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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

‘THE EFFECTIVENESS OF MERGERS AS A STRATEGY TO CREATE AND SUSTAIN COMPETITIVE ADVANTAGES. A CASE OF CHEVRON HOTEL'

.

By

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This dissertation is submitted in partial fulfilment of the requirements of the ***Bachelor of Commerce (Honors) Degree in Accounting*** *in the Department of Accounting at MSU.*

Gweru: Zimbabwe, 2017

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Degree title: Bachelor of Commerce in Accounting Honours Degree (HACC)

Year of research: 2017

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DEDICATION

My dedication goes to God, the Almighty for the grace and mercy. My wife Alice , my two kids Nigel and Michelle. Your love gives me strength.

ACKNOWLEDGEMENTS

Glory, Honour and Praise be to the Lord Almighty God who has been and is always with me. Great appreciation goes to the Midlands State University, Faculty of Commerce, Department of Accounting Chairperson, and my supervisor Ms Mashiri for allowing me to carry out this research and for her guidance and support during the compilation of this research.

Special thanks to Chevron Hotel Masvingo personnel for their permission to carry out this research in their organisation. My colleagues Proctor Chauke and Aaron Mapangisana you were always there for me.

Most of all my gratitude, my love and appreciation go to my parents, Mrs and Mrs Mhlanga, my wife Alice and to my two kids Nigel and Michelle.

May the Lord our God of mercy richly bless you all in all your endeavours

ABSTRACT

Most researches on mergers have concentrated on mergers as a tool to improve financial performance, shareholders value and as a way to gain access on new markets. This study seeks to analyse the effectiveness of mergers as a strategy to create and sustain competitive advantages. In 2012 Chevron Hotel and Flamboyant Hotel merged and the motives behind the merger were the creation of economies of scale, cost synergies, effective management of interdependence and strengthening of the capital intensity. However in the post merger era the entity witnessed an increase in costs and a decrease in revenues that impacted negatively on the financial performance. In the study a descriptive research design was used in data collection and primary data was collected through questionnaires and interviews. The population samples comprising of thirty nine employees were drawn from Chevron Hotel and the judgemental sampling technique was used to come up with a sample. The study unveiled that the entity is enjoying some competitive advantages through the acquisition of highly technical machines , increase in market power, gaining of purchasing power through discounts and charging of low prices. The challenges faced by the hotel include a decline in financial performance, lack of communication and coordination amongst its departments. Recommendations were suggested and they include the implementation of programmes that facilitate knowledge and skills sharing amongst employees and offering a variety of services to cater for the ever changing customer tastes and preferences.

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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter presents the main aim of this study which is to assess the effectiveness of mergers and acquisition as a strategy of creating and sustaining competitive advantages. This chapter is enriched with essential components, thus the background of the study and problem statement which introduce the phenomenon at hand.

1.1 Background of the Study

The business environment has become dynamic and globalisation has influenced the competition levels in both international and local markets, entities are opting for mergers in seeking to create and sustain competitive advantages (Okafor et al. (2015).Oleye and Osuma (2015) defines a merger as a combination of two entities to form one entity . Koi-Akrofi 2014), Sathishkumar and Azhagaiah (2014), Meglo and Risberg (2015), Mailanyi (2014) and Odeleye (2014) agreed that mergers involve combining of economic resources, skills and knowledge which gives an entity leverage to create more competitive advantages, as well creating economies of scale and cost synergies. However, Schildt et al. (2013), Beck et al. (2014) and Gupta (2013) state that most mergers fail due to various reasons which include lack of proper planning and poor corporate governance. Tinev (2014) supports that mergers negatively impact the entity's performance due to adverse customer reactions on newly formed entity. The results from above mentioned researches were converging and diverging which shows an existing gap, hence this study will focus on the effectiveness of mergers as a strategy to create and sustain competitive advantage in the hotel services sector.

Both Chevron and Flamboyant Hotel were experiencing stiff competition amongst themselves and drastic decline in profit margins which pushed them into merging seeking to enhance financial performance (Chevron Management Report 2012). In 2012 Chevron and Flamboyant hotel combined operations to form one entity. The two entities were restructured to report one management though they maintained their distinct names Chevron Hotel and Flamboyant respectively. The financial performance of Chevron Hotel is analyzed as below.

Table 1.1 Financial performance of Chevron Hotel Masvingo

Year	2014	2015	2016	Variance 2014-2015	Variance 2015-2016
Revenue	$ 2 127 324	$1 867 597	$1 715 750	(13.9%)	(8.9%)
Costs	$ 1 265 401	$ 1 301 641	$ 1 390 501	2.8%	6.4%
Profit before tax	$ 861 923	$ 565 956	$ 325 249	(52.3%)	(74.0%)

(Source) Chevron Hotel Masvingo 2014-2016

The hotel has been experiencing decrease in financial performance due to various factors which includes; high competition levels resulting in price wars and high labour turnover following reduction of salaries and wages as cost cutting method (Chevron Hotel Management Report 2015). There was a decrease in revenue levels by 13.9% and 8.9% between 2014-2015 and 2015-2016, whilst costs continue to increase by 2.8% and 6.4% respectively, hence the inverse effects on revenue and cost resulted in drastic decrease in profits by 52.3% and 74.0%. The main purpose of mergers is to create and sustain competitive advantages through enjoying economies of scale and cost synergies, however the hotel is experiencing an increase in operating costs which are eroding the profits. The study seeks to investigate if the merger serves its purpose and also to assess the challenges faced by the entity after a merger.

1.2 Statement of the Problem

The increase in competition levels has forced Chevron and Flamboyant into merging with an aim of creating and sustaining their competitive advantages. However the hotel is experiencing decrease in profitability level, hence this gives rise to this study as it seeks to assess the effectiveness of mergers and to investigate if it serves the reason it meant to purport.

1.3 The main research question

- How effective are mergers as a strategy of creating and sustaining competitive advantages?

1.4 The research questions

- What are the motives behind mergers within the service delivery sector in Zimbabwe?
- What are the challenges faced by the organization after the implementation of mergers?
- What are the strategies used by hotel to enhance competitive advantage?
- How effective are mergers as a strategy used in creating and maintaining competitive advantages?
- Which strategies can be implemented to ensure accomplishment of mergers objectives?

1.5 The Research objectives

- To identify motives behind merger within the service delivery sector in Zimbabwe.
- To identify challenges faced by the organization after the implementation of mergers.
- To evaluate strategies used by the hotel to enhance competitive advantage.
- To assess the effectiveness of mergers as a strategy to create competitive advantages.
- To identify strategies which can be implemented to ensure accomplishment of mergers objectives?

1.6 Delimitations

The research was conducted at Chevron hotel which is located in Masvingo province. The target group is the hotel workforce currently employed by Chevron hotel. The information will be extracted relating to the period between 2014 and 2016. The content is focused on the effectiveness of mergers as a strategy of creating and sustaining competitive advantage.

1.7 Significance of the Study

This study was conducted as a partial fulfilment of the Bachelor of Accounting Honours Degree at Midlands State University. The study will also be used as a referral source by other researchers. The study enriches the researcher with practical knowledge and experience of contacting research since it was strictly supervised by an expert. In the event of the acceptability of the recommendations, Chevron hotel will be able to attend to some bottlenecks that arose due to the merger.

1.8 Limitations

The researcher made use of samples in conducting a field research and they do not give an absolute assurance, however proper planning and careful selection of informants will be done to avoid sample bias and ensure that results from this sample gives an reasonable assurance. The restriction of confidential information is one of the limitations faced by the researcher, however the researcher ensures the Chevron team that the information was strictly to be used for academic purposes only.

1.9 Definitions of the Terms

- **Merger:** The mergers can be defined as a situation or event were two organisations form an alliance by joining economic resources to form one big entity (Mailanyi, 2014). Mergers can also be refered to as strategic plan of joining two or more firms with an aim of expanding operations which have direct impact on corporate perfomance (Tinev, 2014).

- **Competitive Advantages:** The compatitive advantages is defined as advantages which an entity gains over rivals by offering goods and services which ensure maximisation of consumer welfare (Al-alak and Tarabieh, 2011). The competitive advantages can be refered to levaraged gained by an organisation to produce goods at lower prices or goods with more merits as compared to those of competitors (Mailanyi, 2014).

- **Competitive strategies:** The competitive strategies can be referred to as ways, means, techniques or strategies which can be used by entities in the provision of goods and services within a market (Al-alak and Tarabieh, 2011). They can also be defined as operating strategies used by management in conducting daily business activity (Cheng, 2013).

1.10 Chapter Summary

The chapter introduced the phenomenon at hand, the assessing the effectiveness of mergers as a strategy to creating competitive advantages. The chapter also gives the overview of the topic under study.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter contains ideas and theoretical findings from various authors discussing on results of mergers that occur in different countries and sectors. Literature review will include the examining information from company articles, journals, dissertations and books which are relevant to the topic under study.

2.1 The motives behind mergers

The business environment has become dynamic and organizations are seeking ways to create competitive advantages so as to grow and survive. Al-Hroot (2016) pointed out that the motives behind mergers include reduction of operating cost by means of joining operations and buying bulky. Ahmed and Ahmed (2014) also unveils that the motives of mergers is to create economies of scale and cost synergies by gaining the purchasing power. The management of industrial interdependence and control over the supply chain are also key motives or drivers for the establishment of mergers (Leepsa and Mishra, 2013).

2.1.1 Economies of scale

The economies of scale are described as the relationship which exists between the volume of production and cost of production per unit (Chibuzor, 2016). In other words, the ability of an organization to reduce the production cost per unit is by increasing production volume which is referred as creation of economies of scale. Naba and Chen (2014) alludes that the paramount objective of most mergers is to enjoy economies of scale so as to create competitive power over rivals. Okpanachi (2014) supported that economies of scale are the benefits enjoyed by an entity for being big in size and production. Samila (2015) state that mergers strengthen the capital intensity of an organization which enables it to increase production capacity, hence the increase in production enables the entity to create economies of scale as well cost synergies.

However, Yanan et al. (2016) averred that not all mergers are successful, and the successfulness of mergers is determined by the quality of corporate governance. The joining of two entities with different cultures and belief requires the creation of an effective corporate governance to ensure effective control of the newly formed entity. Abbas et al. (2014) supported that most mergers fail due to the failure to address customer expectations on newly formed firm, reaction of employees, failure to create economies of scale, lack of communication. Ashfaq (2014) states that there is need for effective assessment of entities culture, beliefs and operations to ensure proper planning before mergers occur.

2.1.2 Cost synergies

The rise in operating cost leading to the decline in profit has forced entities into mergers with the view of creating cost synergies (Bhutta et al., 2015). Joash (2015) states that the paramount objective of mergers is to reduce operating cost by combining operations which enables them to eliminate wastage and utilize idle resources. Lai et al. (2015) added that mergers enable an organization to create cost synergies which have a direct influence on the financial performance of an organization. Abdul-Rahman and Ayorinde (2013) supported that when mergers occur, operations and functions of two or more entities are combined and this would result in the elimination of redundancies and duplication of activities. The cost synergies are created when competing and duplicate facilities are combined or eradicated.

On a different view, Aik et al. (2015) alludes that cost synergies can only be created when the two entities involved in a merger are in the same line of business. In other words, the entities should be in the same industrial sector, producing the same type of goods or being in the same supply chain. Oloye and Osuma (2015) state that most mergers occur with an aim of meeting the capital requirement of those in authority, but however combining operations will be difficult since the line of business may be different. Adebayo and Olalekan (2014) emphasized that the failure of most mergers is as a result of the difference in goals and objectives.

