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Antecedents of financial success in post-merger and acquisitions: Pursuing corporate entrepreneurship in the South African real estate industry

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management specialising in Entrepreneurship and New Venture Creation

Johannesburg, 2016

ABSTRACT

This study was aimed at investigating what the antecedents are for achieving financial success in post mergers and acquisitions, particularly in the field of commercial property in an emerging economy. This study sought to understand the reasoning and the value addition behind mergers and acquisitions activities in the real estate sector.

This paper used empirical research to conduct the investigation of the hypothesised relationship between financial performance and three key independent variables, namely; corporate entrepreneurial culture, resource sharing and infrastructure support. An analysis by testing the hypotheses that predict the relationships of the variables was undertaken through various statistical models.

Mergers and acquisitions often take place in entrepreneurially oriented organisations as a means of increasing competitiveness, productivity and growth, therefore this paper tests the financial performance post mergers and acquisitions transactions. It also tests the role of corporate entrepreneurship and corporate culture (corporate entrepreneurial culture) specifically on the impact that it has on financial performance.

Understanding the financial performance relationship with other variables is significantly important because it is argued by some researchers that the benefits of mergers and acquisitions sturdily enhance revenue growth through market share, create economies of scale through cost efficient methodologies and often produce tax gains. This paper tests the validity of these theories.

DECLARATION

I, Phumelele Makatini, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Phumelele Makatini

Signed at ……

On the ……. day of …… 2016

DEDICATION

In loving memory of my late grandfather Sir Peter Makhathini, a pioneer and seasoned entrepreneur who instilled the value of education in all of his children, my granddad certainly had entrepreneurship in his DNA. My most special and loving grandmother Elizabeth Ngenge Peloeahae, an entrepreneurial and wise elderly leader who invested in properties with her limited wage, she taught me the most invaluable lesson of investing money in property as opposed to designer clothing and fast cars. Last but not least, I dedicate this paper to the Lord God Almighty, my unborn babies and future husband.

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Misizwe Mtshali, thank you for being my best friend and confidant, you've always believed in me and I guess at times you've been my anchor. I'm truly grateful.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this study was to examine whether post-mergers and acquisitions (post-M&As) within the real estate industry correlates with the improvement of organisational performance in terms of financial growth. The main objective of this study was to analyse whether companies within the real estate industry achieve higher financial performance and efficiency during post-M&As, specifically in the areas of sustainable profitability, leverage, liquidity, and capital market standards. Furthermore, this study was aimed at assessing the variables of corporate entrepreneurial culture, resource sharing and infrastructure support as predictors for post-M&A financial performance. Therefore, three relationships were assessed in this study, first the corporate entrepreneurial culture and financial performance relationship, second the resource sharing and financial performance relationship, and third the infrastructure support and financial performance relationship.

1.2 Context of the study

The variables that affect the performance of mergers and acquisitions (M&As) have been researched for the past three decades (Stahl & Voigt, 2008). Therefore, this industry was chosen because there has been an increase in M&As within the real estate industry in South Africa (Kneale, 2015). M&As are innovative strategies that are often used by corporate entrepreneurs to grow firms (Thomson & McNamara, 2002).

1.2.1 Financial performance in M&As

Ramaswamy and Waegelein (2003) argue that the transactions of M&As have been evaluated by many academics in the quest to assess the improvement in performance following a merger, an acquisition or even a takeover. Many studies, including Healy, Palepu and Ruback (1992), Ghosh (2001), and Ramaswamy and Waegelein (2003), found that financial performance improves post-M&As. Healy et al. (1992) and Ghosh (2001), specifically found that cash flow performance

improves significantly following acquisitions. Based on the outcome of these and other studies, the current study aimed to assess the financial performance, which is linked to corporate entrepreneurial culture in post-M&As in the South African real estate industry. This is because corporate entrepreneurship often plays a vital role in the integration of M&As; furthermore, corporate entrepreneurial culture assists in adding value to organisations holistically post an acquisition (Thomson & McNamara, 2002). Also important to note is that an acquisition is a selection method for acquiring fast-growing entrepreneurial companies (Xiao, 2013). An assessment of the relationship between corporate entrepreneurial culture and organisational financial performance is imperative because corporate entrepreneurial culture can produce numerous positive results in firms. In addition, corporate entrepreneurship and corporate entrepreneurial culture have become theories that are widely researched by numerous scholars in contemporary years (Karacaoglu, Bayrakdaroğlu & San, 2013).

