the acquiring company shareholders. Recent corporate merger and acquisition activity witnessed in the Kenyan economy is a sign that companies are increasingly accepting this takeover option as a means towards developing their corporate strategies either in the country or in the industry. Besides, the move towards regional integration has indeed sparked a flurry of cross regional expansion which has seen various company’s not only use cross-listing across various markets as a means of increasing regional presence but also as a way marked to increase regional acquisitions and buyouts (Zhao, 2016).

Based in Kampala, Uganda, Echotel Proprietary Uganda Limited is a Private Limited Company that was established in 2019 after acquisition process by the acquirer company of Echotel Proprietary South Africa. The organisation operates in the Telecommunications sector. The organisation is owned by South African based enterprises.

According to a 10-year performance plan (2019-2028) Echotel Proprietary Uganda Limited is set to achieve the following objectives under acquisition;

1. To mitigate the weaknesses of either business and to bolster their combined strengths.
2. To achieve market power through reduction of reduced number of competitors.
3. To create synergies by creating additional value by company combination.
4. To increase coverage to previously unprofitable areas and maintain high standards of customer satisfaction.
5. To increase on company’s reach to more people
6. To enhance on the company service delivery
7. To be able to offer aggressive bandwidth speed packages.

However, it is without a doubt that Echotel Proprietary Uganda Limited is facing problems in achieving success of its set objectives listed above. The study therefore focused on establishing the extent to which the company is achieving its set objectives in line with achieving improved levels of company performance.

# Statement of the problem

Acquisition is expected to enable companies achieve a wide range of goals such as enhanced market size, acquisition of missing capabilities and competencies, firm growth, product diversification, operation risk reduction, operational efficiencies and a better financial standing. However, despite the efforts by Echotel Proprietary Uganda Limited in ensuring effective strategies for acquisition, the company is still facing problems of poor financial performance levels. This is evidenced by the following;

In a performance review meeting held on 12th November 2021, the director complained about the failure of effectively integrating the operations of both acquired company in line with the functioning of the parent company. This has led to combined failure of both companies in being unable to reach the set desired company targets in terms of cost savings from synergies.

According to a performance management meeting held on 16th July 2019, the company’s public relations officer revealed that since the finalisation of the acquisition process, there exists differences in company cultures because they are so dissimilar in form of difference in technology, communication style and leadership. This has negatively affected the financial performance through decreased levels of employee productivity.

The quarterly financial performance report (2020) showed that the company has been experiencing negative cash flows in their operations for the financial year 2018/19 and 2019/20, this is due to the ongoing poor decision making in various projects and services, thus yielding lower returns than anticipated.

This situation is threatening and if it does not improve the financial performance remains poor within Echotel Proprietary Uganda Limited which may cause the company to loose market share, reduced profits and a declined in shareholder wealth.

# Purpose of the study

The study sought to examine the influence of company acquisition on financial performance in the telecommunications industry in Uganda. It focused on a case study of Echotel Proprietary Uganda Limited.

# Research objectives

The following research objectives guided the study;

1. To examine how mitigating company weaknesses has influenced return on assets at Echotel Proprietary Uganda Limited.
2. To assess how bolstering combined strength influenced return on investment at Echotel Proprietary Uganda Limited.
3. To examine how market power has created synergies for shareholder wealth for Echotel Proprietary Uganda Limited.

# Research question

The following research questions guided the study;

1. How has mitigating company weaknesses influenced return on assets at Echotel Proprietary Uganda Limited?
2. How has bolstering combined strength influenced return on investment at Echotel Proprietary Uganda Limited?
3. How has market power created synergies for shareholder wealth for Echotel Proprietary Uganda Limited?

# Hypotheses of the study

The study tested the following hypothesis:

Ho: There is no significant relationship between company acquisition and financial performance at Echotel Proprietary Uganda Limited.

Hi: There is a significant relationship between company acquisition and financial performance at Echotel Proprietary Uganda Limited.

# Scope of the study

The scope of the study was divided into three sections as follows;

## Geographical scope

The study was carried out at Echotel Proprietary Uganda Limited located in Kampala, on Plot No, 1 Floor/ Suite No: Ground Street; Colville Town. The geographical coordinates of Echotel Proprietary Uganda Limited Ltd are 0.0580519, 32.507571.

## Content scope

The study discussions were limited on company acquisition as the independent variable and financial performance as the dependent variable. The study discussed how the concept of acquisition process can affect financial performance in terms of productivity, profitability and effectiveness in order to establish the relationship between the study variables.

## Time scope

The study mainly explored data from a time period of two operational years that is from 2018-2019 and 2019-2020 because this is the period when Echotel Proprietary Uganda Limited had high rates of poor company performance.

# Significance of the study

**Management of Echotel** Proprietary Uganda Limited: The study findings and conclusions may form a basis upon which the management of Echotel Proprietary Uganda Limited may assess their company performance, identify gaps and adopt best practices to improve on their performance.

**To other telecommunications companies:** This study intends to provide relevant information to other companies on how acquisition can be effectively implemented in order to achieve financial performance goals and also to help stakeholders to understand the relevance of the concept in successful achievement of company objectives.

**To other researchers:** This study also intends to contribute to the body of knowledge in form of additional literature and may be used as reference material by other researchers intending to research in areas of acquisition and company performance.

# CHAPTER TWO

# STUDY LITERATURE

# Introduction

This chapter is divided in four key sections. Section one deals with review of relevant theories that underpin the study. Section two deals with the literature survey which is concerned with local studies that have been conducted in the area of company acquisition and financial performance. section three reviews relevant literature in line with the study objectives and section four presents the conceptual framework.

# Literature survey

There are similar studies in other areas outside the scope of Echotel Proprietary Uganda Limited. Below is a review of the major studies.

Mirembe (2014) conducted a study about the effect of Company acquisition on the financial performance of petroleum firms in Uganda. The study was limited to a sample of pair companies listed on the Ugandan market that merged/acquired between the years 2002-2012. Data were collected from the Annual Statement of Accounts and Financial Reports of the firms. Comparisons are made between the mean of 3-years pre-merger/acquisition and 3-years post-merger/acquisition financial ratios, while the year of merging/acquisition is exempted. The study findings revealed that there was improvement in the firms‟ performance after the merging/acquisition takes place. It recommends that merging and acquisition should not be used to keep failing business alive but to increase competitiveness and financial standing and management should also instill discipline upon itself so that the continued existence of the firm is not jeopardized. The analysis and results also showed that petroleum firms performed better in the post- merger/acquisition era as compared to the pre-merger/acquisition era. However, Mirembe’s study did had a knowledge gap, the study did not identify how company acquisition affects elements of financial position such as how company weaknesses are mitigated and how combined strength is bolstered, it is the aim of the current study to fill the identified gap.

Njoki (2017) conducted a study about the effects of company acquisition on organisational performance in the insurance industry of Uganda, focusing on a case study of Goldstar insurance company. The study was guided by three research objectives, i) to determine the effect of acquisition induced managerial efficiency on organizational performance of Goldstar, ii) to establish the effect of acquisition led human capital rationalization on organizational performance of Goldstar and iii) to examine the effect of acquisition -based market penetration on organizational performance of Goldstar. The results of the study indicated that both managerial efficiency and human capital rationalization had an insignificant effect while market penetration had a significant effect on the organizational performance of Goldstar Uganda in the post-merger/acquisition period. To improve on its managerial efficiency, the study recommends that Goldstar Uganda should strive to strike a good balance between its net earned premiums and incurred claims and operating expenses. However, Njoki’s study also had a knowledge gap, the study did not identify how company acquisition affects elements of financial position such as how the process contributes to market power through reduced competition, it is the aim of the current study to fill the identified gap.

Gitonga (2014) researched about impact of acquisitions on the financial performance of the acquiring companies in Uganda focusing on a case study of listed acquiring firms in Uganda Securities Exchange. The study was guided by two research objectives namely; i) to determine the Pre and post-Acquisition profitability of the acquiring firm and ii) to evaluate Pre and Post Acquisition asset utilization of the acquiring firm. Purposive sampling procedure was used to select a sample of all the acquisitions involving listed acquiring companies. Three years pre and post-acquisition financial statements of the acquiring company were examined. Key financial ratios were computed and used to determine the company’s pre and post-acquisition financial performance. Paired t-test was used to determine whether there was significant difference between the means of the two periods for each ratio. From the findings it was apparent that there was no significant difference in pre and post-acquisition ratios measuring profitability and asset utilization. The study therefore concluded that corporate acquisitions do not affect the financial performance of the acquiring company. However, Gitonga’s study was conducted in a different setting operating under different business environment, yet this current study is conducted under the telecommunications industry.

# Theoretical review

## Synergy Gain Theory of Acquisition

Ansoff, H.I (1978) developed the Synergy Gain Theory from the perspective of corporate strategy synergistic effect. He believes that strategy consists mainly of four elements: Market scope, development, competitive advantage and synergy. Among them, the synergy shows that how companies identify their capabilities and opportunities through the matching relationship to development new business successfully. He established the economic meaning of synergy, which is why the value of the whole enterprise may be greater than sum the value of each part. Not only include the land, equipment, plant and other tangible assets shares, but also include the sharing of intangible assets such as technology, company image.

The Synergy Gain Theory is suitable for the study because it acknowledges that firms are acquisition because the value of the combined firm is greater than the sum of the values of the individual firms. Itami advanced the company’s strategy should cooperate of five areas, three external fields are user, competition and technology, two external fields are the resources and organization. He discussed the five areas and analysis synergy in each area. The goal is use of all the company resources in the most effective way, while creating enough resources. The company must make all the resources have the greatest performance; one way to do this is to increase the utilization of resources. By increasing efficiency to save costs or increase sales approach, Itami called this is complementary effect. While complementary effect is valuable, but it is very easy to follow by other companies, and cannot provide lasting advantages for the company.

## Stewardship Theory

The stewardship theory was first developed by Davis, Schoorman and Donaldson in 1997 who argued that a steward protects and maximises shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximised. In this perspective, stewards who are the company executives and managers working for the shareholders, seek to protect and enhance firm profitability for the shareholders (Ahmed and Zahid, 2014). The theory suggests that stewards are satisfied and motivated when organizational success is attained. Stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust (Afza and Nazir, 2014). The theory also stresses on position of employees or executives to act more autonomously so that the shareholder’s returns are maximised. Indeed, this can minimise the costs aimed at monitoring and controlling behaviours (Sharman and Jonathan, 2012).

On the other end, Gupta and Banerjee (2017) argue that in order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the firm to maximize financial performance as well as shareholders‟ profits. In this sense, it is believed that the firm’s performance can directly impact perceptions of their individual performance. Mishra and Chandra (2012) contend that executives and directors are also managing their careers in order to be seen as effective stewards of their organization, whilst, Sharma and Jonathan (2012) insisted that managers return finance to investors to establish a good reputation so that they can re-enter the market for future finance. This theory was relevant to the current study as it tried to explain why company managers were likely to enter into company acquisitions as to portray an image of good stewards.