2.1.3 Management of interdependence

The mergers are also noted as a strategy to ensure effective management of interdependence among entities within the supply chain (Chaudhary et al., 2016). This is described as a situation whereby an entity merges with its key customer or key supplier to ensure effective management of interdependence. Borghgraef (2014) stated that mergers are an effective way of managing the supply chain and it enables the entity to create competitive advantages. The control over supply chain enables the entity to respond smoothly and conveniently to the changes in customer preference as well competition. Kemal (2013) affirmed that control over supply chain enables the entity to embrace the interplay of market forces of demand and supply. In an empirical research on telecoms operators in Nigeria, Haider et al. (2015) discovered that mergers are an effective strategy to enhance technological dependence of entities.

Contrary to Kemal (2013) , Odi (2013) states that the success of mergers as strategy to manage interdependence lay in the hands of management and employees of these two entities. The willingness and ability of employees to work as a team determines the effective management of interdependence. In an empirical research of mergers in Nigerian manufacturing sector, Adeyemi (n.d.) discovered most mergers fail due to the failure to integrate personnel and incompatibility of corporate cultures. Shleifer and Vishny (2013) supported that the major drawbacks on the successfulness of mergers are the employees resisting the changes.

2.1.4 Purchasing power

The purchasing power is referred to the ability or capacity of an organization to influence prices of the supplier (Gao, 2015). Ugwuanyi (2015) referred purchasing power as bargaining power were by an entity has a direct influence on purchasing price due to the volume of product being acquired. After a merger, the entity will be able to buy goods and services in bulk which attract discounts (Lin, 2014). Xing (2014) supported that bigger firms are granted credit facilities by suppliers since they will able to meet the obligations due to their capital intensity, hence discounts and promotions are attached to the credit facilities.

However, Wang (2013) states that mergers create some monopoly within a market and supplier tends to suffer from bargaining power. The monopoly is created when the numbers of competitors are reduced in the market and the entity becomes the key customer. Chen (2014) maintained that mergers reduces variety of products and services on the market, hence customers also tend to suffer from monopoly. On the other hand, Akinbuli and Kelilume (2013) reiterated that mergers cannot boost the purchasing power if the supplier is already a monopoly, hence it doesn’t influence the prices of the supplier.

2.2 The challenges faced by an organization after the implementation of a merger.

Okpanachi (2014) highlighted that challenges faced by firm after implementing a merger include, customer and employee reaction, lack of communication and lack of coordination.

2.2.1 Customer reactions

The customer reaction is discovered to be the major challenge faced by organizations following mergers (Daddikar et al., 2014). Harwood et al. (2016) discovered that when an organization grows customers expect an increase in quality and variety of products, hence failure to meet the customer expectations would result in dissatisfaction. Hroot (2016) indicated that most customers want to be associated with already established suppliers hence changing of identity during mergers leaves customers confused and frustrated. Moctar and Xiaofang (2014) supported that the resistance to change by customers result in rejection of entity's products and it negatively influence corporate performance.

However, Makaza et al (2015) affirmed that customers prefer bigger organization as they implement product promotion and produce quality goods. Bigger organizations have the ability to acquire technological machines which enhance the provision of quality goods and services. Sanusi (2013) maintained that mergers creates monopoly, hence the reactions of customer has insignificant influence to the organization. Joash and Njangiru (2015) discovered that mergers reduces the number of competitors which also reduces variety of goods as well substitutes, hence customers tend to suffer. Senn (2014) averred that mergers do not affect the relationship of an organization with its customers and suppliers.

2.2.2 Employees' reactions

The resistance to change by employees is also a challenge being encountered in the implementation of mergers (Koi-Akrofi, 2014). Xing (2014) concluded that employees are the key stakeholder of every entity and their morale, job satisfaction and motivation is essential to the successfulness of the entity. Employee morale has a direct influence on corporate performance. Chen (2014) affirmed that fear of losing jobs or being demoted following mergers has a negative influence on employee performance. Job security is an essential need of every employee and the fear of losing the job result in dissatisfaction and demotivation. Amir et al. (2016) urges that employees should be involved in mergers process to ensure high morale levels.

However, Meka and Eyuche (2014) maintained that for a firm to be able to create and sustain competitive advantages following a merger, un-skilled labor should be replaced with qualified and experienced labor. Gollu and Kayı (2014) discovered the adaptation of highly technical machines following mergers increases the need for skilled labor on the market. In other words, these technical machines can only be operated by employees who are highly qualified and experienced. Wyman (2016) realized that mass retrenchments occur following mergers as the human labor is being replaced by machines, hence this reduce employee morale.

2.2.3 Lack of communication

Blonigen et al. (2014) highlighted that communication is very essential in every business to ensure the entity's functions are working towards accomplishment of same goals and objectives. Verma and Sharma (2014) states that effective communication channels in an entity ensure unity of objective, hence the unity of objective refers to a mechanism whereby employees within an entity contribute to the attainment same goals. Hroot (2016) alludes that lack of communication causes operational inefficiency since coordination among functions and departments will be difficult. Fresard et al. (2013) discovered that poor communication between the management and low level employees arise following mergers as the organization becomes big in size and control over communication channels becomes complex.

Contrary to Verma and Sharma (2014), Ashenfelter et al. (2013) objected that the effectiveness of communication networks within the organization is determined by the cooperate governance. An effective cooperate governance ensure proper management of information flow with an entity. Farrell (2015) indicated that it is management responsibility to ensure effective communication within an organization. Sanusi (2013) averred that effective communication is determined by the willingness of employees and management to coordinate and interact.

2.2.4 Lack of coordination

A mergers is the combining of two or more entities, hence coordination is very essential as to ensure effective operations (Blonigen et al., 2014). Blonigen and Pierce (2016) noted that lack of coordination has a negative effect on the performance of mergers especially when an organization becomes big in size. Coordination is referred to as team work or group work which binds employees from various groups or functions together in the attainment of organizational goals. Koi-Akrofi (2014) concluded that coordination is very essential for those organizations which initiate projects which need employees to work as a group or team. The lack of coordination causes operating inefficiency.

However, Taveira et al. (2014) alludes that coordination is determined by the willingness of employees and management to work together as a group. Deo (2013) averred that effective coordination is made easy by making clear the chain of command, one knows were and to whom they should report to. Senn (2014) supported that lack of coordination is because of unclear lines of authority.

2.3 The strategies for creating and sustain competitive advantages

The paramount objective of every organization is profit maximization and growth, this is enabled by seeking ways of creating competitive advantages (Deo, 2013). Jayaram (2014) state that there are several strategies which can be implemented to enhance creation of competitive advantages which include knowledge and skills sharing, combining operations and acquisition of advanced technologies.

2.3.1 Knowledge and skills sharing

The knowledge and skills sharing is referred to as activities which are undertaken to enhance competence of employees in relation to the changes in environment (Vardhana, 2014). 0kafor et al (2015) averred that mergers took place to acquire skills and knowledge of the other entities so as to create and sustain competitive advantages. By sharing skills and knowledge, the entities will be able to utilize its strength and overcome its weakness (Gugler et al. 2015). This enables the entities to be aware on the changes in environment. Joash and Njangiru (2015) noted that knowledge and skills sharing encourage team work among employees which has a direct impact on employee satisfaction.

Contrary to above, Naba and Chen (2014) averred that skills and knowledge sharing is determined by the employee motivation and the willingness of employees to cooperate. Chibuzor (2016) discovered that knowledge sharing among entities causes loss of valuable and tacit knowledge. The management also finds it difficult to implement knowledge sharing activities due to dynamic and complexity of entities involved (Bhutta et al., 2015). After a merger the organization becomes big in size and complex which will become difficult to implement skills sharing programs given the existing corporate governance. Jayaram (2014) supported that knowledge sharing is not necessary as it causes leakages of information to rivals.

2.3.2 Combining operations

The combining of operations is described as a process whereby similar functions or departments of two or more entities come together to form a single function (Gupta and Banerjee, 2017). Nasieku and Joseph (2016) emphasized that the combining of operation enhances creation of competitive advantages as it reduces operating cost. The combination will also enable the management to identify and eliminates wastage and redundancies which influence the firms' cost structure (Letangule and Letting, 2014). Oluwagbemiga et al. (2014) discovered that entities with high levels of cost efficient mechanisms enjoy and create more competitive advantages. Bhutta et al. (2015) supported that by combining operations, the organization will be able to identify idle resources and utilize them in areas which creates competitive advantages.

However, Makaza et al. (2015) alludes that combining of operations is not favorable if the functions of both entities involved in mergers are complex and big in size. Ashenfelter et al. (2013) averred the combining operations result in increased span of control which causes operational inefficiency. Verma and Sharma (2014) supported that when an entity grow in size, the chain of command stretches which also causes operating inefficiency. The operating inefficiency rises as a result of complex business procedures and number of authorization in relation to organizational hierarchy and internal controls.

2.3.3 Procurement practices

The procurement practices are described as measures or procedures which are implemented within the organization's operations in relation to the acquiring of raw materials (Nasieku and Joseph, 2016). Gachanja (2013) discovered that mergers enable the entity to gain purchasing power which enhances procurement practices. Shin et al. (2015) referred procurement practices as activities implemented to reduce operating cost such as; bulk buying, just-in-time

(JIT) technique and credit facilities. Verma and Sharma (2014) discovered that mergers give an entity control of the supply chain which facilitates the JIT system. Oluwagbemiga et al,. (2014) described JIT system as management technique aims to reduce operating cost by means of purchasing goods or raw materials upon customer request. This enable the organization to eliminate storage cost and risk associated with maintaining stocks.

Bulky buying is a practice mostly enjoyed by firms when they grow bigger as it creates economies of scale (Daddikar et al., 2014). Owolabi and Ajayi (2013) found out that bulky buying attracts discount, the more units acquired the more the amount of discounts enjoyed. The discounts reduces the cost of goods sold, hence this positively impact the profitability of the firm. Fresard et al. (2013) averred that the bulky buying also reduce cost related to transportation since goods will be transported at once. Farrell (2015) averred that procurement practices include the access to credit facilities from suppliers. The buying of goods on credit gives an entity the ability to purchase goods without a limit.

2.3.4 Technological innovations

The technological innovation refers to the activities which are put in place by an entity in response to changes in technology. Mboroto (2013) described technological innovations as a way of introducing new methods, ideas, strategy or machines. Technological innovations include the adaptation of computers, machines or surveillance cameras. Dutescu et al. (2013) noted that technological innovations create competitive advantages as a result of high levels of operational efficiency and offering customers real value. Mergers strengthen the capital base of an entity, hence this gives an organization an advantage of acquiring technological machines which are costly (Omah et al., 2013).

However, Wang (2013) state that acquisition of technological machines is so costly which contradict with cost management policies of organization. In an empirical research of

Nigerian banks, Ebong, B.B. (n.d.) noted the increase in number of employees retrenched following the embracement of technological machines and this impacts on satisfaction and morale of employees negatively. Leddy (2014) discovered that after a merger information systems of two entities may not be compatible leading to the frustration of both customers and employees.

2.4 The effectiveness of mergers as a strategy to create competitive advantages.

Globally mergers have been used as a strategic tool to reduce operational costs, increase profitability, increase revenue, increase in market power and acquisition of highly technical machines (Rashid and Naeem, 2017).

2.4.1 Increase in profitability

Profit is the lifeblood of most firms hence an increase in profits is desirable. In an analysis of Mergers in the Nigerian environment, Omoye and Aniefor (2016) discovered the most merged firms registered an increase in profits that had a positive effect on shareholder value. Abdul and Ojenike (2014) also found out that the profit after tax and assets of a firm improved after a merger. The improvement was attributable to expansion of product lines and increase in market share. Ahmed and Ahmed (2014) concluded that generally most merged firms in Pakistan achieved desirable results in terms of profitability.

In an analysis of merger on corporate performance, Rashid and Naeem (2017) concluded that mergers do not have a significant impact on profitability and liquidity but have a negative and significant effect on the quick ratio of merged firms. Joash (2015) noted that after a merger profits are attained in the short and medium term while there is no guarantee that the company can make profits in the long run as the firm will be motivated by further growth and expansion.