In a study of foreign direct investment (FDI) in South Africa's real estate industry, a report from PricewaterhouseCoopers (French & de Villiers, 2014) projected that the real estate industry will grow significantly. This growth is projected to lead to huge opportunities in emerging markets like South Africa. Furthermore, fast growing economies will yield broader risks and return on opportunities. With such numerous opportunities on the horizon for the African market, this study sought to elucidate not just the financial performance of post-M&As within the real estate industry, but also the role of corporate entrepreneurial culture during and after these transactions.

1.2.2 The impact of corporate entrepreneurial culture to financial performance

The influences of cultural similarities, differences and integration on organisational performance in M&As have been thoroughly reviewed in literature, especially in the fields of organisational behaviour and strategic management practice and research (Bauer & Matzler, 2014). In instances where there has been a low success rate of M&As, research suggests that it is largely due to cultural incompatibility or misfit (Bijlsma-Frankema, 2001; Cartwright & Schoenberg, 2006; Lodorfos & Boateng, 2006; Nguyen & Kleiner, 2003). In contrast to this, an empirical study by Bauer and Matzler (2014) found that there is a positive relationship between corporate culture and M&A performance. However, other researchers, such as Weber and Tarba (2012), noted that there are contradictions in literature regarding the relationship between corporate culture and performance in M&As, where it was argued that there could be a negative relationship between corporate culture and performance. Based on the dominant discoveries in literature, this study was aimed at assessing the relationship between corporate entrepreneurial culture and financial performance in real estate M&As. A positive relationship between corporate entrepreneurial culture and financial performance in real estate M&As was hypothesised.

According to Greenberg and Guinan (2002), acquisitions are strategic corporate entrepreneurship methods that are predominantly beneficial to established organisations who seek innovation and entrepreneurial cultural behaviour. Corporate entrepreneurship plays a pivotal role in the integration of M&As. Integration in this context refers to corporate entrepreneurial culture amalgamation. Lack of cultural integration often leads to challenges in M&A transactions. For example, the acquired company must endeavour to fit into the new corporate culture while maintaining its confidence in the midst of the transformation, albeit a hostile takeover. It may be argued that most challenges emanating from M&As can be resolved through the formation of corporate entrepreneurial strategies, which are known to add value to the entire organisation (Thomson & McNamara, 2002).

1.2.3 The impact of resource sharing to financial performance

Rubin (1973, cited in Singh & Montgomery, 1987:378) defines a resource as “a fixed input which allows a firm to perform a particular task”. Singh and Montgomery (1987:378) expanded on this definition by stating that a resource is an input that includes “a combination of human capital (specialized) and physical assets”. This study is aimed at assessing the effects of resource sharing on the financial performance of M&As. Much research has been done around assessing the influence of resource allocation on organisational performance between M&As. Examples of these studies include Harrison, Hitt, Hoskisson and Ireland (1991, 2001), and Wang and Zajac (2007). This study hypothesised that there would be a correlation between resource sharing and performance.

1.2.4 The impact of infrastructure support to financial performance

Infrastructure support or IT support plays an essential part in the integration of systems of companies that are merging, and in some instances, it also plays a critical role in those companies being acquired. Infrastructure capabilities assist companies to pursue M&A prospects. They also enable the assimilation of IT and business resources of merged organisations. These infrastructure capabilities enable merged organisations to realise economic benefits of M&As (Benitez-Amado & Ray, 2013). This study hypothesised that there would be a correlation between infrastructure support and performance.

1.3 Problem statement

1.3.1 Main problem

The main problem in this study relates to the impact of post-M&As’ financial performance in the context of corporate entrepreneurial culture in the South African real estate industry.

1.3.2 Sub-problems

(1) The first sub-problem is to assess the relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

(2) The second sub-problem is to assess the relationship between resource sharing and financial performance in South African real estate M&As.