# Literature review

# Mitigating company weaknesses and bolstering company strength

The motives behind Company acquisition stated by (Kinshore, 2014) involve revolution in information technology (IT) has made it necessary for companies to adopt new changes in the communication and information technology for improving corporate performance. Additionally, changed fiscal and government policies like deregulation or decontrol has led many companies to go for newer market and customer segments. Musyoki (2015) notes that many companies divisionalized into smaller businesses. Wrong divisionalization strategy has led to companies revamping themselves. Product divisions which do not fit into the company’s main line of business are being divested. Global market concept has necessitated many companies to company acquisition because lowest cost producers only can survive in the competitive global markets. Improved productivity and cost reduction have necessitated downsizing of the workforce both at works and managerial level. Convertibility of domestic currency has attracted medium sized companies to participate in the global markets. Company acquisition take place due to many reasons. The basic purpose of merges or business combination is to achieve faster growth of the corporate business. Below are some of the most common reasons for acquisitions.

Naba (2014) asserts that company acquisition improves liquidity and have direct access to cash resource. Additionally, by asset backing a merger may be driven by the need of a company seeking another with substantial asset value. This is particularly so for „risky‟ companies in the service industry such as consultancies, ICT, Research. Company acquisition assist to dispose of surplus and outdated assets for cash out of combined enterprise. This is where a predator or acquirer company will buy an under-valued company, break it up into smaller pieces and then sell them separately to realize capital gains. Ndung’u (2011) furthermore explains that company acquisition enhances gearing capacity; this is by borrowing on better strength and greater assets backing. To avail Tax benefits. Where a profitable company paying high corporation tax acquires a firm with accumulated tax losses the legislation may allow acquisition of a loss-making company thus reducing the tax burden of the merged company. Also, tax can be reduced through utilization of unused debt capacity. Lastly the merged companies can reinvestment of surplus funds ("free cash flow") in non-taxable acquisitions as an alternative to paying dividends or repurchasing stock.

Company acquisition enable to eliminate competition and protect existing market by obtaining new market outlets. This is through market power- where by one firm may acquire another to increase its market share and market power (Nima, 2015). In such mergers, profits can be enhanced through higher prices and reduced competition for customers. Diversifying products or services: Another reason for merging companies is to complement a current product or service. Two firms may be able to combine their products or services to gain a competitive edge over others in the marketplace. For example, in 2008, HP bought EDS to strengthen the services side of their technology offerings (this deal was valued at about US$13.9 billion). In terms of economies of scale, company acquisition also translates into improved purchasing power to buy equipment or office supplies when placing larger orders, companies have a greater ability to negotiate prices with their suppliers. Improved market reach and industry visibility where companies merge to reach new markets and grow revenues and earnings (Olagunju and Obademi, 2012).

Company acquisition is undertaken to enable companies to achieve economies of scale by amalgamating production facilities through more intensive utilization of plant resources. Additionally, Company acquisition is undertaken to standardize product specifications, improvement of quality of product, expanding markets and aiming at customer’s satisfaction through strengthening after sales services (Onaolapo and Ajala, 2012). This enables companies to reduce cost, improve quality and produce competitive products to retain and improve market share. Additionally, companies are able to obtain improved production technology and know-how from the offered company (Onotu and Yahaya, 2016).

Company acquisition helps achieve strategic objectives through alternative types of combinations which may be horizontal, vertical, product expansion, market extensional or other specified unrelated objectives depending upon corporate strategies (Yanan, 2016). This is an opportunity to take advantage of the competitive environment if certain things occur or, more generally, to enhance management flexibility with regard to the company’s future operation.

A combined firm may operate more efficiently than two separate firms. A firm can achieve greater operating efficiency in several different ways through a merger or an acquisition. Economies of scale relates to the average cost per unit of producing goods and services. If the per unit cost of production falls as the level of production increases, then an economy of scale exists (Parmenter, 2015). When companies merge, overheads are reduced and operational efficiency is improved since there is a sharing of central facilities such as corporate headquarters, top management, staff and computer services. Through economies of vertical integration; vertical acquisitions make it easier to coordinate closely related operating activities.

# Achieving market power through reduced competition

Competitive advantage being a unique position that a firm develops in comparison to its competitors can with good plan assist in protecting the market against new entrants or small local rivals. The use of competitive advantage to help realize corporate goals only delivers the results when well understood in the organization. Porter (2016) states clearly that competitive advantage should be seen in terms of discrete activities a firm performs in designing, producing, marketing, delivering and supplying its products and services. Industry leaders are consequently building their competitive advantage through collaboration, mergers, customer relationship and loyalty programs (Naragandas, 2015). Firms of all sizes need to see competitive advantage as an integral part of ensuring long term survival and prosperity. Creating competitive advantage is dependent of having the right source of competitive advantages which can be within or without the firm.

A new economic business climate suggests that firms must be more aggressive and competitive to survive harsh economic times (Arbalaez, 2011). Foreign direct investment in the form of acquisitions is often an effective way of competing in a tough global environment. There are a lot of reasons why companies may opt to go through a merger and acquisition. However, the most general and obvious reason is the fact that the purchasing firm considers the acquisition to be a profitable investment. Firms enjoy economies of scale efficiencies when they combine their operations through acquisitions to reduce production costs, increase output, improve product quality, obtain new technologies and introduce new products. Potential economies of scale and efficiencies result from both managerial and operational efficiencies. Operational efficiencies may arise from economies of scale, improved resource allocation, more resources, and better technology in the production phase.

Managers believe that together they could achieve objectives far more effectively than would be possible if they were separated. Synergy occurs in elimination of duplicate staff, departments and combining sales forces and distribution systems. Ball and McCulloch (2016) illustrate that acquisitions take place when a firm is faced with expanding global competition, growth in research related costs and product development as well as growth for instance penetrating into new markets. As emphasized in Porter (1980) competitive advantage starts from cost advantage to product differentiation. Cost efficiency is the magic force that allows for enhanced cost efficiencies of the new firm after a firm goes through a merger and acquisitions. This takes the form of revenue enhancement such as cost efficiencies. Reduction in the number of staff- after acquisitions take place repeated roles in staff positions are likely to occur as a results companies tend to restructure and job losses occur. This leads to reduction to costs associated with staff (Pautler, 2011).

The need for diversification is one of the reasons that firms make decisions to undertake acquisitions. Diversification enables firms reduce risks as combined firms’ risks is less than the weighted average of the risks of the two firms prior to the merger. Firms merge to become more diverse, gain market share and penetrate new markets (Sekaran, 2017). Acquisitions enable firms reduce competition to manage interdependence with sources of input/output. Both firms no longer compete but now compete more effectively with other firms (Yash, 2015).

Financial efficiencies may arise especially if a firm opts to diversify their earnings by acquiring other firms with different income streams. This lessens variation in profitability reducing risk of bankruptcy. When one firm has made losses and the other profits, the loss making company pays no taxes, while the tax burden of the second firm will be smaller if the firms merge hence the aggregate net profit will lead to a lower tax liability. In cases of increased borrowing the merged firms enjoy the tax liability because of debt in tax deductible expenses. This in return helps increase profits as well as value of shares of the firm (Yash, 2015). A market power effect occurs automatically as a merger calls for a higher market share making the new firm the market leaders (Pautler, 2018).

# Synergies and created value addition

The potential economic benefits of acquisition are changes that increase value which would not have been achieved in the absence of a change in control (Christodoulou and Drogalas, 2016). These changes in control are potentially most valuable when they lead in the redeployment of assets, providing new operating plans and business strategies. The motives behind acquisitions are to achieve economies of scale, increase market power, benefit from the combined complementary resources, make use of surplus funds and idle resources and increase customer service quality. This is largely the reason why merger and acquisition are perceived as effective methods of improving firm’s competitive advantage. The competitive advantage indicators include product portfolios, sales and revenue, volume of transactions, as well as market share.

A vast majority of studies to establish the effect of acquisitions has focused on observations and cases from the developed world with little emphasis on developing countries within Africa. In addition, most of the research work done on acquisition has been more concerned with its effect on value of the firm, financial performance of the firm, and profitability (Pfeffer, 2010). Very few scholars have actually looked into the effect of acquisition on competitive advantage of a firm. Acquisition are strategic decisions taken for maximization of the firm’s growth by enhancing their production and marketing operations. Acquisitions are majorly used to gain strength, grow the customer base, reduce competition or enter into new product segments or new market. Acquisitions have increasingly become the most widely used strategy for a firm which seeks to establish a competitive advantage over its rivals (Thangavelu, 2015).

Many different sources of information were used; the most important were the academic literature written by organizational strategists. Although much of the facts in these authors’ non-fiction books are understandable and informative, the literature does not concern synergies directly but rather acquisition in general, and for that reason academic articles targeting synergies more precisely have been used to gather the latest data in the field of study (Sharma and Jonathan 2012). Many of the found articles have been written by experienced people working with acquisition at consultancy firms, making the information pragmatic and realistic.

# Financial performance

Financial performance among other alternatives, can be measured through evaluating a firm’s profitability, solvency and liquidity. The return on equity (ROE) and the return on assets (ROA) are the most common measures of profitability. By monitoring a firm’s profitability levels, one can be able to measure its financial performance. Solvency measures give an indication of a firm’s ability to repay all its indebtedness by selling all of its assets. It also provides information about a firm’s ability to continue operating after going through a major financial crisis. Quach (2005) also states that solvency measures the amount of borrowed funds used by the business relative to the amount of owners’ equity capital that is invested in the business as an indication of the safety of the creditors’ interests in the company.

Financial performance measures provide a mechanism for the organization to manage its financial and non-financial performance. Accountability is increased and enhanced, ensuring that projects support the organizational strategy and that better services and greater satisfaction are provided to a customer. Wilks and Imblelman (2014) found out that objective financial performance measures include indicators such as profit growth, revenue growth, return on capital employed. Financial consultants Stern Stewart and Co. developed the Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments (John, 2011). This ranking is based on some traditional aspects of financial performance including: total returns, sales growth, profit growth, net margin, and return on equity.

Dwivedi (2012) argues that other financial measures should include value of long-term investment, financial soundness, and use of corporate assets. John (2011) discussed accounting-based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure is calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

Lasisi (2018) states that financial performance measures serve as a basis for evaluating the financial performance of a corporate entity. He further states that Performance of an organization can be measured through return on assets (ROA), return on equity (ROE), earnings per share (EPS) among others. Additionally, many researchers; Pathirawasam and Adriana, (2013); Ali, Mohammed & Amer, (2015); Yahaya & Lamidi, 2015; have also used ROA to measure the financial performance of companies. ROA has been stated as the most sustainable because it is a measure of efficiency, as evidenced by how it reveals how effective and efficient a firm utilizes the resources (assets) at its disposal, in revenue generation. The liquidity risk factors that affect the firm performance of insurance companies include, liquidity ratio, premium growth rate, leverage, underwriting risk, claim ratio loss among others.

Although financial performance is influenced by a combination of factors facing the firm, a review of the literature provides evidence as to why firms should concern themselves with risk management. Vaughan and Vaughan (2008), provide a compelling reason for risk management by firms. They assert that the primary goal of risk management by firms is for survival. Risk management guarantees the continuity of the firm as an operating entity, hence ensuring that the firm is not prevented from attaining all its other goals through losses that might arise from pure risks.

# Conceptual framework and review

**Independent variable** **Dependent variable**

**Company acquisition**

* Mitigating company weaknesses
* Bolstering combined strength
* Market power
* Value addition

**Financial performance**

* Increase in profits.
* Return on assets.
* Return on investment.
* Increase in shareholder wealth.