2.4.2 The increase in revenue

The post merger era has seen many firms increase their revenue and thus enjoy competitive advantage over other firms by being able to attract and retain customers (Holstrom n,d). Hilvert and Swindell (2013) averred that new advanced technology brought by mergers enhance quality of goods and services which attracts new customers. Most customers prefer quality products as they provide real value of money. Amir et al. (2016) concluded the increase in customer base or revenue levels is a clear indication of competitive advantages created.

In an empirical research of the Nigerian firms, Owomoyela (2014) discovered that mergers brings about several competitive advantages such as; provision of quality products, improved customer care, marketing strategies, wide variety of products which attracts more customer and increases the customer base. On the other hand Sufian et al (2013) discovered that some banks in Malasia could not improve their revenue efficiency in the post merger era.

2.4.3 The reduction in operating cost

There are several strategies which can be initiated by an entity to reduce cost following mergers since the organization will be big in size. Meka and Eyuche (2014) claimed that most firms are suffering from high operating cost and mergers are used as a strategy to reduce and maintain cost levels. King and Taylor (2014) averred that big organizations are able to create cost synergies which create competitive advantages.

However, Hilvert and Swindell (2013) state that the ability to reduce operating cost enables the entity to gazette lower prices as they will be able to maintain profit margins. Lower prices create competitive advantages over entity's rivals. Wyman (2016) alludes that the reduction of prices due is to some cost synergies and this is an important factor used to measure the capacity of creating competitive advantages.

2.4.4 Increase in Market power

Market power can be defined as the ability of a firm to influence prices on the market by exercising control over demand and supply or both. When firms are merged they tend to overcome competitors while increasing their sales performance and this enhances market dominance (Anyamwu and Agwor 2015). Blonigen and Pierce (2015) also agreed that the market power of a firm is increased after mergers.

While Pettinger (2017) noted that mergers lead to an increase in market power, she noted that the increase in market power could lead to monopoly power and increase in prices which have a negative effect to customers. Gao et al (2015) in the analysis of horizontal mergers discovered that horizontal mergers do not increase market power.

2.4.5 The acquisition of highly technical machines

The acquisition of technical machines enhances the competitive power of an entity as it enables embracement of technology development. Fresard et al. (2013) alludes that firms with wide and strong capital base are able to acquired technical machines, hence mergers increase the intensity strength of capital. The acquisition of technical machines is noted as competitive advantages attained by an organization over its rivals. Firth (2014) averred that mergers strengthen the capital intensity of an entity and as it is able to attract and retain skilled labor. Al-Kassem (2014) discovered that the capital intensity and skilled labor is a clear indication of gaining competitive power since rivals may have weaker capital intensity.

Contrary to Al-Kassem (2014), Chen (2014) noted that the acquisition of technological equipment is not good to the economy since it may lead to some barriers to entry of new firms. In an analysis of cross border mergers and acquisitions, Kausika (2016) suggested that it was cost effective to merge with a firm with desired technological equipment rather than purchasing it. Jeon et al (2015) also differed by indicating that the purchase of technological innovations take long to be effective on large firms than on small to medium firms.

2.5 The strategies to ensure accomplishment of mergers objectives.

There are several strategies which can be adopted following mergers which can ensure accomplishment of the goals and objectives. They include, research and development (R&D) programs, training programs and marketing strategy (King and Taylor, 2014).

2.5.1 The research and development (R&D) programs

The R&D programs are held continuously to ensure creation of competitive advantages of an organization. Vardhana (2014) averred that R&D involves continuous ways of seeking to establish more appropriate products for the market. Product development and improvement is enabled by the R&D programs. Mboroto (2013) averred that R&D programs incorporates external factors such as changes in customer taste and preferences, this creates competitive advantages over competitors. Owomoyela (2014) highlighted that R&D programs include technological innovations which create competitive advantages by reducing cost and provision of quality products.

However, Reichert and Zawislak (2014) maintained that R&D programs do not guarantee creation of competitive advantages, rather it relies on the innovativeness and competence of the personnel. The innovativeness and competence of personnel within the department responsible for R&D programs determines the creation of competitive advantages. Stafford and Miles (2013) discovered cultural integration of the different workers causes mergers to fail due anxiety and frustrations. Managers should therefore ensure employees clash of interests is avoided for an entity to perform well.

2.5.2 Training programs

Training programs enrich employees with technical knowledge on how to implement computerized accounting system. Owomoyela (2014) state that training programs enhances employee competence which enables the organization easily subscribe to the technological innovations and changes customer taste and preference. The high technological machines are complicated and it requires one with skills and knowledge to fully utilize its functions. Al-Kassem (2014) noted a significant influence of personnel competence on creation competitive advantages has a direct impact on corporate performance.

Contrary to Owomoyela (2014) , Mcgee (2015) noted that the key divers to a successful merger include top leadership support, development of a proper plan and good communication. Proper strategic planning and monitoring the progress of the merged firms also ensures that the success of a merger (Flamholtz 2015).

2.5.3 Marketing strategies

The survival of entities around the globe is now basically premised on robust marketing strategies. Sinkovics et al (2013) on the analysis of cross border mergers and acquisitions noted that there should be a proper redeployment of marketing resources in order to ensure a successful merger. Alarm et al (2014) cited that the increase in market share is of paramount importance for the survival of a firm after a merger hence these newly formed companies should work together towards increasing market share.

In an investigation into the critical success factors of merges in Bulgaria , Iankova (2014) discovered that the marketing and public relations department of a merged company should concentrate on fine tuning strategies that are meant to maintain existing customers and attract new ones.

2.5.4 Team building

Team building is a set of programs that are meant to assure employees that the company cares about their future within the company (McKeon 2016). A better assembled team will promote goal congruency and contribute towards the success of a company. According to Ricklan (2016) mergers come with some elements of distrust hence building one team helps employees to work towards the same objective. Nitzberg (2016) concluded by advocating for a team charter that will be a roadmap and help in defining the structure and purpose of a new team.

Contrary to McKoen (2016) , Savovic and Pakrajcic (2013) noted that due diligence has to be observed during the process of a merger in order to achieve the desired results. Due diligence is the process where the buying firm closely analyses and evaluates the risks associated with the target firm. Bamford (2016) supported the need to development of a new brand name and due diligence for a merger to be successful.

2.6 Chapter Summary

The chapter outlines literature published by various scholars in relation to the effectiveness of mergers as a strategy of creating and sustain competitive advantages. The chapter focused on the areas such as; motives behind mergers, strategies and problems faced in creating competitive advantages.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter provides an evaluation and analysis of the methods that are to be employed in this research study to gather data. It provides a detailed analysis of the research design of this study, sampling, population, the techniques of sampling, procedures of sampling and data collecting methods to be employed to gather data for compiling this report, the procedures for presenting data that are to be employed in analysing the collected data and summary.

3.1 Research design

This is basically the design to be used as a guideline for collecting data. It is a framework that broadly specifies the kind of data that is to be gathered, the data source and the procedure for collecting data (Creswell, 2014). The paramount objective is to analyse the effectiveness of mergers as a strategy of creating and sustaining competitive power. A descriptive survey research design was employed in this research. Sanjeev et al. (2013) described a descriptive research design as an investigation which is supported by empirical data, into contemporary phenomenon working in a context that is real life.

The research design is rich with detailed understanding of the realities of the real situations. Heine and Knorr (2014) established that descriptive research design is conducted through paying a special attention to human behaviour and challenging areas which are usually unclear, reconstruction and assessment of the population understudy and this is done through incorporating the ideas and views of the 'characters' in the population units of the case understudy.

3.2 Population

Creswell (2014) referred population to the whole frame of units from which a survey sample is drawn. Hassan (2013) also state that population is a set of elements containing similar characteristics which are useful to the research. The employees and management of Chevron Hotel were used as the targeted population to assist in data collection. This population target encompasses personnel from finance, marketing, procurement and operations departments as well the managing director. The sample was constructed from a population of 63 employees so as to facilitate data collection.

3.3. Sample

Sample or sample size refers to the individual chosen by the researcher to represent the whole population. Hassan (2013) defined a sample as a subset of the population. This particular group demonstrates the characteristics of the whole population under study. Sample size can also be referred to as the number of respondents that participated in a study. Interviews and questionnaires were used by the researcher so as to obtain qualitative data. The researcher used stratified random sampling technique in constructing a sample and it is illustrated below.

3.3.1 Stratified sampling technique

Stratified random sampling technique was used by the researcher. Hassan (2013) averred that stratified random sampling is a technique used in constructing a sample population from a target population comprises of homogeneous groups. Stratified random sampling is more appropriate since it accommodate participants from different levels of the organisation. The Stratified random technique ensures that each group is equally represented.

Table 3.1 Population and sample size

Category	Population	Sample size	Percentage	Interviews
Managing director	1	1	100%	1
Finance department	14	14	100%	1
Marketing department	4	4	100%	1
Procurement department	5	5	100%	1
Operations department	39	15	38.5%	-
Total	**63**	**39**	**61.9%**	**4**

The table above shows the total number of 39 respondents forming a sample group and they were selected from a population of 63. The questionnaires were administered to all 39 participants whilst 4 participants from the sample group were selected for one on one interview.

3.4 Sources of data

3.4.1 Primary Data

Primary data is the data that is being collected for the first time and is not historical. The primary data was used in this study, this ascertained the validity and reliability of the result as it is direct, straightforward and very useful, thus reducing the risk of subjectivity caused by human judgment. This data was very useful since it is recent and not historical thus meeting the exact needs of this study and increased the objectivity of the research study. The data was presumed to be very reliable, relevant and accurate since it was first hand data (Repplinger, 2015).

At the feasibility stage of deciding on the methods of collecting primary data, the researcher had numerous data collecting instruments to employ in the data collection process. In essence, the two main techniques of collecting data are questionnaires and interviews (Thomas, 2013). In this research, the researcher shall employ questionnaires and interviews in collecting primary data from the population frame.

3.4.2 Secondary Data

Secondary data is historical data that was collected for a different purpose and is readily available and accessible from other sources. In secondary data analysis individuals who were not involved in the collection of the data analyse the data (Grimsley, 2013). The secondary data was used for the progress of the study, the researcher tends to utilise their advantages which include; obtainable quickly and cheaply and may be available even if the corresponding primary data is hardly obtainable. The secondary data is associated with certain merits such as; the collection is of the data is substantially economical since it saves effort, costs and time; it enables a historical analysis of events contained in the data since it is empirical data collected over a period of time thus enhancing a comprehensive understanding of the problem; and the data provides a basis for data comparison, that is, current against historical (Repplinger, 2015).

3.5 Research instruments

3.5.1 Questionnaires

The researcher used a questionnaire in data collection. A questionnaire is designed in such a way that it allows the researcher to gather information relating to the effectiveness of mergers as a strategy to enhance competitive advantages. Repplinger (2015) discovered that the use of questionnaires is less expensive method of collecting data from numerous units of respondents. With the use of questionnaires the researcher was able to reach quite number of respondents within a given time. The questionnaire was distributed to thirty nine participants of the sample. There are several merits associated with questionnaire including; future reference, gives respondent time to think, pre-tested, confidentiality, cost effective and time saving.

The questionnaires used in this study contain both open and closed ended questions. The closed ended questions may ordinarily be answered by the use of the Likert scale. These types of questionnaires are thus very easy to attend to since they provide the respondents with the choice of answers within the quadrant of the area of research.

3.5.1.1 The Likert Scale

Likert scale is adequately a psychometric scale giving the respondents adequate authority and space to freely express their feelings or views. The Likert scale has five points containing different ranging of rating giving the respondents a variety of choice in expressing their feelings. The five Likert scale points are Strongly Agree, Agree, Not Sure, Do Not Agree and Strongly Do Not Agree.