(3) The third sub-problem is to assess infrastructure support and financial performance relationships in South African real estate M&As.

1.4 Significance of the study

Despite extensive organisational research that has been conducted on M&As, there is still a gap in the field because existing literature seldom focuses on the construction of successes or failures of post-M&As, specifically in the real estate sector. This is a shortfall because the accounts of successes and failures of M&As should be used as case studies for learning (Fendt, 2005). There is a gap in identifying academic research that focuses specifically on the performance of real estate companies post their M&As within the emerging economy market such as in the South African context. This study contributes towards filling this knowledge gap by providing an in depth analysis of the financial performance of companies within the real estate industry post their M&As.

Findings of this research may contribute to the knowledge of financial performance of South Africa's real estate M&As. The findings of this study could also be beneficial to academics and researchers who want to expand their knowledge on the performance of post-M&As in the property sector. More importantly though, the study could be beneficial to private equity and venture capital investors who seek to make informed decisions about investing in the South African real estate market.

1.5 Delimitations of the study

- The study only examined the financial performance of South African companies that are based in Gauteng within the real estate industry, post their M&A transactions.

- There are limitations with the availability of data for companies operating within the real estate industry that are privately owned and not listed on the JSE; these are mainly the small players within the industry.

- Another limitation is that the definition of M&As is broad and therefore for purposes of this study, the focus will be first on M&As that refer to the 'merger' or coming together of two or more enterprises that establish a new organisation or a holding firm. Second, on 'acquisitions', which only refer to buying of shares or assets of a target firm in order to achieve managerial influence either through negotiated or hostile takeovers (Hoang & Lapumnuaypon, 2007; Nakamura 2005).

1.6 Nomenclature

1.6.1 M&As

It is imperative to define the term M&As, because broadly used, the term signifies numerous transactions that are inclusive of buying and selling of undertakings, integration between undertakings, alliances, cooperation and joint ventures in the creation of enterprises. It includes enterprise succession and restructuring, safeguarding the independence of organisations, changing of legal entities, organisation buy-out and buy-in, as well as public offerings (Hoang & Lapumnuaypon, 2007). Another definition of M&As is that they take place when a firm or organisation acquires control over an entire or portion of a target business or enterprise (Kang & Johansson, 2000). A simpler yet broader definition of M&As is that it is a transaction of businesses in which an acquirer takes control of the targeted company or the joining of two organisations in a form of a merger (Ferrer & Tang, 2015). It is critically important to distinguish between a merger and an

acquisition because these are two very different types of organisational changes (Greenberg & Guinan, 2002):

- A merger is a full combination of two previously single companies converting into a third integrated company (Greenberg & Guinan, 2002). Mergers are often categorised in three forms, namely absorption merger, equal merger and merger by establishment. An absorption merger occurs when one company buys all stocks of another company, this phenomena is called absorption, and in some instances, a merger by absorption could be considered a forced acquisition (Hoang & Lapumnuaypon, 2007). Equal mergers, on the other hand, can be defined by an expectation of distributive equality that may be formed, wherein the parties expect every aspect of the merger to be equivalent, "rather than one of integrative equality" (Drori, Wrzesniewski & Ellis, 2011:625). Meanwhile, a merger by establishment is about two or more firms amalgamated into a new one and the joining firms in the merger are dissolved (Hoang & Lapumnuaypon, 2007).

- An acquisition is the purchase of one organisation by another, wherein the purchased organisation is integrated into the system of the acquiring company (Greenberg & Guinan, 2002). Acquisitions are divided into two different forms, namely asset acquisitions and share acquisitions. An asset acquisition takes place when a company buys all or part of the target company's assets transforming the target into a legal entity post the deal structure.

1.6.2 Corporate entrepreneurship

Corporate entrepreneurship is defined in numerous ways, for example, it is defined as a "process whereby an individual or a group of individuals, in association with existing organisations, create a new organisation or instigate renewal of innovation within that organisation" (Greenberg & Guinan, 2002:60). Others argue that corporate entrepreneurship takes three different forms, the first being the establishment of a new organisation within an existing one, which is known as corporate venturing or more explicitly, 'intrapreneurship'. The second is the

transformation or renovation of an existing firm, and the third is where the organisation transforms the rules of competition in its sector in a disruptive manner, as suggested by the Schumpeterian growth theory (Ferreira, 2002).