Intervening variable

**Intervening variable**

* Company policy
* Staff qualification/ experience

**Source: Adopted from (Kinshore, 2014)** **and modified by the researcher (2021)**

# Figure 2.1:Conceptual framework showing the relationship between company acquisition and financial performance

The conceptual framework reflects two variables namely company acquisition as the independent variable and financial performance as the dependent variable. In other words, it’s conceptualized that financial performance depends on company acquisition.

In the current study, the dimensions of company acquisition include mitigating company weaknesses, bolstering combined strength, market power and value addition can lead to a direct impact on financial performance by affecting dimensions such as increase in profits, return on assets, return on investment and increase in shareholder wealth.

# CHAPTER THREE

# RESEARCH METHODOLOGY

# Introduction

This chapter presents issues relating to the research design that was adapted for the study; highlighting the study population, sample size as well as the sampling procedure or techniques. The methods and tools that used for data collection, procedures to be followed during the collection of data and data analysis techniques are also discussed in this chapter.

# Research design

The study used a cross section study because data was gathered at one point in time inorder to establish the relationship between company acquisition and financial performance. Qualitative data was then presented using narrative text. Under this section the following are identified, and explained research approach, research strategy, and research duration and research classification.

## Research approach

In the research approach the researcher posed phenomenological approach. This research approach allowed the interviewer to probe the richness of emotions and motivations related to the topic. The researchers also used qualitative data to help clarify hypotheses, beliefs, and attitudes about the influence of company acquisition on financial performance of telecommunications industry.

## Research strategy

The study used a case study as the research strategy and in this study Echotel Proprietary Uganda Limited is the company under focus. This involved an up-close in depth and detailed examination of Echotel Proprietary Uganda Limited’s acquisition process as well as its related contextual conditions. The case study strategy used analysed persons, events, decisions and policies in company acquisition.

## Research duration

The study adopted a cross-sectional survey basing on three years (2018-2020) to gather the relevant information about the variables. This period was based on because it is the time when Echotel Proprietary Uganda Limited faced challenges of financial performance.

## Research classification

The study used quantitative and qualitative research which are generally associated with the positivist approach. It involved collecting and converting data into numerical form hence use of statistical calculations where conclusions were drawn. In order to predict possible relationship between the variables, the study used various instruments such as self-administered questionnaire and interview guide forms.

# Study population

The target population for this study consisted of selected managers, department heads, procurement, human resource department and finance department. Therefore, the study targeted a total population of 136 individuals.

# Sample size and selection

The study used the Yamane formula of sample determination (1967:886) to determine the sample size as shown below.

n = N

**Where**

n = Sample size

N= Population size

e = margin of error at 95% confidence level

e = Margin of error/0.05

1 + N (e2)

n= 136

1 + 1 (0.052)

n= 136

1 + 136 (0.0025)

n=102

# Table 3.1: Population and sample size distribution

|  |  |  |  |
| --- | --- | --- | --- |
| **Category**  | **Population**  | **Sample Size**  | **Sampling technique**  |
| Managers | 10 | 10 | Census |
| Department heads | 20 | 12 | Purposive sampling  |
| Procurement department  | 24 | 15 | Purposive sampling  |
| Human resource department.  | 22 | 17 | Purposive sampling  |
| Marketing department. | 10 | 10 | Census |
| Finance department.  | 16 | 14 | Random Sampling  |
| I.T department.  | 8 | 8 | Census |
| Support staff | 26 | 16 | Random Sampling  |
| **Total**  | **136** | **102** |   |

**Source: Primary data (2021)**

# Background information of the respondents

This section presents the background information that was collected from respondents. The response rate for the study was 87.3%, this was computed by the 89 questionnaires that were returned out of from a total of 102 respondents. A response rate of 87.3% is acceptable to make study conclusions because it is above the recommended 70.0%; hence the basis of reporting in the subsequent chapters is out of 89 filled and returned questionnaires.

## Sex of respondents

The respondents were asked to identify the sex in which they belonged to, responses to the question are summarized in table 3.2

|  |
| --- |
| Table 3.2: Sex |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 49 | 55.1 | 55.1 | 55.1 |
| Female | 40 | 44.9 | 44.9 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to results in Table 3.2, it is revealed that 55.1% of the respondents were males while 44.9% were females. This means that most of the duties and activities at Echotel Proprietary are performed by males. The results also imply that all respondents were well represented in terms of gender and hence the study did not suffer from gender bias.

## Age of respondents

Respondents were asked to identify the age group that they belonged to, results to the question are summarised in table 3.3

|  |
| --- |
| Table 3.3: Age bracket (in years) |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30 Years | 20 | 22.5 | 22.5 | 22.5 |
| 31-40 Years | 29 | 32.6 | 32.6 | 55.1 |
| 41-50 Years | 32 | 36.0 | 36.0 | 91.0 |
| Above 50 Years | 8 | 9.0 | 9.0 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

As seen in Table 3.3, results show that majority of the respondents 36.0% were aged between 41-50 years, 32.6% were aged between 31-40 years, 22.5% were aged between 20-30 years while 9.0% were aged above 50 years. The results can be implied to mean that all respondents were adults and capable of understanding the study variables, hence attainment of reliable information.

## Period of stay in Echotel Proprietary Uganda Limited

The respondents were asked to identify the period of stay in years in Echotel Proprietary Uganda Limited. The results are summarised in table 3.4

|  |
| --- |
| Table 3.4: Period of service at Echotel Proprietary Uganda Limited |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Below 1 year | 10 | 11.2 | 11.2 | 11.2 |
| 1 - 3 Years | 15 | 16.9 | 16.9 | 28.1 |
| 4-6 Years | 28 | 31.5 | 31.5 | 59.6 |
| 7-9 Years | 17 | 19.1 | 19.1 | 78.7 |
| Above 10 Years | 19 | 21.3 | 21.3 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 3.4 indicate that majority of the respondents had spent a period between 4-6 years in EPUL, while minority had spent a period of below 1 year. The results can be concluded to mean that all respondents had spent a recognisable number of years within the telecommunication company and as such were presumed to have a clear understanding about the change in ownership affected the company’s financial performance.

## Highest level of education attained

Respondents were also asked to identify their highest level of education, responses to this question are highlighted in table 3.5

|  |
| --- |
| Table 3.5: Highest education level attained |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Certificate | 7 | 7.9 | 7.9 | 7.9 |
| Diploma | 19 | 21.3 | 21.3 | 29.2 |
| Bachelor's degree | 36 | 40.4 | 40.4 | 69.7 |
| Master's degree | 5 | 5.6 | 5.6 | 75.3 |
| If others, please specify | 22 | 24.7 | 24.7 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 3.5 indicate that majority of the respondents 40.5% had degree of bachelors and 21.3% had diplomas while 7.9% had certificates. The results imply that a higher combined percentage of respondents had attained a recognizable and acceptable level of education in various fields; this means that they were assumed to have prior knowledge and understanding how to interpret or comprehend statements in the study instruments, hence provided reliable information for analysis

# Sampling method

## Simple random sampling

The study utilised simple random sampling to select respondents from finance, department heads and I.T department. The technique was applied to because it eliminates bias, both conscious and unconscious, that the analyst may present in sample choice. Simple random sampling method also offered each part of the populace an even chance of being chosen for the task and it is required for inferential measurements since the analyst wants to create deductions about the population basing on the behavior of tests (Shadish, et al, 2012).

## Purposive sampling

The study used purposive method of sampling to select respondents from managers, procurement department, human resource department and marketing department. Purposive sampling was used because it is foremost method of selecting a sample from different divisions and it assists the researcher to choose a sample with crucial information on the subject (Creswell, 2009).

# Data collection sources

According to Weiner, (1995), data collection is a standout amongst the most essential stages in carrying on research. It helps in figuring out what sort of data is needed.

## Primary data

Primary data is data that is collected by a researcher from first-hand sources. In this study, primary data was collected directly from primary sources with the aim of gathering richness of information from most reliable and informed respondents about the current situation of the study problem.

## Secondary data

Secondary data is data gathered from studies, surveys, or experiments that have been run by other people or for another research. The current study gathered information from secondary sources because it has a pre-established degree of validity and reliability which need not be re-examined by the researcher.

# Data collection methods

## Interview survey

This method was selected since it produces information based on data needs, opinions and concepts centered on respondents (Andrea, 2014). Therefore, respondents had an opportunity to grow on their thoughts, investigate their opinions conjointly and also recognise what they regard as their vital factors (Ibid). The interview method was mainly applied on respondents from managers and department heads.

## Questionnaire survey

The questionnaire method was distributed to respondents in categories of managers, department heads, procurement department, human resource department, marketing department and finance department. The researcher used the survey method to obtain information relating to the influence of company acquisition on financial performance. The method was utilized since information can be collected generally rapidly because the study does no need to be available when the surveys are being completed (Andrea, 2014).

## Documentary review

The study was reviewed various documents at Echotel Proprietary Uganda Limited, these included documents of corporate acquisition, financial performance evaluation reports, company implementation plans and strategies and supervision reports between 2019 and 2020. The reports were reviewed because they can provide a clear picture about the level of financial performance in the company. This method was used because a lot of information can be reviewed to provide the most reliable and relevant information.

# Data collection instruments

According to Abawi (2014), the following are important in collecting valid and reliable information of the study.

## Interview guide

Respondents from management and departmental heads were most emphasised for the interview sessions. The study used the interview guide because it helped to cover high level questions that need answers under each objective (Sekaran and Bougie, 2010). The study therefore, designed structured interview guides with a list of same questions and in the same order that participants are to provide answers to. This was done by the researcher to ensure that the purpose of the interview is clearly expressed to the respondents, neutral questions were the first in all sessions in order to facilitate free flow of information (Bird, 2016).

## Self-administered questionnaire

The study also used self-administered questionnaire (SAQ) designed to specifically be completed by managers, department heads, procurement department, human resource department, marketing department and finance department without intervention of the researcher. This instrument was used because it is easy to administer, and it allows literate respondents to give their views without fear (Sekaran and Bougie, 2010). The survey utilised a 5-point Likert scale. The survey comprised of statements which require the respondents to select one out of the five suppositions with strongly disagree=1, disagree=2, not sure=3, agree=4 and strongly agree=5. All categorical respondents in the strata including managers, department heads, procurement department, human resource department, marketing department, finance department and I.T department were selected for the self-administered questionnaire because they were assumed to have prior knowledge about the study variables.

## Documentary review checklist

The researcher consulted documents such as the Echotel Proprietary Uganda Limited financial performance reports, acquisition processes and terms, profitability reports of the company. The document review checklist was used to collect secondary data because the process can be done independently without needing to solicit extensive input from other sources.

# Validity of the instrument

The instruments in this study; that is the questionnaire and interview guide were first evaluated to determine their correctness in gathering accurate data. In addition, all the items included in the instruments of this study were built basing on earlier studies and reviewed by the supervisors before the data collection exercise takes place. This ensured their appropriateness in collecting accurate data.

After, content validity was used on the basis of the extent to which questions signify the issue they are supposed to measure (Kumar, 2014). This was done through expert judgment of the research supervisor where he/she was given the research instruments to rate out items that are valid. After, Content Validity Index (CVI) for every instrument was determined by summing up the number of items rated as valid by each expert judge divided by the total number of items in the instrument.