Table 3.2 The Likert scale

Scale points	**Ratings**
Strong Agree	5
Agree	4
Not Sure	3
Do Not Agree	2
Strongly Do Not Agree	1

3.5.2 Interview

An interview is referred to as a verbal method of gathering data from a sample (Thomas, 2013). In gathering the information the researcher looked for relevant, reliable and recent information through conducting personal interviews with the respondents in the selected sample. Qu and Dumay (2011) established that the use of interview techniques helps and allows the researcher to clarify unclear responses contained in the structured questionnaire. In principle, this therefore means the use of interviews compliments the collection of data using the questionnaire technique. The researcher was able to have an in-depth investigation by using face-to-face interviews as it gives room for probing and clarity. Interviews allow the respondent to express himself freely and the interviewer can also benefit from non-verbal communication .The use of flexible language at in-depth interviews allows accurate data to be collected.

3.6 Data validity

According to Mohamad et al. (2014) validity confirms that measuring instruments purports to measure what it supposed to measure accurately. The researcher assured validity of research instruments by considering field experts opinions and assistance from the research supervisor. This facilitates revision and modification of research processes and instruments which results in overall validity of the research. All the information included in this study was considered to be valid.

3.7 Data reliability

Peterson (2012) describes reliability as an extent to which the information is considered to be error free. Reliability can be determined by consistency and stability of research instruments and their ability to yield same results if process is repeated several times (Repplinger, 2015).

The researcher used both qualitative and quantitative research methods in data collection to eliminate inherent weaknesses in both methods. .

3.8 Data presentation

The data presentation is describes as set of techniques used to present research findings in a chronological manner which is understandable by the audience (Sulaiman et al., 2014). Pie charts, graphs and data tables were used in data presentation to entice the audience as well enhance understanding of the problem at hand.

3.9 Analysis of the collected data

Sulaiman et al. (2014) established that when data has readily been collected the measures of central tendency can now be employed to analyse the data so it can be presented. Some of the central tendency measures that will be employed in this research are mean and mode and this together with the presentation of data shall be part of the next chapter.

3.10 Ethical consideration

The researcher ensured that he will not override the ethical values of the entity, this was enabled by designing the research instrument in line with the organisational objectives. The authority to carry the study was obtained first before the researcher could conduct the study

3.11 Summary

This chapter discussed the research methodology that the researcher used in carrying out this research. It explores in detail the design of the research, the population and sampling, sampling methods and procedures, techniques of collecting data, data collecting tools or instruments and the next chapter shall concentrate on data analysis and presentation.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focuses on data presentation and analysis of research findings collected from the field research conducted at Chevron Hotel Masvingo. The primary data to be presented and analysed was obtained through questionnaires and interviews.

4.1 Questionnaire response

The responses rate represents the ratio of distributed questionnaires and returned by sample of target group. The researcher distributed 39 questionnaires to the sample group and only 38 were returned complete giving a responses rate of 97.4%. This can best be illustrated in the table below.

Table 4.1 Questionnaire response rate

Respondents category	Questionnaires distributed	Questionnaires returned	Respondents rate
Managing director	1	1	100%
Finance department	14	13	92.9%
Marketing department	4	4	100%
Procurement department	5	5	100%
Operations department	15	15	100%
Total	**39**	**38**	**97.4%**

4.2 Questionnaire Presentation and Analysis

The research findings obtained through question are presented and analysed below.

Question 1: Chevron hotel and Flamboyant merged in 2012, would you say this merger was a success.

Table 4.2 Responses on whether the merger was a success on not a success.

	Yes	**No**
Respondents	**21**	**17**
% of respondent	**55.3%**	**44.7%**

The table shows that 21 out of 38 (55.3%) respondents state that the merger between Chevron and Flamboyant Hotel was successful in creating competitive advantages. The respondents highlighted that since the merger the entity has managed to embrace some technological innovations through purchase of technological equipment. An online internet booking has been implemented and now advertises its services through the internet platform. This has enhanced the competitive power over other hotels since the hotel is able to easily capture customers outside the country or city. The hotel currently charges between $80 to $100 a room with breakfast which makes it the cheapest in town. Hilvert and Swindell (2013) state that the ability to purchase highly technological machines enables the entity to gazette lower prices. The respondents emphasised that the hotel has increased its market power due to its ability to detect Hotel prices in Masvingo. Blonigen and Pierce (2015) also agreed that the market power of a firm is increased after mergers.

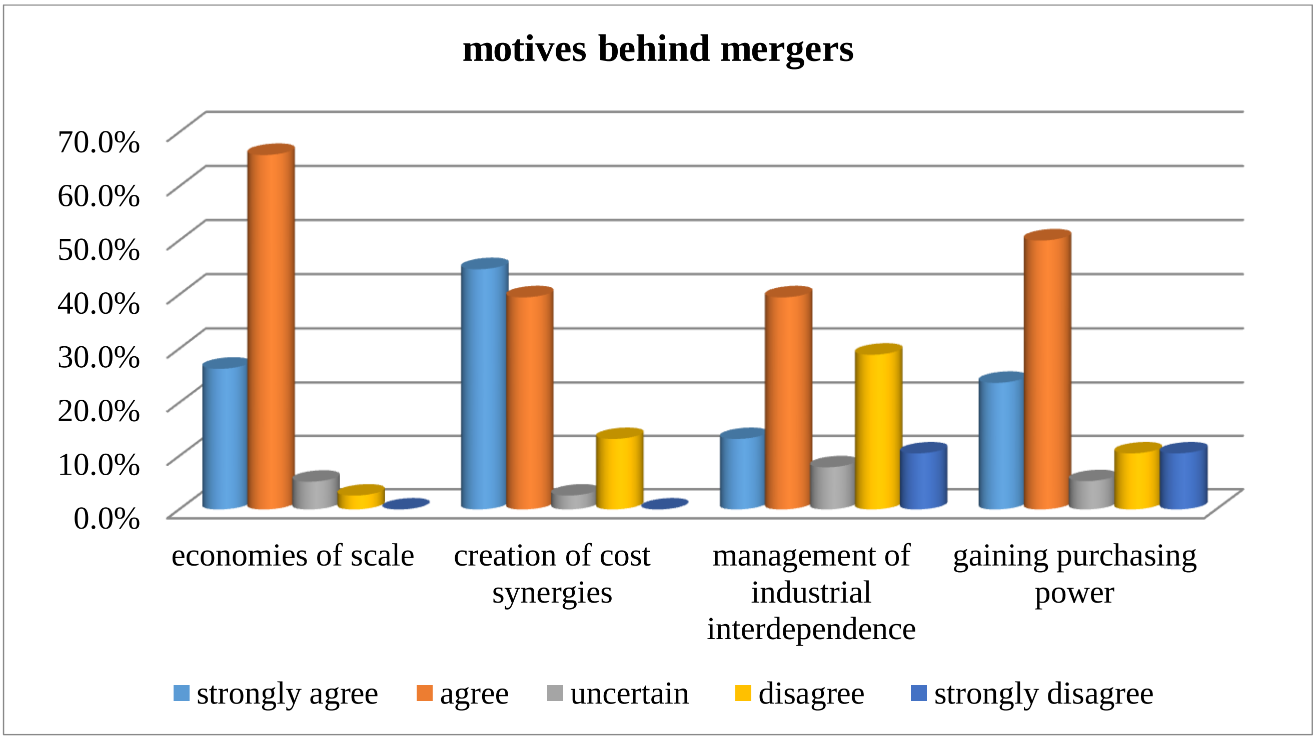
However, 17 out of 38 (44.7%) respondents alludes that mergers were not successful in creating and sustaining competitive advantages. The continuous decline in financial performance was noted as the major reason for the failure of the merger. This was attributable to some customer reactions for the newly formed entity. Hroot (2016) averred that most customers want to be associated with already established suppliers hence changing of identity during mergers leaves customers confused and frustrated.

Lack of coordination and communication amongst the departments contributed to a failure. Respondents added that power scrambles between the management of the newly formed firm created some challenges hence the merger was not successful. Okpanachi (2014) averred that there several reasons which lead to failure of mergers such as; poor corporate governance, customer and employee reaction, lack of communication and lack of coordination. The research reached to a conclusion that the merger was a success in creating competitive advantage since the hotel has increased market power, charges low prices and is taking advantage of technological innovations

Question 2: The following are motives behind mergers occurring within the service delivery sector in Zimbabwe.

The question seeks to discover motives which were behind the mergers resulting in formation of Chevron Hotel Masvingo

Fig 4.1 Motives behind mergers



i. Economies of scale

The question seeks to investigate if economies of scale are the major motives for the formation of Chevron Hotel Masvingo. Fig 4.1 points out that, 10 out of 38 (26.3%) strongly agreed and 25 out of 38 (65.8%) agreed that economies of scale is the major motive behind mergers. 2 out of 38 (5.2%) were uncertain. However, 1 out of 38 (2.6%) disagreed and 0 out of 38 (0.0%) strongly disagreed. In sum, 92.1% (26.3% strongly agreed and 65.8% agreed) agreed that economies of scale are the major motive behind mergers. Naba and Chen (2014) supported that the paramount objective of most mergers is to enjoy economies of scale so as to create competitive power over rivals.

However, 2.6% (2.6% disagreed and 0.0% strongly disagreed) disagreed that economies of scale is major reason for mergers. In support, Yanan et al. (2016) averred that not all mergers are successful, and the successfulness of mergers is determined by the quality of corporate governance. The researcher reached at a conclusion using modal responses of 35 out of 38

(92.1%), that mergers occur so that entities will be able to create economies of scale which have a direct influence on performance.

ii. Creation of cost synergies

The question seeks to investigate if creation of cost synergies is the major motive for the formation of Chevron Hotel Masvingo. Fig 4.1 points out that, 17 out of 38 (44.7%) strongly agreed and 15 out of 38 (39.5%) agreed that creation of cost synergies is the major motive behind mergers. 1 out of 38 (2.6%) were uncertain. However, 5 out of 38 (13.2%) disagreed and 0 out of 38 (0.0%) strongly disagreed. In sum, 84.2% (44.7% strongly agreed and 39.5% agreed) agreed that creation of cost synergies is the major motive behind mergers. Joash (2015) supported that the paramount objective of mergers is to reduce operating cost by combining operations which enables them to eliminate wastage and utilize idle resources.

However, 13.2% (13.2% disagreed and 0.0% strongly disagreed) disagreed that creation of cost synergies is most reason for mergers. In support, Aik et al. (2015) alludes that cost synergies can only be created when the two entities involved in mergers are in the same line of business. The researcher reached at a conclusion using modal responses 32 out of 38 (84.2%) that the mergers occur so that entities will be able to create cost synergies which have a direct influence on performance.

iii. Effective management of industrial interdependence

The question seeks to investigate if management of industrial interdependence is the major motive for the formation of Chevron Hotel Masvingo. The Fig 4.1 points out that, 5 out of 38 (13.2%) strongly agreed and 15 out of 38 (39.5%) agreed that management of industrial interdependence is the major motive behind mergers. 3 out of 38 (7.9%) were uncertain. However,11 out of 38 (28.9%) disagreed and 4 out of 38 (10.5%) strongly disagreed. In sum, 52.7% (13.2% strongly agreed and 39.5% agreed) agreed that management of industrial interdependence is the major motive behind mergers. Kemal (2013) supported that control over supply chain enables the entity to embrace the interplay of market forces of demand and supply.