1.6.3 Corporate culture

Corporate culture is about the values and the norms that are indoctrinated and widely shared throughout a firm (O'Reilly & Chatman, 1996).

1.6.4 Schumpeterian growth theory

The Schumpeterian growth theory refers to an economic growth strategy that is based on an unorthodox introduction of new products or services, which take the form of innovative destruction, as defined by Joseph Schumpeter, one of the most influential economists of the 20th century (Dinopoulos & Şener, 2007). While the Schumpeterian growth theory is simply about the discovery and opportunity theory of entrepreneurship, it is also known as the equilibrium disruption theory (Dinopoulos & Şener, 2007). Entrepreneurship is about innovation and not simulation (Bula, 2012). This means that business activities or trading of counterfeited products or services, as is the case with most Asian countries (particularly China), would not be deemed as entrepreneurship (Hunter & Puliti, 2012). The Schumpeterian theory deems an entrepreneur as one who is an innovator and not an imitator within the entrepreneurship arena, an entrepreneur is one “who moves the economy out of the static equilibrium” (Bula, 2012).

1.6.5 Financial performance

Financial performance refers to a firm’s ability to generate new resources from day-to-day operations over a given period. The financial performance measures types are twofold. first is the traditional measures based on accounting or financial data such as profits and return on investments (ROI), which is indicative of a firm’s past performance; the second is market-based measures emanating from stock market values such as economic value added (EVA) and market value added (MVA) financial measurements (Aktan & Bulut, 2008). Financial success in the

context of this study mainly refers to the value of the shareholders, which is based on equity performance post an M&A deal. The study assessed the success of the performance by juxtaposing the pre-performance to post deal performance.

1.6.6 Real estate industry / commercial property

According to Madigan (2015), there is a clear distinction between real property and real estate. Real property is inclusive of movable assets such as furniture that can be moved around and immovable assets are those assets that cannot be moved around such as land and actual buildings, these immovable assets are known as property fixtures. Real estate on the other hand is known as tangible property, which is inclusive of land, buildings and the improvements, which can also be referred to as tangible fixtures. Legal rights that accrue to the owner of the real estate articulate a clear distinction in the concepts of real estate and real property. The legal privileges are intangible and differ depending on the type of property ownership one possesses. Therefore, the definition of real property is inclusive of both the tangible real estate and the intangible legal privileges that are related to real estate. Westwood (2006) defines commercial property as property that caters for the accommodation needs of the industry and trade; these are inclusive of retail space, offices and factories that are required for industrial use.

1.6.7 Emerging economy/country

Emerging economies are distinct types of developing countries. The distinction is based on their uniqueness, which is typically defined by six criteria that are used for categorising emerging economies. These are based on the following, one, economic growth rate, two, economic growth and systematic adjustment, three, export growth rate in a designated time period, four, financial market development and level of opening up, five, level and velocity of IT development and six, political influence of developing countries (Yong, 2009).

1.6.8 Industry and sector

The terms industry and sector are often used interchangeably however they are defined as follows:

- *Industry*: The word ‘industry’ typically implies producing or making of things. In a general sense, it is related to activities that have productive value in their society (Saharay, 2011). In addition, an industry describes a much more specific group of companies or businesses.

- *Sector*: Briefly, a sector refers to a large segment of the economy (Langager, 2016).

1.7 Structure of dissertation

This dissertation is structured as follows; this chapter, (Chapter 1) provides the introduction and background of this study. The next chapter (Chapter 2) presents the literature review, where major theories and a hypothesised research model is outlined and discussed. Chapter 3 is the discussion on the research methodology, which includes a presentation of the sample of the data collated from the questionnaires, which were sent to respondents within the real estate industry. Chapter 4 is the data analysis of the study; Chapter 5 is the interpretation of the results from the data and lastly, the report ends with a conclusion in Chapter 6.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This section contains literature review of key elements pertaining to the relevance of the study of financial performance of companies post their mergers or acquisitions within the real estate industry. It also assesses the culture of corporate entrepreneurship in post M&As real estate industry. It begins with a background discussion, and then moves on to providing theory and concepts that are related to the performance of post-M&As. Following that, this section illustrates the proposed hypothesised research model for this study, and then the chapter closes with a conclusion of the literature review.