That is CVI = $\frac{No. of Items valid by all Judges}{Total No. of Items in the instruments}$

According to Sekaran (2003) and Amin (2005) any instrument with a high CVI of close to 1 or 0.7 above is accepted as valid to collect intended data.

**Content relevance scale**

1: Irrelevant item, 2: Somewhat relevant, 3: Mostly relevant, 4: Extremely relevant

**For item 1 (Mitigating company weaknesses and return on assets): Three experts rated the item “2” and Seven experts rated it “3”**

CVR= Proportion of experts who rated item as content valid (a rating of 3 or 4)/ Total number of experts who rated it

CVR= 8/8, this means that the content validity ratio is 100.0%

**For item 2 (Market power and synergies for shareholder wealth): Two experts rated the item “2” and Eight experts rated it “4”**

CVR= Proportion of experts who rated item as content valid (a rating of 3 or 4)/ Total number of experts who rated it

CVR= 7/8, this means that the content validity ratio is 0.87

**For item 3 (Bolstering combined strength and return on investment): Three experts rated the item “1” and Nine experts rated it “3”**

CVR= Proportion of experts who rated item as content valid (a rating of 3 or 4)/ Total number of experts who rated it

CVR= 6/7, this means that the content validity ratio is 0.85

# Reliability of the instrument

The researcher was pre-test all the instruments used in this study to 10 respondents from Echotel Proprietary Uganda Limited because they did not participate in the study. After a period of three weeks, the same instruments were given to the same group of respondents in order to ensure consistent results (Bond and Fox, 2001). The researcher used internal consistency technique to determine the reliability of the instruments, where Cronbach’s Coefficient Alpha was computed in terms of the average inter-correlations among the items measuring the concept. According to Amin (2005) any instrument with a Cronbach’s Coefficient Alpha of 0.7 and above is accepted as reliable in gathering data.

# Data processing and presentation

The quantitative data was edited, coded and cross checked for completeness using Ms Excel and exported to Statistical Package for Social Sciences version 25 for analysis in form of numeric using tables and charts represented in frequncies and percentages of results. In reagrds to qualitative data, the researher presented the findings in narrative form by directly reporting respondents responses through quotations.

# Data analysis

## Analysing qualitative data

Qualitative data was transformed and arranged in an organised format. The qualitative data was analysed after making reference to the available literature so as to compare and contrast opinions presented by respondents. The collected data was presented systematically in order to draw conclusions and make recommendations.

## Analysing quantitative data

Quantitative data was analysed used cross-tabulation by using basic tabular form to draw inferences between data-sets in the study. The study used SPSS version 25 to edit, code and cross check the respondent’s responses in form of tables (frequencies and percentages) to make data interpretations. The hypothesis was tested using inferential statistics using regression analysis.

# Ethical considerations

In carrying out the study, the researcher observed research ethics. First informed consent was given consideration for all staff and patients of the hospital and these were asked to participate in the study if they are certain they want to do so (Nijhawan et al., 2013). In addition, anonymity by ensuring that the identities of the respondents remain secret was given due attention. For confidentiality, the respondents provided responses in privacy and by not revealing their identities (Kaiser, 2009). Autonomy was ensured by respondents being informed of being at liberty to provide responses or not to (Coggon & Miola, 2011). As indicated by Kaiser (2009), balancing of risks and benefits was ensured by ensuring that the respondents provide responses in confidence.

# Limitation and de-limitation of the study

Low-response: The researcher faced a problem of non-response and the researcher was overcome by administering many questionnaires as possible so as to eliminate higher likelihood of low response.

Inflexible design: The survey that was used by the researcher from the very beginning, as well as the method of administering it, cannot be changed all throughout the process of data gathering. This inflexibility is viewed as a weakness of the survey method.

# CHAPTER FOUR

# MITIGATING COMPANY WEAKNESSES AND RETURN ON ASSETS

# Introduction

This chapter provides answers to the first research question, that is: How has mitigating company weaknesses influenced return on assets at Echotel Proprietary Uganda Limited? It therefore determines whether EPUL’s weaknesses have been properly managed and also improved on its return on assets.

# The company has improved on communication technology leading to improved financial performance

The study sought to determine whether there has been an improvement on communication technology in a bid to improve on financial performance EPUL. The results are in table 4.1

|  |
| --- |
| Table 4.1: The company has improved on communication technology leading to improved financial performance |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 5 | 5.6 | 5.6 | 5.6 |
| Disagree | 10 | 11.2 | 11.2 | 16.9 |
| Not sure | 4 | 4.5 | 4.5 | 21.3 |
| Agree | 34 | 38.2 | 38.2 | 59.6 |
| Strongly agree | 36 | 40.4 | 40.4 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.1 results indicate that majority of respondents that is 78.6% generally agreed while minority of respondents 11.2% disagreed and 5.6 strongly disagreed; however, since majority of respondents agreed it can be implied to mean that joining forces with Echo group increased the company’s ability to reach more people. During an interview session, a key respondent expressed that;

*“We have improved on our service deliver, offer aggressive bandwidth speed packages and tremendously increased on coverage to previously unprofitable areas; this has been achieved with our highly advanced technology and I.T experts who ensure that we maintain high standards of customer satisfaction that the market has come to expect of us (Key respondent 1)”.*

This means that EPUL now provides improved services with fixed line services as well as a range of ICT services through enhanced internet connectivity.

# There has been faster growth of corporate business within the company

The respondents were asked whether there has been faster growth of corporate business within the company. The results are captured in table 4.2

|  |
| --- |
| Table 4.2: There has been faster growth of corporate business within the company |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 7 | 7.9 | 7.9 | 7.9 |
| Disagree | 8 | 9.0 | 9.0 | 16.9 |
| Not sure | 12 | 13.5 | 13.5 | 30.3 |
| Agree | 31 | 34.8 | 34.8 | 65.2 |
| Strongly agree | 31 | 34.8 | 34.8 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.1 results indicate that majority of respondents that is 69.6% generally agreed while minority of respondents 9.0% disagreed and 7.9% strongly disagreed; however, since majority of respondents agreed it can be implied to mean that the telecommunication company has not raised negative competition of public interest concerns. Respondents revealed that the growth in corporate business has not been a challenge since the company had been an existing player in the telecommunication business sector. It was also reported that EPUL has capitalized on economies of scale in the telecommunication sector, because there is great benefit in joining forces through applying common managerial techniques and through greater opportunities for specialisation of services.

# Acquisition enhanced company opportunities for Echotel

The study sought to determine whether the process of acquisition has improved opportunities for Echotel. The results to the question are presented in table 4.3

|  |
| --- |
| Table 4.3: Acquisition enhanced company opportunities for Echotel |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 24 | 27.0 | 27.0 | 27.0 |
| Disagree | 36 | 40.4 | 40.4 | 67.4 |
| Not sure | 8 | 9.0 | 9.0 | 76.4 |
| Agree | 10 | 11.2 | 11.2 | 87.6 |
| Strongly agree | 11 | 12.4 | 12.4 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.3 results indicate that majority of respondents that is 67.4% generally disagreed while minority of respondents 11.2% agreed and 12.4% strongly agreed; however, despite the difference in respondents, it can be concluded that the acquisition process has not yet fully developed opportunities for EPUL. Respondents revealed that there is still slow progressing in achieving higher number of client subscribers on the service, the financial boost and investment has not yet satisfactorily gained increased incomes for the company and also a big number of people in previously unreachable areas is still growing. This means that there is still more yet to be achieved by the company.

# The company has gained a competitive advantage within the industry

The study sought to determine whether the company has gained a competitive advantage within the industry. The responses to the question are summarised in table 4.4

|  |
| --- |
| Table 4.4: The company has gained a competitive advantage within the industry |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 29 | 32.6 | 32.6 | 32.6 |
| Disagree | 32 | 36.0 | 36.0 | 68.5 |
| Not sure | 10 | 11.2 | 11.2 | 79.8 |
| Agree | 14 | 15.7 | 15.7 | 95.5 |
| Strongly agree | 4 | 4.5 | 4.5 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.4 results indicate that majority of respondents that is 68.6% generally disagreed while minority of respondents 15.7% agreed and 4.5% strongly agreed; however, despite the difference in respondents, it can be concluded that the company is still faces dramatic changes in the landscape of Ugandan telecommunication industry. It was revealed that this is mainly caused by a high number of new companies both local and foreign that have emerged some as start-ups while others through mergers. It was revealed that immediately after acquisition, EPUL has tried to adapt low cost provider strategies, broad differentiation strategies and focused differentiation strategies to gain competitive advantage but this has still not yet been effective.

# The company has enhanced on its reach to more people thus bringing in more earnings

On this question, the study sought to determine whether more people have been reached to bring in more earnings; the results are presented in table 4.5

|  |
| --- |
| Table 4.5: The company has enhanced on its reach to more people thus bringing in more earnings |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 4.5 | 4.5 | 4.5 |
| Disagree | 5 | 5.6 | 5.6 | 10.1 |
| Not sure | 13 | 14.6 | 14.6 | 24.7 |
| Agree | 27 | 30.3 | 30.3 | 55.1 |
| Strongly agree | 40 | 44.9 | 44.9 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.5 results indicate that majority of respondents that is 75.2% generally agreed while minority of respondents 5.6% disagreed and 4.5% strongly disagreed; however, despite the difference in respondents, it can be concluded that the EPUL has to some extent increased compared to the number the company has when it was still referred to as iWAY. Respondents revealed that the company internet connectivity has been improved and advanced to reach recently unconnected areas, which has fetched more subscribers to the network, and expanded geographical footprint for clients operating on the continent through reassurance of their ability to execute and support telecommunication business, this has increased on company’s income.

# Echotel is now offering aggressive speed packages to its customers

The respondents were asked whether the company is now offering aggressive speed packages to its customers. The responses to the question are summarised in table 4.6

|  |
| --- |
| Table 4.6: Echotel is now offering aggressive speed packages to its customers |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 24 | 27.0 | 27.0 | 27.0 |
| Disagree | 29 | 32.6 | 32.6 | 59.6 |
| Not sure | 11 | 12.4 | 12.4 | 71.9 |
| Agree | 14 | 15.7 | 15.7 | 87.6 |
| Strongly agree | 11 | 12.4 | 12.4 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.6 results indicate that majority of respondents that is 59.6% generally agreed while minority of respondents 15.7% agreed and 12.4% strongly agreed; despite the difference in respondents, it can be concluded that the company does not have competitive internet packages than its competitors. During an interview session a key respondent expressed that;

*“In the same space we operate, we’re currently still facing challenges in building wireless networks that cut across the country, we also still on the move to upgrade our current wi-fi network so that we offer speedy connectivity to clients. We can say that for areas where the service is availed, customers can fully enjoy high quality service solutions that allows them to maintain operations, however, in many areas we’re still to achieve this (Key respondent 2)”.*

# There is improved resource allocation which have led to alternatively less costly production technology

The study sought to determine whether there is less costly production technology through improved resource allocation. The responses to the question are summarised in table 4.7

|  |
| --- |
| Table 4.7: There is improved resource allocation which have led to alternatively less costly production technology |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 4 | 4.5 | 4.5 | 4.5 |
| Disagree | 8 | 9.0 | 9.0 | 13.5 |
| Not sure | 12 | 13.5 | 13.5 | 27.0 |
| Agree | 29 | 32.6 | 32.6 | 59.6 |
| Strongly agree | 36 | 40.4 | 40.4 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.7 results indicate that majority of respondents that is 59.6% generally agreed while minority of respondents 15.7% agreed and 12.4% strongly agreed; despite the difference in respondents, it can be concluded that EPUL has been able to maintain per-user quality of service constraints, which are a minimum reliable rate for each subscriber. It was revealed that the company has since finalizing the acquisition process conducted appropriate allocation of resources to maximise an efficiency-related quantity of output. Respondents also revealed that the company emphasises access to instantaneous channel state information to as to achieve accomplished allocation.