However, 39.4% (28.9% disagreed and 10.5% strongly disagreed) disagreed that the management of industrial interdependence is the main reason behind mergers. Odi (2013) states that the success of a merger as strategy to manage interdependence lay in the hands of management and employees of these two entities. The researcher reach at a conclusion using modal responses 20 out of 38 (52.7%), that the mergers occur so that entities will be able to manage the industrial interdependence which have a direct influence on competitive advantage.

iv. Gaining purchasing power

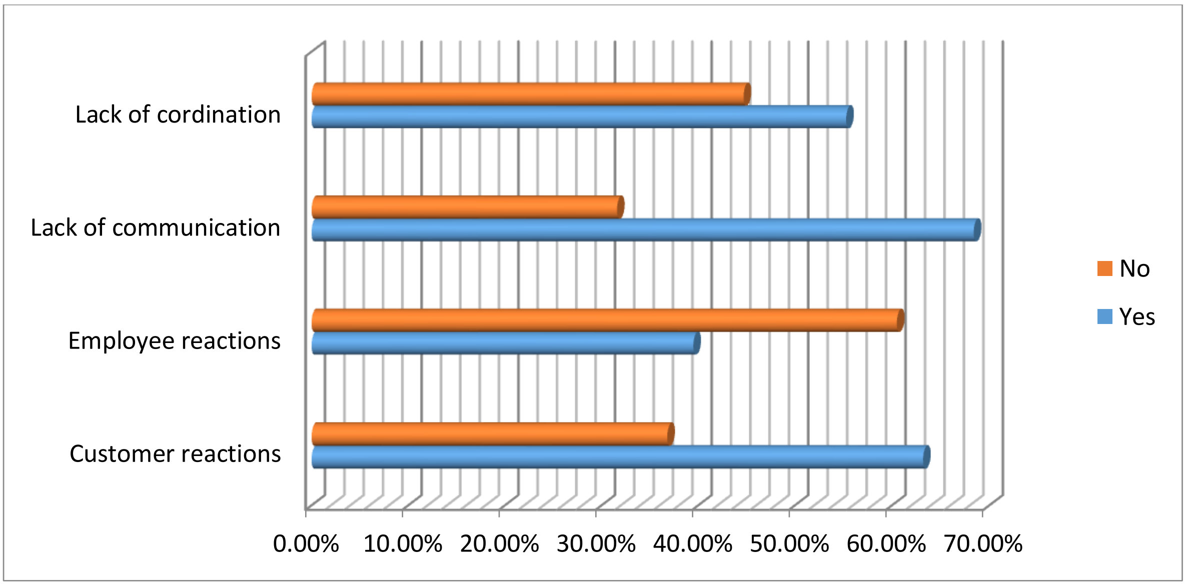
The question seeks to investigate if gaining purchasing power is the major motive for the formation of a merger between Chevron and Flamboyant Hotel. The Fig 4.1 points out that, 9 out of 38 (23.7%) strongly agreed and 19 out of 38 (50%) agreed that gaining purchasing power is the major motive behind mergers. 2 out of 38 (5.3%) were uncertain. However, 4 out of 38 (10.5%) disagreed and 4 out of 38 (10.5%) strongly disagreed. In sum, 73.7% (23.7% strongly agreed and 50% agreed) agreed that gaining purchasing power is the major motive behind mergers.

However, 39.4% (28.9% disagreed and 10.5% strongly disagreed) disagreed that gaining purchasing power is the most reason resulting in mergers. The researcher reached at a conclusion using modal responses 28 out of 38 (73.7%), that mergers occur so that entities will be able to gain purchasing power which has an influence in the performance of the firm.

Question 3. The following are challenges faced by the organization in seeking to create and sustaining competitive advantages.

The question aims to point out challenges being faced by Chevron Hotel during implementing strategies to create competitive advantages.

Fig4.2 Challenges faced following mergers



i. Customer reactions over newly formed entity

The question aims to examine if customer reactions over newly formed entity pose a threat in creating and sustaining competitive advantages. Fig 4.2 shows that 24 out of 38 (63.2%) agreed that customer reactions over newly formed entity pose a threat in creating and sustaining competitive advantages. Hroot (2016) supported that most customers want to be associated with already established suppliers, hence changing of identity during mergers left customers confused and frustrated.

However, 14 out of 38 (36.8%) disagreed that customer reactions over newly formed entity negatively influences the firms performance. In support, Makaza et al (2015) averred that customers prefer bigger organization as they implement product promotion and produce high quality products. The researcher reach at a conclusion using modal responses 24 out of 38 (63.2%), the Chevron Hotel is focusing on technological innovations as a strategy to create competitive advantages.

ii. Employees' reactions over new setup

The question aims to examine if employees' reactions over new setup pose a threat in creating and sustaining competitive advantages. Fig 4.2 shows that 15 out of 38 (39.5%) agreed that Employees' reactions over new setup pose a threat in creating and sustaining competitive advantages. Xing (2014) supported that employees are the key stakeholder of every entity and their morale, job satisfaction and motivation is essential to the successfulness of the entity.

However, 23 out of 38 (60.5%) disagreed that employees' reactions over new setup negatively influences the firms performance. Meka and Eyuche (2014) supported that for a firm to be able to create and sustain competitive advantages following a mergers it should replace un-skilled labour with qualified and experienced labour. The researcher reached at a conclusion using modal responses 23 out of 38 (60.5%), that Chevron Hotel is employees' reactions over new setup is not part of challenges influencing the creation of competitive advantages.

iii. Lack of communication within the entity

The question aims to examine if lack of communication within the entity pose a threat in creating and sustaining competitive advantages. Fig 4.2 shows that 26 out of 38 (68.4%) agreed that lack of communication within the entity pose a threat in creating and sustaining competitive advantages. Verma and Sharma (2014) supported that effective communication channels in an entity ensure unity of objective, hence the unity of objective refers to as mechanism whereby employee within an entity contribute to the attainment same goals.

However, 12 out of 38 (31.6%) disagreed that lack of communication within the entity negatively influences the firms performance. Ashenfelter et al. (2013) supports that the effectiveness of communication networks within the organization is determined by the cooperate governance.

The researcher reached at a conclusion using modal responses 26 out of 38 (68.4%), that Chevron Hotel is lacking communication among departments and functions.

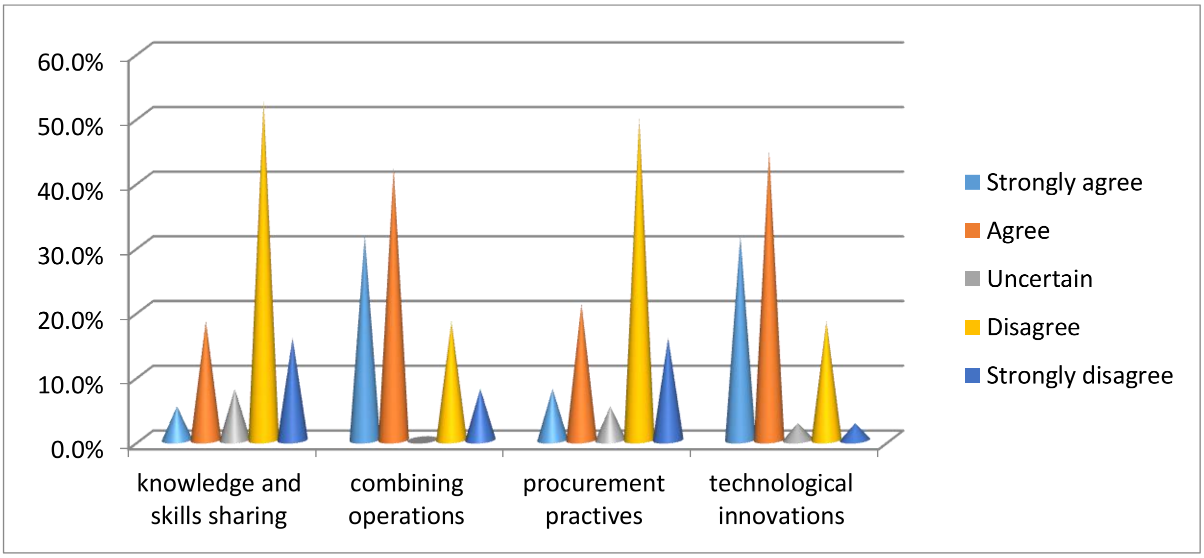
iv. Lack of coordination among departments

The question aims to examine if lack of coordination among departments a threat in creating and sustaining competitive advantages. Fig 4.2 points out that, 21 out of 38 (55.3%) agreed that lack of coordination among departments pose a threat in creating and sustaining competitive advantages. Blonigen and Pierce (2016) supported that lack of coordination has a negative effective on performance because when an organization become big in size coordination becomes difficult. However, 17 out of 38 (44.7%) disagreed that lack of coordination among departments negatively influences the firms performance. Taveira et al. (2014) alludes that coordination is determined by the willingness of employees and management to work together as one group. The researcher reach at a conclusion using modal responses 21 out of 38 (55.3%), the Chevron Hotel is lacking of coordination among departments.

Question 4. The following are strategies being implemented at the hotel to create and sustain competitive advantages.

The question seeks to evaluate the effectiveness of strategies being used by Chevron Hotel in creating competitive advantage?

Fig4.3 Strategies for creating and sustaining competitive advantages



i. knowledge and skills sharing

The question item seeks to asses if knowledge and skills sharing practices are being implemented in relation to creation of competitive advantages. The fig 4.3 points out that, 2 out of 38 (5.2%) strongly agreed and 7 out of 38 (18.4%) agreed that knowledge and skills sharing is being practiced at Chevron Hotel. 3 out of 38 (7.9%) were uncertain. However, 20 out of 38 (52.6%) disagreed and 6 out of 38 (15.8%) strongly disagreed. In sum, 23.6% (5.2% strongly agreed and 18.4% agreed) agreed that knowledge and skills sharing is being practiced at Chevron Hotel. Ugwuanyi (2015) supported that purchasing power as bargaining power were by an entity has a direct influence on purchasing price due to the volume of product being acquired.

However, 68.4% (52.6% disagreed and 15.8% strongly disagreed) disagreed that knowledge and skills sharing is being practiced. Wang (2013) also supported that mergers creates monopoly within a market and supplier tends to suffer from bargaining power. The researcher reach at a conclusion using modal responses 26 out of 38 (68.4%), the Chevron Hotel is not practising the knowledge and skills sharing among personnel.

ii. Combining of operations and functions

The question item seeks to asses if combining of operations and functions taking place at Chevron Hotel in relation to creation of competitive advantages. The Fig 4.3 points out that, 12 out of 38 (31.6%) strongly agreed and 16 out of 38 (42.1%) agreed that combining of operations and functions is taking place at Chevron Hotel. 0 out of 38 (0.0%) were uncertain. However, 7 out of 38 (18.4%) disagreed and 3 out of 38 (7.9%) strongly disagreed. In sum, 73.7% (31.6% strongly agreed and 42.1% agreed) agreed that combining of operations and functions is taking place at Chevron Hotel. Nasieku and Joseph (2016) supported that the combining of operation enhances creation of competitive advantages as it reduces operating cost.

However, 26.3% (18.4% disagreed and7.9% strongly disagreed) disagreed that combining of operations and functions is taking place. Makaza et al. (2015) supported that combining of operations is not favourable if the functions of both entities involved in mergers are complex and big in size. The researcher reach at a conclusion using modal responses 28 out of 38 (73.7%), the Chevron Hotel is combining its operations and functions so as to create competitive advantages.

iii. Procurement practices such as JIT

The question item seeks to asses if procurement practices such as JIT are being implemented at Chevron Hotel in relation to creation of competitive advantages. Fig 4.3 points out that, 3 out of 38 (7.9%) strongly agreed and 8 out of 38 (21.1%) agreed that procurement practices such as JIT are being implemented at Chevron Hotel. 2 out of 38 (5.2%) were uncertain. However, 19 out of 38 (50.0%) disagreed and 6 out of 38 (15.8%) strongly disagreed. In sum, 29.0% (7.9% strongly agreed and 21.1% agreed) agreed that procurement practices such as

JIT are being implemented at Chevron Hotel. Gachanja (2013) supported that mergers enable the entity to gain purchasing power which enhances procurement practices.