The study of M&As is broad and is not a new phenomenon in as far as attempts to delineate its impact on the performance of joint or acquired companies. Numerous studies have been conducted on post-performance of M&As. For example, there is a study of measurement of post-acquisition performance in South Africa using economic value added (EVA) (Makhele, 2013). Another study has been done on the performance of M&As in emerging capital markets, as well as post-M&A financial performance analysis of selected Indian airline companies, to mention a few (Grigorieva & Petrunina, 2013; Mahesh & Prasad, 2012).

From a South African perspective, the study of post-acquisition performance of acquiring firms using EVA examined 336 acquisitions from the period of 2000 to 2011. This study found that acquiring companies go through a drastic decline of EVA after the conclusion of acquisitions. Quite important is that although the study also measured the performance of other conventional accounting measures, such as earning per share (EPS), return on capital (ROC), return on assets (ROA) and return on equity (ROE) post acquisitions, it did not focus specifically on the real estate industry. Instead, it measured sectors across the board that have been active in the M&As space (Makhele 2013). The current study would therefore contribute to the literature by assessing the financial performance of M&A deals within South Africa’s real estate industry.

According to Grigorieva and Petrunina (2013), there were studies conducted on emerging capital markets over a period of seven years from 2002 to 2009. These studies confirmed that most M&As are value-destroying transactions for the acquiring company, for example, the pronouncement of an M&A deal creates substantial high returns for the target company, while the returns of the acquiring company are not as significant. Research has been undertaken on M&A performance through methods of payment, similarities of businesses, and the target country's overall performance on various sectors. Further studies (Krishnan, Krishnan & Lefanowicz, 2009) have been undertaken, which examine market perception of post-acquisition operating synergies in related acquisitions, whereby assessments of the yields of the acquiring firm and its main competitor relate to equity expansions or losses during acquisition pronouncements and during post-acquisition to measure operating performance.

Chari, Ouimet, and Tesar (2004) looked at acquiring control in emerging markets, whereby firms from developed countries acquire companies in emerging markets. The study shows that these transactions have resulted in significant increase of returns. In addition to this, board data predictions imply that the value expansions from cross-border M&A transactions are because of the transfer of majority control from emerging-market firms to developed firm acquirers.

2.2 Theoretical foundation of M&As

M&As are strategies for expansion and growth of companies (Pagh-Rasmussen, 2011), they are predominantly used as tools for strategic management and organisational growth (Fendt, 2005). M&As are useful methods for companies to expedite entry into markets and to obtain higher percentages of the market share. Furthermore, the acquirer is able to save time, money and research and development (R&D) resources while depending on acquisitions to fulfil the same purposes (Greenberg & Guinan, 2002).

According to Picot (2002:15), M&As "imply a number of different transactions ranging from the purchase and sales of undertakings, concentration between undertakings, alliances, cooperation and joint ventures, to the formation of

companies, corporate succession or even management buy-out and buy-in". Simply put, a merger "is a combination of two or more companies in creation of [one] new entity or formation of a holding company … and an acquisition is the purchase of shares or assets of a company to achieve managerial influence, not necessarily by mutual agreement" (Hoang & Lapumnuaypon, 2007:3). M&As can thus be classified into different categories (Nakamura, 2005), as shown in Figure 1.