# There is collaborative effort in identifying and mitigating risks which has enhanced company efficiency

The respondents were asked whether there is collaborative effort in identifying and mitigating risks, the results are summarised in table 4.8

|  |
| --- |
| Table 4.8: There is collaborative effort in identifying and mitigating risks which has enhanced company efficiency |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 15.7 | 15.7 | 15.7 |
| Disagree | 13 | 14.6 | 14.6 | 30.3 |
| Not sure | 12 | 13.5 | 13.5 | 43.8 |
| Agree | 24 | 27.0 | 27.0 | 70.8 |
| Strongly agree | 26 | 29.2 | 29.2 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to Table 4.8 results indicate that majority of respondents that is 59.6% generally agreed while minority of respondents 15.7% agreed and 12.4% strongly agreed; despite the difference in respondents, it can be concluded that there have been successful attempts in identifying and mitigating of risks. Respondents revealed that within EPUL, there is cross-department cooperation through existing functional teams in the company, management handles this process by scheduling meetings regularly for conversation, information sharing and cooperation on specific tasks that require cooperation for the good of EPUL. Furthermore, respondents indicate that EPUL training the existing teams and always makes them aware of their risk management function and assist in their operation, this has been achieved through a robust leadership and training effectiveness.

# Inferential statistics testing for company acquisition and mitigating company weaknesses and bolstering company strength EPUL.

In an attempt of determining relationship between company acquisition and mitigating company weaknesses and bolstering company strength, the researcher ran regression analysis and the results are obtained in table 4.9

|  |
| --- |
| Table 4.9: Model Summary |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .499a | .249 | .243 | 1.20571 |
| a. Predictors: (Constant), Company acquisition |

Table 4.9 shows that the adjusted R square, which is the variability in the dependent variable (mitigating company weaknesses and bolstering company strength), explained by the regression, is 0.243 or 24.3%; this means that 24.3% of the variability in mitigating company weaknesses and bolstering company strength is explained by the independent company acquisition. The remaining 75.7% is explained by other factors outside the scope of the current study. The R value from the summary model is 0.499 which is the correlation coefficient.

# ANOVA (Analysis of variance)

ANOVA was performed to test the equivalent hypothesis that there is no significant relationship between company acquisition and mitigating company weaknesses and bolstering company strength. The results are summarized in table 4.10

|  |
| --- |
| Table 4.10: ANOVAa |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 61.066 | 1 | 61.066 | 42.007 | .000b |
| Residual | 184.624 | 127 | 1.454 |  |  |
| Total | 245.690 | 128 |  |  |  |
| a. Dependent Variable: Company acquisition |
| b. Predictors: (Constant), Mitigating company weaknesses and bolstering company strength |

Analysis of variance (ANOVA) in table 4.10 was used to test the null hypothesis. F= 42.007, (sign. = 000< 0.05), the null hypothesis that there is no significant relationship between company acquisition and mitigating company weaknesses and bolstering company strength is rejected. This means that there is a significant relationship between company acquisition and mitigating company weaknesses and bolstering company strength.

The regression coefficient is not zero and therefore improvement in company acquisition will lead to improvement in mitigating company weaknesses and bolstering company strength.

# CHAPTER FIVE

# MARKET POWER AND SYNERGIES FOR SHAREHOLDER WEALTH

# Introduction

This chapter provides answers to the second research question, that is: How has market power created synergies for shareholder wealth for Echotel Proprietary Uganda Limited? It therefore determines whether EPUL has achieved market power and increased shareholder wealth.

# The company has increased its coverage to previously unprofitable areas

Respondents were asked whether the company previously unprofitable areas have been reached to increase the company’s coverage. The results to the question are indicated in table 5.1

|  |
| --- |
| Table 5.1: The company has increased its coverage to previously unprofitable areas |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 24 | 27.0 | 27.0 | 27.0 |
| Disagree | 28 | 31.5 | 31.5 | 58.4 |
| Not sure | 10 | 11.2 | 11.2 | 69.7 |
| Agree | 13 | 14.6 | 14.6 | 84.3 |
| Strongly agree | 14 | 15.7 | 15.7 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 5.1 indicate that majority of the respondents generally disagreed; this was represented by 58.4%; since majority of respondents disagreed, it can be interpreted to mean that Echotel Proprietary Uganda is still facing challenges of reaching more people. Respondents revealed that the company is still having a small number of subscribers mostly because they only offer internet services of which its wireless connections only. It was revealed that this is a challenge because most people in the country use sim cards especially from already dominant competitors of Airtel, MTN, UTL and Lyca Mobile. Respondents indicated that even in some areas where the connections can be traced, the connectivity is still poor.

# The company has been able to exploit increased market power within the telecommunication industry.

Respondents were asked whether the company has exploited increased market power within the telecommunication industry. The responses to the question are highlighted in table 5.2

|  |
| --- |
| Table 5.2: The company has been able to exploit increased market power within the telecommunication industry |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 5 | 5.6 | 5.6 | 5.6 |
| Disagree | 8 | 9.0 | 9.0 | 14.6 |
| Not sure | 12 | 13.5 | 13.5 | 28.1 |
| Agree | 30 | 33.7 | 33.7 | 61.8 |
| Strongly agree | 34 | 38.2 | 38.2 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in table 5.2 indicate that majority of respondents that is 71.9% generally agreed to the statement; since majority of the respondents agreed it can be implied to mean that even though the company has not yet extended its reach in many areas, it has been able to exploit increased market power in the industry. During an interview session, a key respondent expressed that;

*“Echotel Proprietary Uganda Limited has been able to install Dynamic Host Configuration Protocol (DHCP) which issues I.P addresses to client computers and phone devices in various public locations; these internet protocols have addresses which enable various devices to connect to the service, payment is made online (Key respondent 3)”.*

This means that the company has exploited market power by successfully penetrating the business environment.

# There is effective combination of assets and improvements in the use of brand name

Respondents were asked whether there is effective combination of assets and improvements in the use of brand name. The results are summarised in table 5.3

|  |
| --- |
| Table 5.3: There is effective combination of assets and improvements in the use of brand name. |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 8 | 9.0 | 9.0 | 9.0 |
| Disagree | 12 | 13.5 | 13.5 | 22.5 |
| Not sure | 17 | 19.1 | 19.1 | 41.6 |
| Agree | 23 | 25.8 | 25.8 | 67.4 |
| Strongly agree | 29 | 32.6 | 32.6 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to results in Table 5.3, results indicate that majority of respondents that is 58.4% generally agreed to the statement, this was represented by 25.8% who agreed and 32.6% who strongly agreed; this can be interpreted to mean that there was a combination of assets from both previously named iWay and EchotelInternational in form of human resource, capital and technology; the brand name has expanded the geographical footprint as a result leveraged its product investment, group skills and consultative approach which has widened the company portfolio of services that clients are able to choose from.

# The company is still competitive due to acquisition relationships which have yielded tangible and intangible benefits

The respondents were asked whether the company is competitive due to acquisition relationships. The results to the question are summarised in table 5.4

|  |
| --- |
| Table 5.4: The company is still competitive due to acquisition relationships  |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 15.7 | 15.7 | 15.7 |
| Disagree | 11 | 12.4 | 12.4 | 28.1 |
| Not sure | 18 | 20.2 | 20.2 | 48.3 |
| Agree | 22 | 24.7 | 24.7 | 73.0 |
| Strongly agree | 24 | 27.0 | 27.0 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in table 5.4 show that majority of the respondents represented by 51.7% generally agreed to the statement; that is 24.7% agreed while 27.0% strongly agreed; since majority of respondents generally agreed it can be said that Echotel Proprietary Limited has been able to yield both tangible and intangible benefits. Respondents revealed that the company has created additional value synergy inform of revenue through combined higher revenue realised. It was also revealed that the company’s cost has gown down with synergy lowering value of expenses. Furthermore, EPUL has been able to take advantage of future opportunities of expanded network coverage; this has been successful with the acquiring of human resources and intellectual capital from Echo International which greatly improved innovative thinking and development.

# The company performed better in a short-run after the acquisition process

The respondents were also asked whether the company has performed better in a short-run after the acquisition process. The results are presented in table 5.5

|  |
| --- |
| Table 5.5: The company performed better in a short-run after the acquisition process |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 10 | 11.2 | 11.2 | 11.2 |
| Disagree | 9 | 10.1 | 10.1 | 21.3 |
| Not sure | 13 | 14.6 | 14.6 | 36.0 |
| Agree | 32 | 36.0 | 36.0 | 71.9 |
| Strongly agree | 25 | 28.1 | 28.1 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 5.5 show that majority of the respondents that is 64.1% generally agreed to the statement; that is 28.1% strongly agreed and 36.0% agreed which can be interpreted to mean that during the short-run after acquisition, the process successfully redirected and reshaped corporate strategy for the EPUL. The company increased access to market by 12.4% in the shortest time and introduced various technological advancements including public wireless connections through an advanced IP address. Respondents revealed that the process has been less risky and speedier in gaining short-term objectives through internal efforts.

# The company has been able to achieve increased demand compared to previous years

The respondents were also asked whether there has been increased demand compared to previous years. The results are indicated in table 5.6

|  |
| --- |
| Table 5.6: The company has been able to achieve increased demand compared to previous years. |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 9 | 10.1 | 10.1 | 10.1 |
| Disagree | 12 | 13.5 | 13.5 | 23.6 |
| Not sure | 14 | 15.7 | 15.7 | 39.3 |
| Agree | 27 | 30.3 | 30.3 | 69.7 |
| Strongly agree | 27 | 30.3 | 30.3 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 5.6 show that majority of the respondents that is 60.6% generally agreed to the statement, this was represented by 30.3% who agreed and strongly agreed respectively. This can be interpreted to mean that EPUL has been able to add on the be having a fast growth in the market; this comes with its provision of enhanced connectivity solutions to numerous computer and phone devices and easier payment processes where clients use mobile money payments to pay for subscription. It was revealed that the service has daily, weekly and monthly subscription with competitive offers mostly running unlimited access for the various packages. This has increased on the demand for the services provided by the company, since unlimited access gives clients a wide range and time to enjoy the internet for various activities.