However, 65.8% (50.0% disagreed and 15.8% strongly disagreed) disagreed that procurement practices such as JIT are being implemented. In support, Owolabi and Ajayi (2013) averred that bulky buying attracts discount, the more units acquired the more the amount of discounts enjoyed. The researcher reach at a conclusion using modal responses 25 out of 38 (65.8%), the Chevron Hotel did not introduce any procurement practices.

iv. Technological innovations

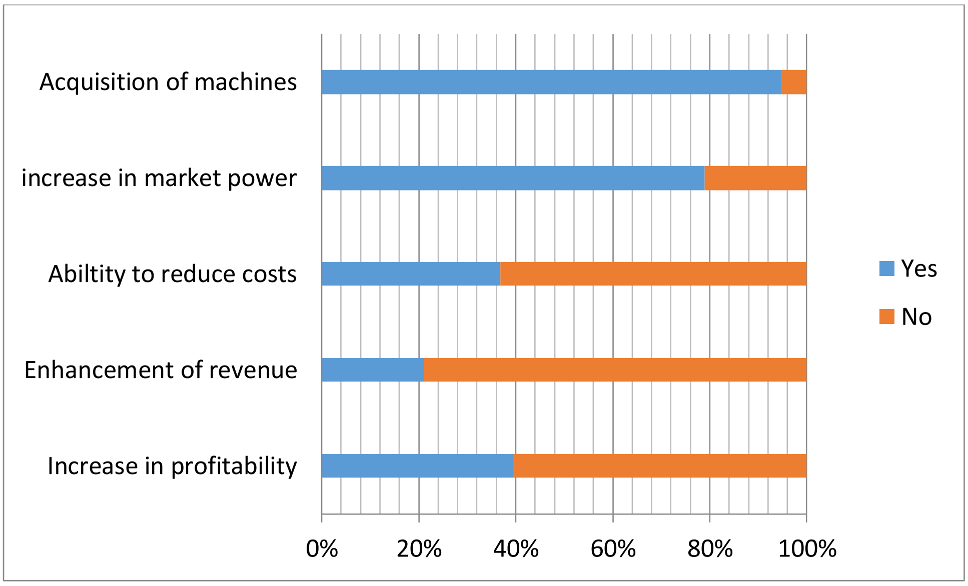
The question item seeks to asses if procurement practices such as JIT are being implemented at Chevron Hotel in relation to creation of competitive advantages. Fig 4.3 points out that, 12 out of 38 (31.6%) strongly agreed and 17 out of 38 (44.7%) agreed that technological innovations are being implemented at Chevron Hotel. 1 out of 38 (2.6%) were uncertain. However, 7 out of 38 (18.4%) disagreed and 1 out of 38 (2.6%) strongly disagreed. In sum, 76.3% (31.6% strongly agreed and 44.7% agreed) agreed that technological innovations are being implemented at Chevron Hotel. Dutescu et al. (2013) supported that technological innovations creates competitive advantages as a result in high levels of operational efficiency and offering customers real value.

However, 21.0% (18.4% disagreed and 2.6% strongly disagreed) disagreed that technological innovations are being initiated at the hotel. Wang (2013) also state that acquisition of technological machines is so costly which contradict with cost management policies of organization. The researcher reach at a conclusion using modal responses 29 out of 38 (76.3%), the Chevron Hotel is focusing on technological innovations as a strategy to create competitive advantages.

Question 4. The following shows how effective are mergers as a strategy used in creating and maintaining competitive advantages.

The question seeks to examine the effectiveness of mergers a strategy in creating and maintaining competitive advantages.

Fig 4.4 The effectiveness of mergers



i. The increase in profitability

The increase in profitability is examined as an important factor which shows the successfulness of mergers

Fig 4.4 Responses on the increase in profitability

Fig 4.4 points out that, 15 out of 38 (39.5%) agreed that Chevron Hotel experienced an increase in profitability following a merger with Flamboyant Hotel. On the other hand 23out of 38 disagreed that the hotel experienced increases in profitability. The respondents emphasized that the decrease in profitability was due to a reduced number of customers. The tourists from the Western countries were no longer visiting Great Zimbabwe and Lake Kyle due to some sour relationships between Zimbabwe and the West thus reducing the bookings.

Rashid and Naeem (2017) averred that mergers do not have a significant impact on profitability and liquidity but have a negative and significant effect on the quick ratio of merged firms. The researcher reach at a conclusion using modal responses 23 out of 38 (60.5%) that the merger did not improve the profitability status of the entity.

ii. The enhancement of revenue generation

The enhancement of revenue generations is examined as an important factor which shows the successfulness of mergers

Fig 4.4 Responses on the enhancement of revenue generation

Fig 4.4 points out that, 8 out of 38 (21.1%) agreed that Chevron Hotel experienced improvement in revenue generation following a merger. However, 30 out of 38 (78.9%) disagreed that there was enhancement in revenue generation. The respondents commented that the decrease in revenue levels was due to a reduced number of patrons that is associated to some customer reactions on the political affiliation of the director. They feel the hotel is meant for pro Zanu Pf supporters and this negatively affects revenue. The respondents also averred the limited number of services on offer by the hotel should increase in order to increase revenue levels. Sufian et al (2013) discovered that some banks in Malasia could not improve their revenue efficiency in the post merger era due to corporate governance issues and increase in operation cost.. The researcher reached at a conclusion using modal responses 30 out of 38 (78.9%), mergers did not improve revenue generation.

iii. The ability to control and reduce costs

The capacity to control and reduce cost is to be examined as an indicator of the successfulness of mergers

Fig 4.4 Responses on the ability to control and reduce costs

Fig 4.4 points out that, 14 out of 38 (36.8%) agreed that Chevron Hotel is able to control and reduce cost following a merger with Flamboyant Hotel. However, 24 out of 38 (63.2%) disagreed that the entity was able to control and reduce costs. The rise and failure to control and reduce costs was due to the failure by the entity to take advantages of discounts in bulk buying. Due to limited patronage the entity is failing to meet volume requirements to be offered discounts. Meka and Eyuche (2014) claimed that most firms are suffering from high operating costs.The researcher reach at a conclusion using modal responses 24 out of 38 (63.2%) that the merger failed to reduce and control costs.

iv. The increase in market power

The capacity to increase the market power is to be examined as an indicator of the successfulness of mergers

Fig 4.4 Responses on the ability to increase market power

Fig 4.4 points out that, 30 out of 38 (78.9%) agreed that Chevron Hotel was able to increase its market power following a merger with Flamboyant Hotel. Respondents acknowledged that the hotel controls prices of hotel booking in Masvingo and offers the lowest price. Blonigen and Pierce (2015) also agreed that the market power of a firm is increased after mergers. However, 8 out of 38 (21.1%) disagreed that the entity was able to increase market power. Gao et al (2015) averred that horizontal mergers do not increase market power. The researcher reach at a conclusion using modal responses 30 out of 38 (78.9%) that the merger enabled the entity to increase market power.

v. The acquisition of highly technical machines

The acquisition of highly technical machines is to be examined as a factor which shows the successfulness of mergers

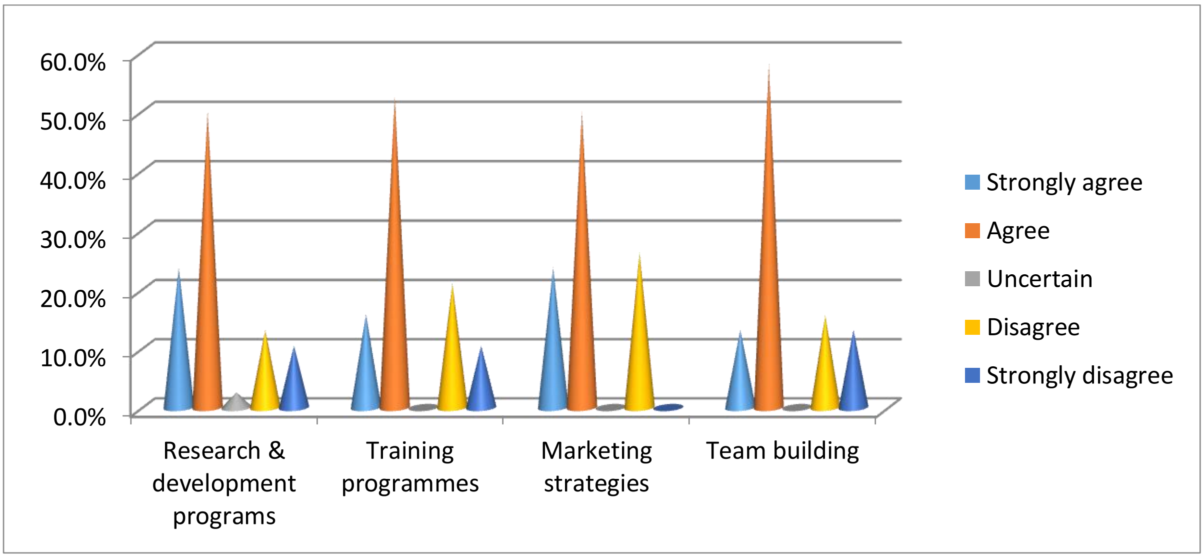
Fig 4.4 points out that, 36 out of 38 (94.7%) agreed that acquisition of highly technical machines was witnessed following the merger while 2 out of 38 (5.3%) disagreed. The firm has managed to purchase technical machines to improve service delivery. The respondents mentioned that advertising and hotel bookings can be done online through the internet. Fresard et al. (2013) supported that firms with wide and strong capital base are able to acquired technical machines , hence mergers widen the capital base of an entity. The researcher reached at a conclusion using modal responses 36 out of 38 (94.7%) that the merger enabled the entity to acquire highly technical machines.

Question 5.

The following are strategies which can be implemented by the hotel to ensure accomplishment of mergers objectives.

The question seeks to establish strategies which can be implemented by the hotel to ensure accomplishment of mergers objectives.

Fig 4.5 Strategies to ensure accomplishment of mergers



i. The research and development (R&D) programs

The question item seeks to evaluate the effectiveness of R & D programs in attainment of mergers objectives.

Fig 4.5 Responses on research and development (R&D) programs

The Fig 4.5 points out that, 9 out of 38 (23.7%) strongly agreed and 19 out of 38 (50.0%) agreed that research and development programs is an effective tool to ensure attainment mergers objectives. 1 out of 38 (2.6%) were uncertain. However, 5 out of 38 (13.2%) disagreed and 4 out of 38 (10.5%) strongly disagreed. In sum, 73.7% (23.7% strongly agreed and 50.0% agreed) agreed that research and development programmes were witnessed following mergers.

However, 23.7% (13.2% disagreed and 10.5% strongly disagreed) disagreed that research and development programs is an effective tool to ensure attainment mergers objectives. Mboroto (2013) averred that R&D programs incorporates external factors such as changes in customer taste and preferences, this creates competitive advantages over competitors. The researcher reached at a conclusion using modal responses 28 out of 38 (73.7%) that research and development are necessary to ensure attainment of organisational goals.

ii Training programs for employees

The question item seeks to evaluate the effectiveness of training of employees in attainment of mergers objectives.

Fig 4.5 Responses on employee training programs.

The Fig 4.5 points out that, 6 out of 38 (15.8%) strongly agreed and 20 out of 38 (52.6%) agreed that employee training programs are an effective tool to ensure attainment mergers objectives. 0 out of 38 (0%) were uncertain. However, 8 out of 38 (21.1%) disagreed and 4 out of 38 (10.5%) strongly disagreed. In sum, 68,4% (15.8% strongly agreed and 52.6% agreed) agreed that employees training programmes were witnessed following mergers. Owomoyela (2014) alludes that training programs enhances employee competence which enables them easily grasp the technological innovations and changes in customer taste and preference

However, 31.6% (21.1% disagreed and 10.5% strongly disagreed) disagreed that employee training programs are an effective tool to ensure attainment mergers objectives. Owomoyela (2014) , Mcgee (2015) noted that the key divers to a successful merger include top leadership support, development of a proper plan and good communication . The researcher reached at a conclusion using modal responses 26 out of 38 (68.4%) that employee training programmes are necessary to ensure attainment of organisational goals.

iii. Marketing strategies

The question item seeks to evaluate the effectiveness of marketing strategies in attainment of mergers objectives.

Fig 4.5 Responses on marketing strategies.