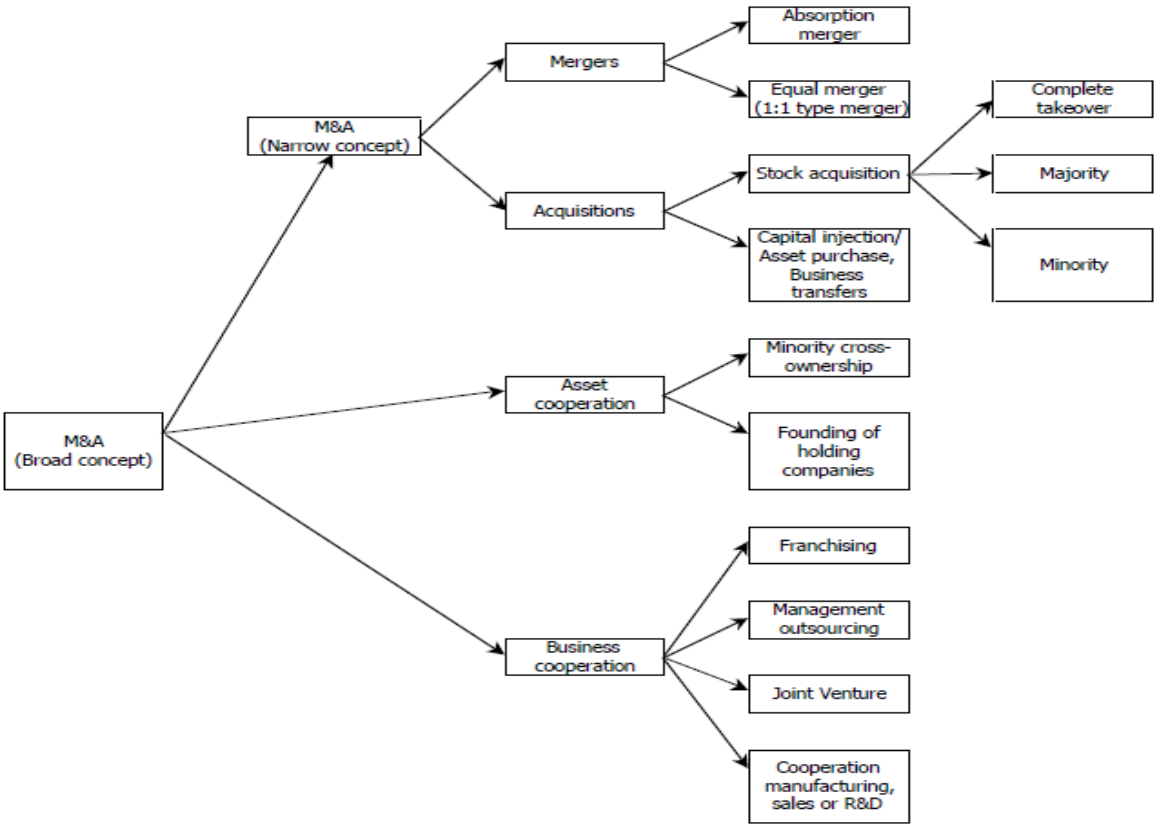


Figure 1: The definitions of M&As (Hoang & Lapumnuaypon, 2007:3)

There are many reasons why organisations embark on M&A transactions; however, the most common reason for the formation of M&As is that managers use it as one of their corporate strategic methods to achieve better performance and to create wealth in a form of profits (Idris, Wahab & Jaapar, 2015). According to Nahavandi and Malekzadeh (1988:79), M&As is an important and increasingly popular method for organisations to attain "corporate diversity and growth". Teerikangas and Very (2006) mention that most organisations enter into M&As for the purpose of international expansion. Duaber (2012) shares the same

sentiments as Teerikangas and Very (2006) that M&As are essentially used for internationalisation and growth strategies. Campa and Hernando (2006:3368) mention that organisations engage in M&As

> …to deal with the efficiency gains reflected in lower costs and higher profits involved in the merger, the geographical diversification generated from the merger, the improvement in the competitive position and the increase in the ability to generate value to consumers by the cross-selling of products.

The theories mentioned in an article by Gupta (2012) summarise the overall reasons for the existence of M&As by stating that M&As are initiated for achieving strategic growth, globalisation, sustained improvements in sales, attainment of a larger asset base, and an increase in shareholder value. Furthermore, M&As attain cost savings, gain tax advantages, increase market access or market share, attain competitiveness (counteract competitors' strategies), increase profitability, build an organisation's brand or profile, acquire new technology, gain access to R&D, for product improvement and/or product diversification, and encourage resource sharing.