# The company offers competitive services in terms of data packages and airtime packages

On the question of whether the company offers competitive services in terms of data packages and airtime packages. The results are presented in table 5.7

|  |
| --- |
| Table 5.7: The company offers competitive services in terms of data packages and airtime packages |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 15.7 | 15.7 | 15.7 |
| Disagree | 15 | 16.9 | 16.9 | 32.6 |
| Not sure | 10 | 11.2 | 11.2 | 43.8 |
| Agree | 25 | 28.1 | 28.1 | 71.9 |
| Strongly agree | 25 | 28.1 | 28.1 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 5.7 showed that majority of the respondents that is 28.1% and 28.1% strongly agreed and agreed respectively to the statement; there was a combined percentage of 56.2% of respondents who generally agreed which can be implied to mean that there are various competitive packages offered by EPUL, however, it was revealed that the company does not offer airtime packages since they do not have a licensed sim card provision as yet. During an interview session, it a key respondent indicated that;

*“As our clients are mostly given cheap and timely connection packages, these start from 1,200 shs which is a daily subscription for 24 hours, weekly subscription is at 6,400 shs and monthly subscription is at 35,000 shs. These packages are competitive compared to offers by other players and run 24 hours, the most exciting thing is that data packages can connected to both computers and phones”.*

# The company easily dictates the pricing of its services and products thus meeting the demand level in the market

The respondents were asked whether the company easily dictates the pricing of its services and products thus meeting the demand levels in the market. The results are highlighted in table 5.8

|  |
| --- |
| Table 5.8: The company easily dictates the pricing of its services and products thus meeting the demand level in the market |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 27 | 30.3 | 30.3 | 30.3 |
| Disagree | 23 | 25.8 | 25.8 | 56.1 |
| Not sure | 17 | 19.1 | 19.1 | 75.2 |
| Agree | 12 | 13.5 | 13.5 | 88.7 |
| Strongly agree | 10 | 11.2 | 11.2 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 5.8 indicate that majority of the respondents that is 56.1% generally disagreed, this was presented by 30.3% who strongly disagreed while disagreed and 25.8% who disagreed; this can be interpreted to mean that the as much as the company dictates its pricing, the process is somewhat difficult. It was revealed that being a new company in the telecommunication industry, the company has to price its services basing on the prices of the already existing players such as Airtel and MTN since they are the most dominant. This has made some of the prices of the company services to be slightly lower hence bringing in low returns; however, the lower price is highly welcomed by clients as they perceive the services affordable.

# Inferential statistics testing for company acquisition and market power through reduced competition at EPUL.

In an attempt of determining relationship between company acquisition and market power through reduced competition, the researcher ran regression analysis and the results are obtained in table 5.9

|  |
| --- |
| Table 5.9: Model Summary |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .822a | .675 | .671 | .81982 |
| a. Predictors: (Constant), Company acquisition |

The results in table 5.9 show the model summary model summary of the regression which yielded an Adjusted R Square of .671. This means that company acquisition at EPUL contributes 67.1% to market power through reduced competition; the remaining 32.9% is contributed to other factors that were outside the scope of this current study. Since these factors were outside the scope of the study, they were not explored.

# ANOVA (Analysis of variance)

ANOVA analysis was performed to test the equivalent hypothesis that there is a significant relationship between company acquisition and market power through reduced competition at EPUL. The results are summarized in table 5.8

|  |
| --- |
| Table 5.10: ANOVAa |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 111.743 | 1 | 111.743 | 166.257 | .000b |
| Residual | 53.769 | 80 | .672 |  |  |
| Total | 165.512 | 81 |  |  |  |
| a. Dependent Variable: Market power through reduced competition |
| b. Predictors: (Constant), Company acquisition |

From the ANOVA statistics in table 5.10, the processed data, which is the population parameters, had a significance level of 0.01 which shows that the data is ideal for making conclusion on the population’s parameter as the value of significance (p-value) is less than 0.05. This is an indication that company acquisition significantly facilitates market power through reduced competition at EPUL.

|  |
| --- |
| Table 5.11: Coefficientsa |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 6.577 | .247 |  | 26.596 | .000 |
| Company acquisition | .814 | .063 | .822 | 12.894 | .000 |
| a. Dependent Variable: Market power through reduced competition |

The test revealed that company acquisition has an influence on market power through reduced competition, this is because the test yielded a significant relationship between the two study variables, this is shown by the Beta value which is positive presented by (p= .882, P=0.01).

In view of the above tests, it can be concluded that, company acquisition significantly facilitates market power through reduced competition as it contributes 67.1% as indicated in the model summary, however, this is below average and can be interpreted to mean that EPUL’s company acquisition has been successful in facilitating financial performance.

# CHAPTER SIX

# BOLSTERING COMBINED STRENGTH AND RETURN ON INVESTMENT

# Introduction

This chapter provides answers to the third research question, that is: How has bolstering combined strength influenced return on investment at Echotel Proprietary Uganda Limited? It therefore determines whether EPUL has achieved value addition through synergies.

# There is corporate synergy which has led to more efficient management

The respondents were also asked whether there is corporate synergy which has led to more efficient management. The results are summarised in table 6.1

|  |
| --- |
| Table 6.1: There is corporate synergy which has led to more efficient management |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 25 | 28.1 | 28.1 | 28.1 |
| Disagree | 29 | 32.6 | 32.6 | 60.7 |
| Not sure | 14 | 15.7 | 15.7 | 76.4 |
| Agree | 9 | 10.1 | 10.1 | 86.5 |
| Strongly agree | 12 | 13.5 | 13.5 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to results in table 6.1, it is indicated that majority of the respondents that is 60.7%; represented by 28.1% who strongly disagreed while 32.6% disagreed; since majority of respondents disagreed, it can be interpreted to mean that the company has not yet fully acquired financial benefit to a desired level since operational costs are still high; however, respondents revealed that it is too early to consider the process as a negative synergy since the acquisition process reduced on some of the operational expenses and debts. It was revealed that both companies have not yet fully complemented each other because Echo International does not yet have a strong distribution element in the country since it is South African based, iWay however, though was performing poorly had a national exposure but there are still efforts being made to broaden the opportunities for the business.

# The company has improved service delivery techniques for enhanced value addition

On the question of whether value addition has been enhanced through improved service delivery techniques. The responses to the question are presented in table 6.2

|  |
| --- |
| Table 6.2: The company has improved service delivery techniques for enhanced value addition |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 14 | 15.7 | 15.7 | 15.7 |
| Disagree | 11 | 12.4 | 12.4 | 28.1 |
| Not sure | 4 | 4.5 | 4.5 | 32.6 |
| Agree | 28 | 31.5 | 31.5 | 64.0 |
| Strongly agree | 32 | 36.0 | 36.0 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 6.2 indicate that majority of respondents that is 67.5% generally agreed to the statement; this is presented with 36.0% who strongly agreed while 31.5% agreed; since majority of the respondents generally agreed, it can be interpreted to mean that there is time delivery of services by EPUL. Respondents revealed that the company is making sure that its subscribers can access its services from even the most remote areas; this is through installation of network towers in various areas to the public; the payment of the network services can be paid through Airtel money and MTN mobile money services at zero cost.

# The company has effectively utilised capacities and resources in order to enhance on earnings

On the question of whether the company has effectively utilised capacities and resources to earn more; the results are presented in table 6.3

|  |
| --- |
| Table 6.3: The company has effectively utilised capacities and resources in order to enhance on earnings |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Not sure | 12 | 13.5 | 13.5 | 13.5 |
| Agree | 29 | 32.6 | 32.6 | 46.1 |
| Strongly agree | 48 | 53.9 | 53.9 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in table 6.3 show that majority of the respondents that is 86.5% generally agreed to the statement, this was represented by 53.9% who strongly agreed and 32.6% who agreed, this can be implied to mean that EPUL put in place effective strategies of planning, scheduling and allocating people, money and technology to its telecommunication service providing platform. Respondents revealed that the company has highly trained and technology literate individuals who run the day-to-day services of the company; the payment platform has service call numbers on which clients who have queries can communicate to customer care personnel to sort out any connection issues.

# The acquiring company brought operational efficiencies arising from economies of scale

The respondents were also asked whether Echo International brought operational efficiencies arising from economies of scale. The results are presented in table 6.4

|  |
| --- |
| Table 6.4: The acquiring company brought operational efficiencies arising from economies of scale |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 12 | 13.5 | 13.5 | 13.5 |
| Disagree | 14 | 15.7 | 15.7 | 29.2 |
| Not sure | 9 | 10.1 | 10.1 | 39.3 |
| Agree | 25 | 28.1 | 28.1 | 67.4 |
| Strongly agree | 29 | 32.6 | 32.6 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in Table 6.4 revealed that majority of 60.7% generally agreed, this was represented by 32.6% who strongly agreed while 28.1% agreed; this can be interpreted to mean that Echo International enhanced on the operational efficiencies to the company. During an interview session, a key respondent revealed that;

*“The expanded geographic footprint means that our clients operating on the continent have the reassurance of our ability to execute and support their businesses on the ground across Africa. Additionally, we can provide commercial agreements that consider local currencies along with centralised planning, governance and service management. We can also leverage Echo’s product investments, group skills and consultative approach to design, which means clients in each country will have a much wider portfolio of services to choose from.”*

This means that operational efficiency was highly boosted.

# There is enhanced efficiency in utilisation of assets leading to generation of higher cash flows

On the question of whether there is generation of higher cash flows due to enhanced efficiency. The results are indicated in table 6.5

|  |
| --- |
| Table 6.5: There is enhanced efficiency in utilisation of assets leading to generation of higher cash flows |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 7 | 7.9 | 7.9 | 7.9 |
| Disagree | 12 | 13.5 | 13.5 | 21.3 |
| Not sure | 17 | 19.1 | 19.1 | 40.4 |
| Agree | 23 | 25.8 | 25.8 | 66.3 |
| Strongly agree | 30 | 33.7 | 33.7 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

The results in table 6.5 show that majority of the respondents generally agreed; this was presented with a combined percentage of 59.5% of respondents; since majority agreed it can be interpreted to mean that EPUL has improved on turnover of receivables, the repayment of liabilities and also enhanced on the usage of equity. Respondents revealed that the company is in great position of determining and tracking its performance in both the short-term or current performance positions.

# Synergies have boosted future cashflows of the company

The respondents were also asked whether future cashflows of the company has been boosted by the synergy. The results are indicated in table 6.6

|  |
| --- |
| Table 6.6: Synergies have boosted future cashflows of the company thereby enhancing Echotel’s value |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly disagree | 24 | 27.0 | 27.0 | 27.0 |
| Disagree | 34 | 38.2 | 38.2 | 65.2 |
| Not sure | 7 | 7.9 | 7.9 | 73.0 |
| Agree | 13 | 14.6 | 14.6 | 87.6 |
| Strongly agree | 11 | 12.4 | 12.4 | 100.0 |
| Total | 89 | 100.0 | 100.0 |  |

**Source: Primary data, 2021**

According to results in table 6.6, it is revealed that majority of the respondents that is 65.2% generally disagreed to the statement, this was presented by 27.0% who strongly disagreed and 38.2% who disagreed; since majority of the respondents generally disagreed, it can be implied that despite the increased revenues from Echo International, combined talent and technology, cost reduction in the company has not yet been achieved. It was revealed that there is still a challenge in aligning managerial techniques, structure and competencies and technology between both sides of the iWay which was acquired and the team brought on by Echo International, this has slowed the benefits of synergy which could in term boost future cashflows and enhance the company’s value.