The Fig 4.5 points out that, 9 out of 38 (23.7%) strongly agreed and 19 out of 38 (50%) agreed that marketing strategies are an effective tool to ensure attainment mergers objectives. 0 out of 38 (0%) were uncertain. However, 10 out of 38 (26.3%) disagreed and 0 out of 38 (0%) strongly disagreed. In sum, 73.7% (23.7% strongly agreed and 50% agreed) agreed that marketing strategies help an entity attain its objective. Sinkovics et al (2013) averred that there should be a proper redeployment of marketing resources in order to ensure a successful merger

However, 26.3% (26.3% disagreed and 0% strongly disagreed) disagreed that marketing strategies are an effective tool to ensure attainment mergers objectives. The researcher reached at a conclusion using modal responses 28 out of 38 (73.7%) that marketing strategies are necessary to ensure attainment of organisational goals.

iv. Team building

The question item seeks to evaluate the effectiveness of team building in attainment of mergers objectives.

Fig 4.5 Responses on employee team building

The Fig 4.5 points out that, 5 out of 38 (13.2%) strongly agreed and 22 out of 38 (57.9%) agreed that team building is an effective tool to ensure attainment mergers objectives. 0 out of 38 (0%) were uncertain. However, 6 out of 38 (15.7%) disagreed and 5 out of 38 (13.2%) strongly disagreed. In sum, 71.1% (13.2% strongly agreed and 57,9% agreed) agreed that team building programmes are of importance following mergers. Ricklan (2016) alludes that mergers come with some elements of distrust hence building one team helps employees to work towards the same objective.

However, 28.9% (15.7% disagreed and 13.2% strongly disagreed) disagreed that building one team is an effective tool to ensure attainment mergers objectives. The researcher reached at a conclusion using modal responses 29 out of 38 (71.1%) that building one team is necessary to ensure goal congruency amongst employees.

4.3 Interview Responses

The interviews were conducted with four participants from the sample group which comprise of the; managing director, finance director, marketing manager and procurement officer. The targeted four respondents were successfully interviewed.

Question 1. What are the motives behind mergers within the service delivery sector in Zimbabwe?

Table 4.3 Motives behind mergers

	Creation of cost synergies	**Economies of scale**	**Management of interdependence**	**Increase capital base**
Respondents	**3**	**4**	**3**	**2**
%of respondents	**75%**	**100%**	**75%**	**50%**

The table 4.3 shows that 3 out of 4 (75%) respondents mentioned creation of cost synergies as the motive behind the merger of Chevron and Flamboyant Hotel. Joash (2015) supported that the paramount objective of mergers is to reduce operating cost by combining operations which enables them to eliminate wastage and utilize idle resources. 4 out of 4 (100%) respondents mentioned that enjoying economies of scale by being big in size was the major motive behind the merger of these two hotels. Okpanachi (2014) supported that economies of scale are the benefits enjoyed by an entity for being big in size and production after a merger.

The table 4.3 also shows that 3 out of 4 (75%) respondent point out effective management of interdependence as the motive behind mergers since the hotels are located within the same geographical location. Kemal (2013) supported that control over supply chain enables the entity to embrace the interplay of market forces of demand and supply. 2 out of 4 (50%) respondents mentioned increasing capital base is the major driver for mergers as it gives leverage of the entity to acquire highly technical machines which enhances performance. Samila (2015) supported that mergers strengthens the capital intensity of an organization which enables them to increase production capacity, hence the increase in production enables the entity to create economies of scale as well cost synergies.

Question 2. What are the strategies being implemented at the hotel to create and sustain competitive advantages?

Fig 4.6 Strategies of creating competitive advantages

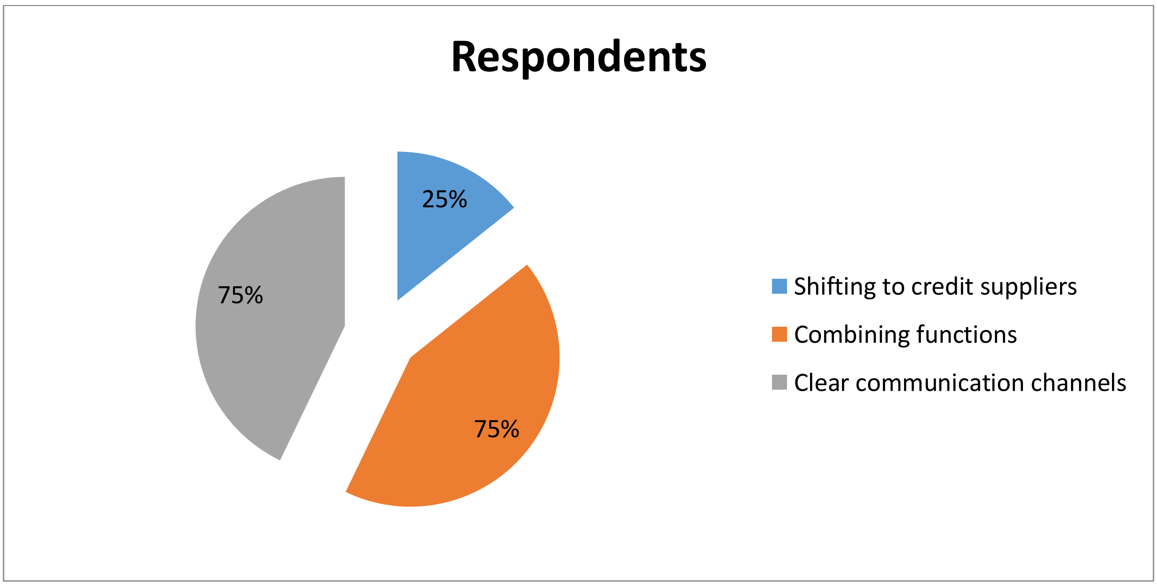
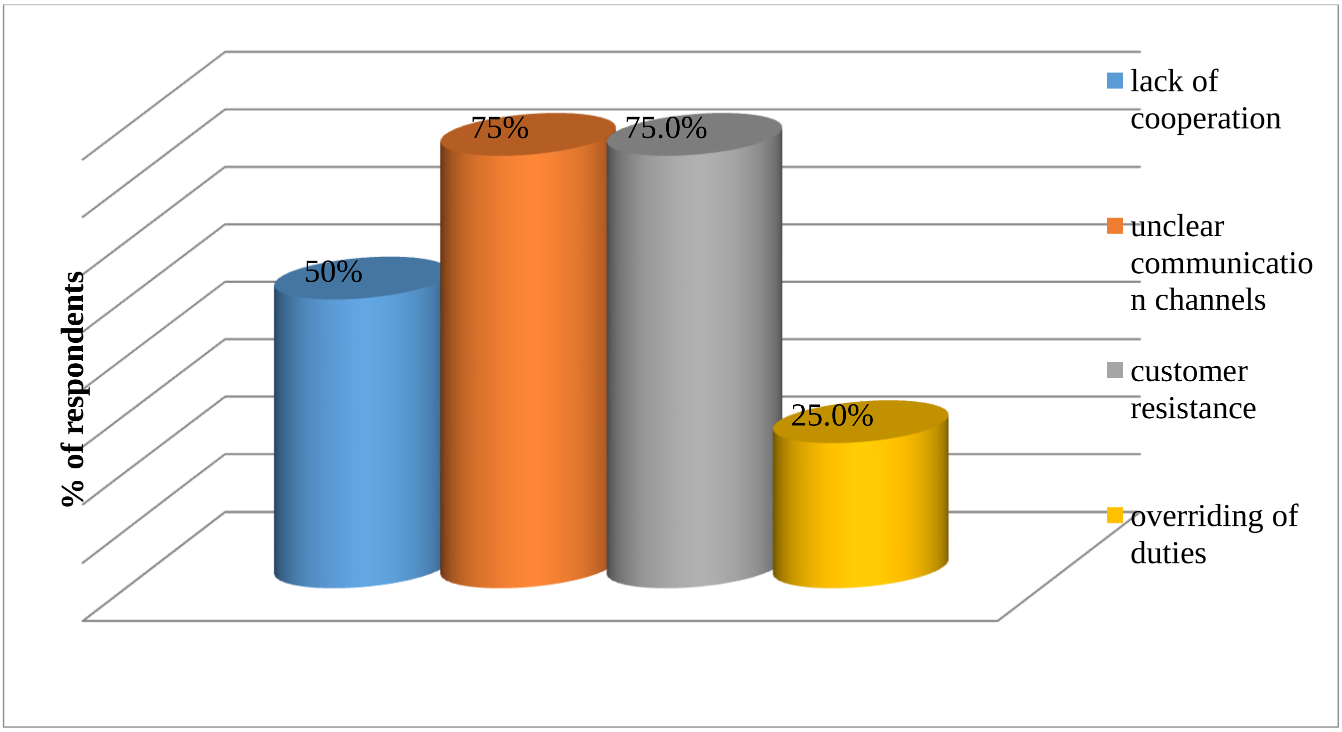


Fig 4.6 shows that 1 out of 4 (25%) mentioned shifting from cash suppliers to credit suppliers as an evitable strategy to reduce operating cost since they provide discounts upon quick

payments. Ugwuanyi (2015) supported that bargaining power is where by an entity has a direct influence on purchasing price due to the volume of product being acquired. 3 out of 4 (75%) pointed out that procurement functions should be combined to enable bulk buying which reduces purchasing cost of raw materials. Gachanja (2013) averred that mergers enable the entity to gain purchasing power which enhances procurement practices. 3 out of 4 (75%) respondent state that the newly formed entity should clear out the channels of communication and chain of command so as to improve flow of information within the entity. This enhances the firms operating efficiency and easy embracement of environmental changes. Dutescu et al. (2013) averred that technological innovations create competitive advantages as a result in high levels of operational efficiency and offering customers real value.

Question 3. What are the challenges faced by the organization in seeking to create and sustain competitive advantages?

Fig 4.7 Challenges faced by Chevron

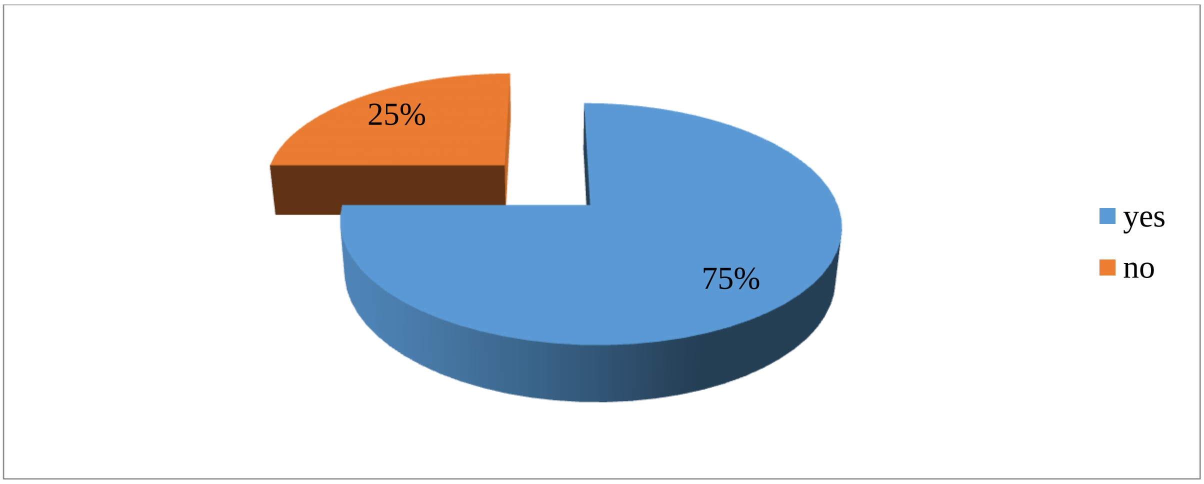


The fig 4.7 shows that 2 out of 4 (50%) mentioned lack of cooperation among entities and functions as the major drawbacks being faced by the hotel. This results in operational inefficiency due wastage and misuse of resources. Blonigen and Pierce (2016) supported that lack of coordination has a negative effective on performance, when an organization become big in size coordination becomes difficult. 3 out of 4 (75%) pointed out unclear lines of communication within the newly formed entity which leads to poor communication. The firm is not able to cater for changes in customer preferences due to poor communication. Verma and Sharma (2014) supported that effective communication channels in an entity ensure unity of objective, hence the unity of objective refers to as mechanism whereby employee within an entity contribute to the attainment same goals.

The fig 4.7 shows that 3 out of 4 (75%) mentioned rejection of the new brand by customers since most customer would like to be associated with well reputable brand. Hroot (2016) supported that most customers want to be associated with already established suppliers, hence changing of identity during mergers left customers confused and frustrated. 1 out of 4 (25%) pointed out fighting over power by management of the two entities pose as a threat to organisational performance. Xing (2014) supported that employees are the key stakeholder of every entity and their morale, job satisfaction and motivation is essential to the successfulness of the entity.

Question 4. How effective are mergers as a strategy used in creating and maintaining competitive advantages?

Fig 4.8 Effectiveness of mergers

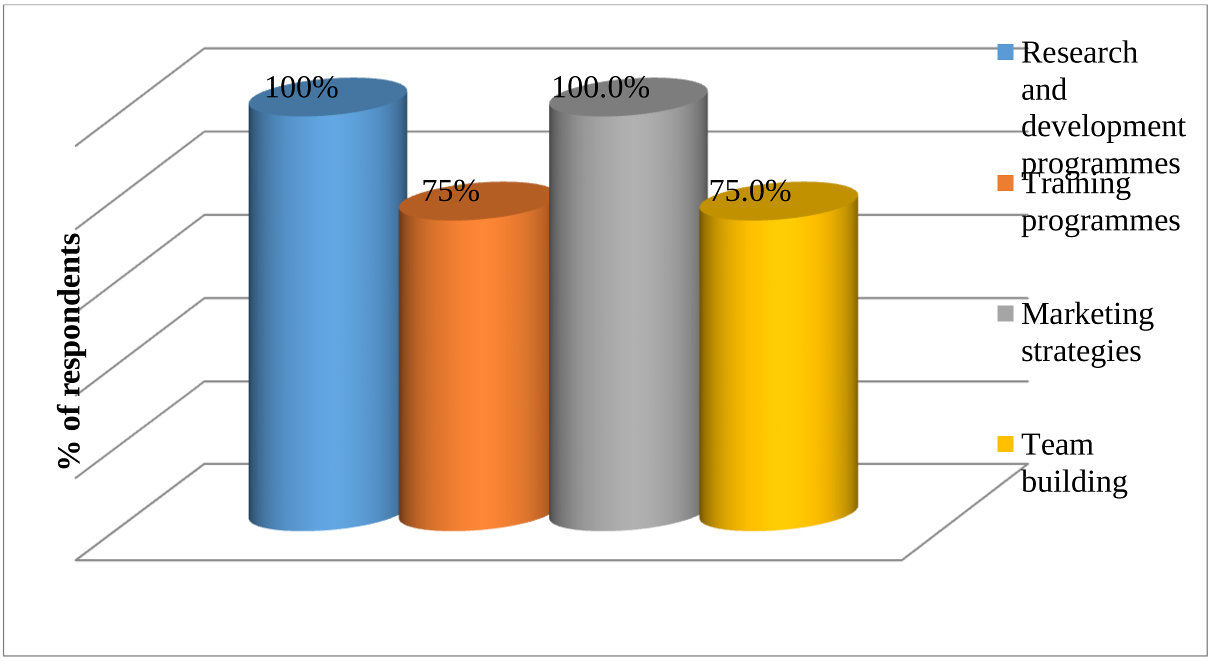


The Fig 4.8 shows that 3 out of 4 (75%) mentioned that mergers were successful and since then the hotel has been gaining competitive power over its rivals. Al-Hroot (2016) supported that mergers occur with different motives which includes reduction of operating cost, create economies of scale, cost synergies by gaining the purchasing power.

The other one respondent mentioned that mergers were not successful due to falling of revenue levels and decrease in customer base. Okpanachi (2014) averred that there several reasons which lead to failure of mergers such as; poor corporate governance, customer and employee reaction, lack of communication and lack of coordination.

Question 5. Which strategies can be implemented to ensure accomplishment of mergers objective?

Fig 4.9 Strategies to ensure accomplishment of mergers



The fig 4.9 shows that 4 out of 4 (100%) mentioned the need to do robust research and development programmes to ensure the success of a merger. This results in the development of new products for the changing consumer tastes and preferences. Owomoyela (2014) highlighted that R&D programs improves provision of good quality products.3 out of 4 (75%) specified that after a merger the employees should be trained so that so that the newly purchased equipment and procedures can be run effectively. By so doing the firm will be able to adapt to technological changes.

The fig 4.9 shows that 4 out of 4 (100%) mentioned that the entity should come up with aggressive marketing strategies. These will ensure that the entity attracts and retains existing customers. 3 out of 4 (75%) emphasised the building of one team within the newly formed entity. Team building enhances goal congruency and sharing of ideas. Ricklan (2016) also agrees that building one team helps employees to work towards the same objective and goals.

4.4 Summary

The chapter contains the questionnaire response rate. The research finding gather through questionnaires and interviews were also presented and analysed in this chapter with the aid of pie charts, tables and graphs.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter went on to wind up the research by summarising research findings and recommendations on the effectiveness of mergers as a strategy to create and sustain competitive advantages. This chapter aims on summarising the overall research and the findings, suggestions by the researcher are also to be addressed.

5.1 Summary of chapters

5.1.1 Chapter one

The research was focusing on the effectiveness of mergers as a strategy of creating and sustaining competitive advantages. Chapter one contains vital components of the study which is the background of the study and problem statement which forms backbone of the study. The research objectives and questions are also included in chapter one which forms the directions and guidelines of the research.

5.1.2 Chapter two

The second chapter contains literature which relates to the mergers and acquisition activities occurred globally. The literature shows the convergence and divergence of scholars' thoughts on mergers as strategy to create and sustain competitive advantages. Okpanachi (2014) and Al-Hroot (2016) were the main scholars in this chapter. Al-Hroot (2016) supported that mergers occur with different motives which include reduction of operating cost, creation economies of scale, cost synergies by gaining the purchasing power. Okpanachi (2014) averred that there several reasons which lead to failure of mergers such as; poor corporate governance, customer and employee reaction, lack of communication and lack of coordination.

5.1.3 Chapter three

The third chapter outlined research methodology used in gathering of both primary and secondary data. The chapter illustrated how descriptive research design was used in gathering qualitative data. The chapter also demonstrates how stratified random sampling technique used to create a sample from the targeted population. The research instruments used to gather data was also included in this chapter.

5.1.4 Chapter Four

The fourth chapter mainly focused on presentation and analysis of the research findings which were obtain using research methodology as described in chapter three. Thirteen nine questionnaires were distributed to the targeted population and the researcher recovered thirty eight completed questionnaires on which results were concluded. Four interviews were conducted on the company premises successfully. The gathered data were presented in tables and graphical forms.

5.2 Major research findings

The research found out that Chevron Hotel has been experiencing a sharp decrease in profitability emanating from an increase in expenditure and a decrease in revenue levels. The increase in expenditure was caused by the failure by the entity to take advantage of buying in bulk and the increase in operating cost. The low levels of revenue have been realised due to a decrease in foreign tourists who usually visited Great Zimbabwe and Lake Kyle caused by poor relations between the Zimbabwean government and western countries. The other reason for the reduction in revenue is that members are shunning the hotel because of political affiliation of the owner of the hotel.

Customer reactions on this newly formed entity, lack of communication and coordination amongst the hotel were proved to be a challenge. Unclear communication channels resulted in poor communication within the setup.The research found out that the entity has competitive power over other hotels through the increase in market power, charging of low prices and improved service delivery by embracing some technological innovations. Team building, marketing strategies, training of employees, research and development programmes are vital in ensuring a successful merger.

5.3 Conclusions

The main thrust for carrying out this research was to evaluate the effectiveness of mergers as a strategy of creating and sustaining competitive advantages. From the research findings gathered during date collection above, it can be concluded that mergers are a strategy to increase market power, charge low prices and enhance service delivery through adapting technological innovations. These factors show and clearly indicate that the merger created competitive advantages over other firms. However there were certain challenges faced by the entity after a merger and these include poor financial performance emanating from customer reactions, lack of communication and coordination amongst its departments.

5.4 Recommendations

There is need to embrace competition and utilize economies of scale and synergies brought by mergers and acquisition. The entity should implement programs and policies which facilitate knowledge and skills sharing within the group to enhance competitive power. Management should implement effective inventory management policies such as Just in Time approach in order to easily control stock movements and cut down on costs arising from obsolescence of stocks. The creation of cost control committee will ensure proper management of organisation’s spending.

5.6 Further study

Further study may focus on the analysis of the impact of mergers as a strategy to improve financial performance in the service delivery industry.

APPENDIX A

Midlands State University

P Bag 9055

Gweru

07 July 2017

The Human Resources Department

Chevron Hotel Masvingo

Box 245, Masvingo

Dear Sir/Madam

RE: APPLICATION TO CONDUCT A RESEARCH AT YOUR ORGANISATION

I am a final year student at Midlands State University studying Bachelor of Commerce Accounting Honors Degree. The final year involves undertaking an industry oriented research. My topic is “An assessment on the effectiveness of mergers as a strategy of creating and sustaining competitive advantages. “A case of Chevron Hotel Masvingo”.

To make the research a success, I kindly request you to assist by responding to questions in this questionnaire. Be guaranteed that all information will be treated with confidentiality as the research is strictly for academic purposes only.

Your assistance will be greatly appreciated.

Yours Faithfully

Mhlanga Tobias (R15427V

APPENDIX B

Questionnaires

Instructions to respondents

1. Do not write your name on the questionnaire
2. Tick in the relevant box for your response
3. Where applicable give your opinion in blank space below

Questions

1. **Chevron and Flamboyant Hotels merged in 2012, would you say this merger was a success**

Y e s	**N o**

Explain your answer

...

...

...

...

2.The following are motives behind mergers occurring within the service delivery sector in Zimbabwe.

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
i. Economies of scale					
ii. Creation of cost synergies					
iii. Effective management of industrial interdependence					
iv. Gaining purchasing power					

3. The following are challenges faced by Chevron hotel in seeking to create and sustaining competitive advantages.

	Yes	**No**
i. Customer reactions over newly formed entity		
ii. Employees' reactions over new setup		
iii. Lack of communication within the entity		
iv. Lack of coordination among departments		

2. **The following are strategies being implemented at the hotel to create and sustain competitive advantages.**

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
i. knowledge and skills sharing					
ii. Combining of operations and functions					
iii. procurement practices such as JIT					
iv. Technological innovations					

3.The following shows how effective are mergers as a strategy used in creating and maintaining competitive advantages.

Would you say Chevron hotel has experienced the following after its merger with Flamboyant

	Yes	**No**	**Give Reasons**
i. The increase in profitability			
ii. Enhancement of revenue generation			
iii. Ability to control and reduce operational costs			

iv. Increase in market power			
iii. The acquisition of highly technical machines			

3.The following are strategies which can be implemented by the hotel to ensure accomplishment of mergers objectives.

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
i. The research and development (R&D) programs					
ii. Training programs for employees					
iii. Marketing strategies					
iv. Team building					

APPENDIX C

Research Interview Questions

1. What are the motives behind mergers within the service delivery sector in Zimbabwe?

2. What are the strategies being implemented at the hotel to create and sustain competitive advantages?

3. What are the challenges faced by the organization in seeking to create and sustain competitive advantages?

4. How effective are mergers as a strategy used in creating and maintaining competitive advantages?

5. Which strategies can be implemented to ensure accomplishment of mergers objectives?

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