# Inferential statistics testing for company acquisition and created synergies and created value addition at EPUL.

In an attempt of determining relationship between company acquisition and created synergies and created value addition, the researcher ran regression analysis and the results are obtained in table 6.7

|  |
| --- |
| Table 6.7: Model Summary |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .849a | .720 | .717 | .71563 |
| a. Predictors: (Constant), Company acquisition |

According to the results in table 6.7, the value of adjusted R squared was .171 an indication that there was variation of 71.7% on financial performance at Echotel Proprietary Uganda Limited due to changes in company acquisition at 95% confidence level. This shows that 71.7% of created synergies and created value addition at the EPUL could be accounted for by company acquisition. R which is the correlation coefficient shows the relationship between the study variables, from the findings in table above, there was a strong relationship between the study variables as indicated by .849 or 84.9%.

|  |
| --- |
| Table 6.8: ANOVAa |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 114.681 | 1 | 114.681 | 223.933 | .000b |
| Residual | 44.555 | 87 | .512 |  |  |
| Total | 159.236 | 88 |  |  |  |
| a. Dependent Variable: Created synergies and created value addition |
| b. Predictors: (Constant), Company acquisition |

Analysis of variance (ANOVA) was used to test the null hypothesis in Table 6.8 and results indicated F= 223.933, p=000, in addition, the processed data, which is the population parameters, had a significance level of 0.001 which shows that the data is ideal for making a conclusion on the population’s parameter as the value of significance (p-value) is less than 5%. The results indicated that company acquisition significantly influence created synergies and created value addition at EPUL; this is because the significance value was less than 0.05, an indication that the model was statistically significant.

|  |
| --- |
| Table 6.9: Coefficientsa |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 6.407 | .202 |  | 31.731 | .000 |
| Company acquisition | -.812 | .054 | -.849 | -14.964 | .000 |
| a. Dependent Variable: Created synergies and created value addition of EPUL |

From the data in the table, the established regression equation was Y=6.407+-.812 X1; This means that holding company acquisition at a constant zero, created synergies and created value addition would be 6.407, thus a unit increase in company acquisition would lead to a decrease in created synergies and created value addition by a factor of -.812. Also, the results show that company acquisition represented by [β=-0.6.407, p<0.05, t-statistic=-14.964, p<0.05] influences created synergies and created value addition as the dependent variable. The independent variable is significant because its Beta is twice larger than the corresponding standard errors and its t-statistics is greater than two. However, despite the negative correlation due to a negative t-statistic, the significance level is still below the alpha 0.05, hence indicating a statistically significant negative relationship.

# CHAPTER SEVEN

# TOWARDS HARMONISING COMPANY ACQUISITION AND FINANCIAL PERFORMANCE

# Introduction

This chapter sets out to link study findings to the literature review by discussing the findings in relationship with literature review, and then suggest a way forward. Implications are, deduced, from the findings, discussed and interpreted basing on the research hypotheses of the study.

# Mitigating company weaknesses and return on assets

The results showed that majority of respondents 78.6% generally agreed to the statement that the company has improved on communication technology leading to improved corporate performance, majority of respondents that is 69.6% generally agreed that There has been faster growth of corporate business within the company, majority of respondents that is 67.4% generally disagreed to the statement that acquisition enhanced company opportunities for Echotel, majority of respondents that is 68.6% generally disagreed to the statement that the company has gained a competitive advantage within the industry, 75.2% generally agreed to the statement that the company has enhanced on its reach to more people thus bringing in more earnings, 59.6% generally agreed to the statement that Echotel is now offering aggressive speed packages to its customers, 59.6% generally agreed to the statement that there is improved resource allocation which have led to alternatively less costly production technology and 59.6% generally agreed to the statement that there is collaborative effort in identifying and mitigating risks which has enhanced company efficiency.

These results are in line with Krishna and Paul (2017) who expressed that the firm’s motivation for acquisitions is for various reasons with realization that business combinations provide an opportunity to create new value to the economic and wealth for their shareholders. This new value can be created through taking advantage of the economies of scale that can be achieved through a combination as a result of the new firm performing a function more effectively and efficiently more than the two separate firms. The value would also be increased by combining firms with complimentary resources for efficiency and effectiveness in the business operations. Bender and Ward (2009) indicated that, companies require to grow in order to generate capital gains for their shareholder(s) wealth increase and to justify the growth value already priced into their shares. One-way company growth can be achieved is through merger and acquisition process.

The study findings are further in line with Kumar (2016) who states that many companies look to mergers or acquisitions as a means to obtain the appropriate growth within the required time frame. Acquisition performs a vital role in corporate finance through enabling firms to achieve different set objectives and financial strategies. In East Africa, firms have been merging with the aim of improving financial performance. This study thus aims to establish the impact of M & A on firm performance in East Africa given that the East African region has recently had some of the fastest growing Merger &Acquisition activities on the African continent.

Acquiring firms with no director trading and firms with net director purchases in the 12 months prior to the M&A announcement earn positive abnormal returns. Likewise, Ndung (2011) studied the effects of merger and acquisitions on financial performance of commercial banks in Kenya and found that there was an improvement in financial performance after the merger. However, negative results in regards to financial performance of firms after the merger where firm performance in some firms declined immediately after the merger but gradually improved in the next two years.

The study findings are in agreement with Ndung’u (2011) who explains that company acquisition enhances gearing capacity; this is by borrowing on better strength and greater assets backing. To avail Tax benefits. Where a profitable company paying high corporation, tax acquires a firm with accumulated tax losses the legislation may allow acquisition of a loss-making company thus reducing the tax burden of the merged company. Also, tax can be reduced through utilization of unused debt capacity. Lastly the merged companies can reinvestment of surplus funds ("free cash flow") in non-taxable acquisitions as an alternative to paying dividends or repurchasing stock.

# Market power and synergies for shareholder wealth

The results on this objective revealed that 58.4% of the respondents generally disagreed to the statement that the company has increased its coverage to previously unprofitable areas, 71.9% generally agreed to the statement that the company has been able to exploit increased market power within the telecommunication industry, 58.4% generally agreed that there is effective combination of assets and improvements in the use of brand name, 51.7% generally agreed that The company is still competitive due to acquisition relationships, 64.1% generally agreed that the company performed better in a short-run after the acquisition process, 60.6% generally agreed that the company has been able to achieve increased demand compared to previous years, 56.2% of respondents who generally agreed that the company offers competitive services in terms of data packages and airtime packages, 56.1% generally disagreed that the company easily dictates the pricing of its services and products thus meeting the demand level in the market.

The results can be supported by Christmann and King (2012) who state that acquisition is a major organizational life events that generate great internal turbulence and causal ambiguity. This causal ambiguity is present not only at the interfirm level, due to cultural differences that may hinder knowledge transfer in the post-acquisition stage, but also at the intrafirm level, particularly among middle managers who are the major strategy implementers, and lower level employees, who fear for their career development and, ultimately, for the continuation of their employment.

Kenneth (2015) also asserts that it is only natural that successful human integration in processes of ownership change will require HRM to play a more central and strategic role in their organizations, namely in establishing systems to promote trust among organizational actors in the merging firms and to create an organizational architecture of human resource practices that ensure motivation to cultural integration, in terms of rewards, performance management, skills development, staffing, industrial relations and workforce reduction.

The results can further be linked to Porter (2016) who explained that competitive advantage being a unique position that a firm develops in comparison to its competitors can with good plan assist in protecting the market against new entrants or small local rivals. The use of competitive advantage to help realize corporate goals only delivers the results when well understood in the organization. Market power should be seen in terms of discrete activities a firm performs in designing, producing, marketing, delivering and supplying its products and services. Industry leaders are consequently building their competitive advantage through collaboration, mergers, customer relationship and loyalty programs. Firms of all sizes need to see competitive advantage as an integral part of ensuring long term survival and prosperity. Creating competitive advantage is dependent of having the right source of competitive advantages which can be within or without the firm.

Also, Yash (2015) determined that the need for diversification is one of the reasons that firms make decisions to undertake acquisitions. Diversification enables firms reduce risks as combined firms’ risks is less than the weighted average of the risks of the two firms prior to the merger. Firms merge to become more diverse, gain market share and penetrate new markets. Acquisitions enable firms reduce competition to manage interdependence with sources of input/output. Both firms no longer compete but now compete more effectively with other firms.

The findings are also in line with Sekaran (2017) who states that the need for diversification is one of the reasons that firms make decisions to undertake acquisitions. Diversification enables firms reduce risks as combined firms’ risks is less than the weighted average of the risks of the two firms prior to the merger. Firms merge to become more diverse, gain market share and penetrate new markets Acquisitions enable firms reduce competition to manage interdependence with sources of input/output. Both firms no longer compete but now compete more effectively with other firms

# Bolstering combined strength and return on investment

The results indicated that 60.7% of the respondents generally disagreed to the statement that there is corporate synergy which has led to more efficient management, 67.5% generally agreed that the company has improved service delivery techniques for enhanced value addition, 86.5% generally agreed that the company has effectively utilised capacities and resources in order to enhance on earnings, 60.7% generally agreed that the acquiring company brought operational efficiencies arising from economies of scale, a combined percentage of 59.5% agreed that there is enhanced efficiency in utilisation of assets leading to generation of higher cash flows, 65.2% generally disagreed that synergies have boosted future cashflows of the company thereby enhancing Echotel’s value.

Authors like Alexandritis, Petmezas and Travlos (2010) states the main aim of mergers and acquisitions is to build shareholder wealth through expanded synergies. Takeovers that are propelled by accomplishing synergy will produce positive total gains. There are three types of synergies and these are cost of production related that leads to operational synergy, cost of capital related that leads to financial synergy and price related that leads to collusive synergy. This theory explains merger and acquisition transactions that are undertaken with the aim of realizing synergies that will boost future cash flows thereby enhancing firm’s value. Operational synergies can be originated from the combination of operations of separate units; such as joint sales force and the transfer of knowledge.

The financial synergy theory is based on the proposition that nontrivial transaction costs associated with raising capital externally as well as the differential tax treatment of dividends; may constitute a condition for more efficient allocation of capital through mergers from low to high marginal returns, production activities and possibly offer a rationale for the pursuit of conglomerate mergers (Ogada et al., 2016). Thus, synergy theory plays an important role to elude the mergers, which can affect the firm’s performance. Furthermore, there are number of literatures on merger and acquisition which supports the view that market for corporate takeover is undertaken to obtain a number of objectives including to achieve operational efficiency or financial improvement through synergy either in the form of revenue, cost or financial synergy. Most often cited objective for merger and acquisition is to achieve synergy through combination of operation of both target and acquiring company.

The Valuation theory contends that directors have better information about the objectives value in an acquisition than stock markets or shrouded interests in other organizations and the procured organization is used to gain ownership in other organizations as stated by Holderness and Sheehan (1985). The ambiguity of the private data makes it difficult to value the advantages involved. Through this private data, the net gains can be accomplished. This net gains can be accomplished, when inside information gives an organization more value than the market has valued it to have. Indeed, even productive markets can't draw an image of an organization's actual value if one buyer possess inside information.

# CHAPTER EIGHT

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

# Introduction

This chapter comprises of the summary of findings, conclusion and recommendation of the study according to the study objectives. The recommendations are on a basis of the findings and relates to advice and the interventions that the researcher feels should be brought to the attention of Echotel Proprietary Uganda Limited to improve financial performance. The study ends by presenting the areas that the researcher considers vital for further studies.

# Mitigating company weaknesses and return on assets

The results revealed that joining forces with Echo group increased the company’s ability to reach more people, the growth in corporate business has not been a challenge since the company had been an existing player in the telecommunication business sector, the acquisition process has not yet fully developed opportunities for EPUL, the company is still faces dramatic changes in the landscape of Ugandan telecommunication industry caused by a high number of new companies both local and foreign that have emerged some as start-ups while others through mergers, EPUL has to some extent increased compared to the number the company has when it was still referred to as iWAY, the company does not have competitive internet packages than its competitors, EPUL has been able to maintain per-user quality of service constraints, which are a minimum reliable rate for each subscriber and there have been successful attempts in identifying and mitigating of risks.

# Market power and synergies for shareholder wealth

The results showed that Echotel Proprietary Uganda is still facing challenges of reaching more people, even though the company has not yet extended its reach in many areas, it has been able to exploit increased market power in the industry, there was a combination of assets from both previously named iWay and EchotelInternational in form of human resource, capital and technology, the company has created additional value synergy inform of revenue through combined higher revenue realised, the company increased access to market by 12.4% in the shortest time and introduced various technological advancements including public wireless connections through an advanced IP address, the service has daily, weekly and monthly subscription with competitive offers mostly running unlimited access for the various packages, the company does not offer airtime packages since they do not have a licensed sim card provision as yet and as much as the company dictates its pricing, the process is somewhat difficult.

# Bolstering combined strength and return on investment

Results indicate that the company has not yet fully acquired financial benefit to a desired level since operational costs are still high, the company is making sure that its subscribers can access its services from even the most remote areas; this is through installation of network towers in various areas to the public, EPUL put in place effective strategies of planning, scheduling and allocating people, money and technology to its telecommunication service providing platform, Echo International enhanced on the operational efficiencies to the company, despite the increased revenues from Echo International, combined talent and technology, cost reduction in the company has not yet been achieved.

# Conclusion

The study endeavored to answer three questions; (1) How has acquisition mitigated company weaknesses and bolstered combined strength at Echotel Proprietary Uganda Limited? (2) How has acquisition contributed to achieving market power through reduced competition Echotel Proprietary Uganda Limited? (3) How has acquisition created synergies and created value addition for Echotel Proprietary Uganda Limited? Based on the findings of the study, the conclusions are as follows;

The most effective contribution of company acquisition to financial performance in EPUL is to created synergies and creation of value addition (Adjusted R Square of 71.7%), followed by market power through reduced competition (Adjusted R Square of 67.1%) and the least contribution is to mitigating company weaknesses and bolstering company strength (Adjusted R Square of 24.3%).

# Recommendations

EPUL should review its human capital rationalization policies in the post-acquisition period in order to ensure that they are able to effectively leverage on their workforce to enhance its financial performance.

To further enhance its market penetration in the post-acquisition period, the study recommends that EPUL should utilize a wide array of marketing strategies and tools to entrench its brand recognition and expand its insurance products offering so as reach out to the vast uninsured market.

Management should instill discipline upon itself by ensuring good corporate governance, promote technological progress and increase its paid-up capital regardless of the statutory requirements so that the continued existence of the firm is not jeopardized after undergoing acquisition.

Management should come up with a sound strategy towards asset and liability management so as to avert the problem of mismatching investments and also the quality of assets should be enhanced.

# Areas of further research

The study was confined to the use of company acquisitions as a strategy for enhanced financial performance. There are however challenges which affect performance of the acquisitions and therefore further studies should be done on the challenges affecting performance of acquisitions.

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# APPENDICES

# APPENDIX A: SELF ADMINISTERED QUESTIONNAIRE

Dear respondent,

You are kindly requested to fill in the following questions to enable the researcher accomplish the study about “**The influence of company acquisition on financial performance in the telecommunications industry in Uganda with a case study of Echotel** Proprietary Uganda Limited”**,** leading to the award of a Degree of Master of Business Administration of Nkumba University. Therefore, the study is an academic work and thus the information given will confidentially be used for that purpose. You are kindly requested to give your own views, as no response is wrong, you may not disclose your name**.**

**SECTION A**

**BACKGROUND INFORMATION**

1. Gender

|  |  |
| --- | --- |
| Male | Female |
|  |  |

2. Age (in years)

|  |  |  |  |
| --- | --- | --- | --- |
| 20-30 | 31-40 | 41-50 | Above 50 |
|  |  |  |  |

3. Period of service at Echotel Proprietary Uganda Limited (in years)

|  |  |  |  |
| --- | --- | --- | --- |
| Below 2 years | 2 - 5  | 6-10  | Above 10  |
|  |  |  |  |

1. Highest level of education

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Certificate | Diploma | Bachelor’s degree | Master’s degree | If others, specify |
|  |  |  |  |  |

For section B, C, D, and E read the statement provided and indicate your most honest level of agreement to the statement using the scale of 1-5 where;

1=Strongly Disagree

2=Disagree

3= Neutral

4= Agree

5= Strongly Agree

**SECTION B: Mitigating company weaknesses and return on assets at Echotel Proprietary Uganda Limited**

|  |  |  |
| --- | --- | --- |
| No. | Statement | Scale  |
| 1 | The company has improved on communication technology leading to improved corporate performance | 1 | 2 | 3 | 4 | 5 |
| 2 | There has been faster growth of corporate business within the company | 1 | 2 | 3 | 4 | 5 |
| 3 | Acquisition enhanced company opportunities for Echotel  | 1 | 2 | 3 | 4 | 5 |
| 4 | The company has gained a competitive advantage within the industry | 1 | 2 | 3 | 4 | 5 |
| 5 | The company has enhanced on its reach to more people thus bringing in more earnings | 1 | 2 | 3 | 4 | 5 |
| 6 | Echotel is now offering aggressive speed packages to its customers | 1 | 2 | 3 | 4 | 5 |
| 7 | There is improved resource allocation which have led to alternatively less costly production technology | 1 | 2 | 3 | 4 | 5 |
| 8 | There is collaborative effort in identifying and mitigating risks which has enhanced company efficiency | 1 | 2 | 3 | 4 | 5 |

**SECTION C: Market power and synergies for shareholder wealth at Echotel Proprietary Uganda Limited**

|  |  |  |
| --- | --- | --- |
| No. | Statement | Scale  |
| 1 | The company has increased its coverage to previously unprofitable areas | 1 | 2 | 3 | 4 | 5 |
| 2 | The company has been able to exploit increased market power within the telecommunication industry | 1 | 2 | 3 | 4 | 5 |
| 3 | There is effective combination of assets and improvements in the use of brand name. | 1 | 2 | 3 | 4 | 5 |
| 4 | The company is still competitive due to acquisition relationships which have yielded tangible and intangible benefits | 1 | 2 | 3 | 4 | 5 |
| 5 | The company performed better in a short-run after the acquisition process | 1 | 2 | 3 | 4 | 5 |
| 6 | The company has been able to achieve increased demand compared to previous years. | 1 | 2 | 3 | 4 | 5 |
| 7 | The company offers competitive services in terms of data packages and airtime packages | 1 | 2 | 3 | 4 | 5 |
| 8 | The company easily dictates the pricing of its services and products thus meeting the demand level in the market | 1 | 2 | 3 | 4 | 5 |

**SECTION D: Bolstering combined strength and return on investment at Echotel Proprietary Uganda Limited**

|  |  |  |
| --- | --- | --- |
| **No.** | **Statement** | **Scale**  |
| 1 | There is corporate synergy which has led to more efficient management | 1 | 2 | 3 | 4 | 5 |
| 2 | The company has improved service delivery techniques for enhanced value addition | 1 | 2 | 3 | 4 | 5 |
| 3 | The company has effectively utilised capacities and resources in order to enhance on earnings | 1 | 2 | 3 | 4 | 5 |
| 4 | The acquiring company brought operational efficiencies arising from economies of scale | 1 | 2 | 3 | 4 | 5 |
| 5 | There is enhanced efficiency in utilisation of assets leading to generation of higher cash flows | 1 | 2 | 3 | 4 | 5 |
| 6 | Synergies have boosted future cashflows of the company thereby enhancing Echotel’s value | 1 | 2 | 3 | 4 | 5 |
| 7 | There has been improved planning and monitoring within the company hence achieved more market power | 1 | 2 | 3 | 4 | 5 |

**SECTION D:** Company acquisition and financial performance

|  |  |  |
| --- | --- | --- |
| **No.** | **Statement** | **Scale**  |
| 1 | Echotel acquisition objectives have been clearly achieved | 1 | 2 | 3 | 4 | 5 |
| 2 | The company has gained more competitive advantage in the telecommunications industry  | 1 | 2 | 3 | 4 | 5 |
| 3 | The acquisition has resulted in increased market share thus leading to increased profits | 1 | 2 | 3 | 4 | 5 |
| 4 | The company has potential strategies for achieving financial goals | 1 | 2 | 3 | 4 | 5 |
| 5 | The acquiring firm has competent workforce who can lead to increased profitability | 1 | 2 | 3 | 4 | 5 |
| 6 | The company properly utilises its resources to generate revenue | 1 | 2 | 3 | 4 | 5 |
| 7 | The company has stable financial position | 1 | 2 | 3 | 4 | 5 |

# APPENDIX B: INTERVIEW GUIDE

**Section A: Mitigating company weaknesses and bolstering company strength at Echotel** Proprietary Uganda Limited

1. Has the company improved on corporate governance through improved communication technology?
2. Has Echotel Proprietary Uganda Limited enhanced company opportunities?
3. Has the performance of the company been maximised through collaborative activities?
4. Has the company gained more earnings through enhanced reach to people?
5. Is there improved resource allocation leading to less costly production technology?

**Section B: Achieving market power through reduced competition at Echotel** Proprietary Uganda Limited

1. Has the company enhanced its coverage to previously unprofitable areas?
2. Has the combination of assets been effective and improved on brand use?
3. Have the acquisition relationships yielded tangible and intangible benefits?
4. Has Echotel Proprietary Uganda Limited been able to perform better after the acquisition?
5. Has the company been able to offer competitive services to its customers?

**Section C:** Synergies and created value addition **at Echotel** Proprietary Uganda Limited

1. Corporate synergy has led to more efficient management?
2. Has the company effectively utilised capacities and resources in order to enhance on earning?
3. Has Echotel Proprietary Uganda Limited increased operational efficiency?
4. Have synergies boosted future cashflows of the company and improving on its value?

# APPENDIX C: DOCUMENT REVIEW CHECKLIST

|  |
| --- |
| Echotel Proprietary Uganda Limited financial performance report 2018/2019/2020 |
| Post-merger and acquisition financial performance analysis |
| Iway Africa sold to echo group international, now called Echotel Proprietary Uganda Limited |
| Effects of mergers and acquisitions on the financial performance of commercial banks |
| Does long term performance of mergers match market expectations?” Business & Economics Strategic Management Journal |
| Abnormal returns and expected managerial performance of target firms, Financial Management |
| Firm size and the gains from acquisitions”, Journal of Financial Economics |
|  |