It is important to note that M&As may arise from non-value growth behaviour, which is often as a result of the management of the acquiring company. This is because at times, management may not have the right motives or the organisations best interest at heart, despite this, these mergers do not necessarily lead to the dismissal or layoff of the target company (Adjei & Ubabuko 2011; Mboroto, 2012). These types of mergers are generally negative and may be harmful to the interests of the shareholders (Mboroto, 2012). This situation is an example of a hostile merger or acquisition because M&As may be friendly or hostile depending on how the deal is structured (Adjei & Ubabuko, 2011).

M&As have evolved and have had significant growth since the 18th century. The growth and the journey of M&As is best characterised through a phenomenon known as merger waves. These merger waves have been taking place since the advancement of the industrial economy (Lipton, 2006). It is imperative to first

understand the background, origins and the journey of M&As prior to discussing its theories.

2.2.1 The genesis of M&As

The advent of the twentieth century is described by periods of merger waves, merger waves refer to periods of uncommon vigorous M&As activity (Gaughan, 2001). According to Lipton (2006), economists and historians worldwide refer to five waves of mergers, which all took place in the United States of America (US) starting in the 1890s. This is clearly not surprising because then, the US was the only hegemon and today it is still a super power, albeit stiff competition from other countries whose economies have strengthened over the years, particularly those in Europe. Lipton (2006) argues that there was a sixth merger wave in 2003, this argument is backed up by research is highlighted in this theoretical journey of M&As. The genesis and duration of these merger waves is ambiguous because there is no precise period given for each of the five waves, except in instances where the waves ended in wars or because of an economic downturn. Despite this limitation, there are close proximities to the periods of these events that are being provided by various scholars as highlighted below:

- *First merger wave: 1893 to 1904:* The main merger activities around this period took place in the US. The activities were predominantly in the mining, steel, oil, telecommunications, manufacturing and logistics industries. As speculated, the first wave lasted for 11 years and came to an end due to a myriad of reasons, some of them being the emergence of the First World War and another reason was a US Supreme Court judgement, which endorsed the antitrust laws applicable to horizontal mergers in 1904 (Lipton, 2006; Petsa-Papanicolaou, 2007).

- *Second merger wave: 1919 to 1929:* This period lasted for 10 years, during this era, multinational companies in the automotive industry such as Ford emerged, also the sectors that were active in the first wave consolidated and integrated in this period. This period ended because of the 1929 crash and the great depression (Lipton, 2006; Petsa-Papanicolaou, 2007).

- *Third merger wave: 1955 to 1973:* This wave lasted for a period of 18 years making it longer than the first two waves and is characterised by the creation of the term conglomerate in American business history. The majority of well-established companies embraced the concept by diversifying into new sectors; however, very few of these companies received their returns on investment. This was largely due to the conglomerate stocks that crashed between 1969 and 1970 (Lipton, 2006).

- *Fourth merger wave: 1974 to 1989:* The fourth merger was slightly shorter than the third one; it lasted for 15 years and was generally known as the takeover wave of the eighties. This period was ground breaking in the history of merger waves because it introduced the first major-company hostile takeover, which was undertaken by Morgan Stanley on behalf of Inco (Gaughan, 2001; Lipton, 2006). This hostile bid was successful and through its success, it became a catalyst for major investment banks to make hostile takeover bids on behalf of their clients. Not only did this wave introduce hostile bids, it also highlighted many record-breaking mergers known to be megamergers, and junk bond financing. During this period, Europe started engaging in cross-border horizontal mergers. The 1987 stock crash just halted the wave temporarily because a few months later merger activity began rising again, the official end of this era came to effect when the collapse of the junk bond market and that of commercial banks occurred (Gaughan, 2001; Lipton, 2006).

- *Fifth merger wave: 1993 to 2000:* This wave's lifespan was only seven years, this was a period also characterised by the unusual volumes of mega deals largely inspired by the strength of the dollar. It is important to note that the fifth wave far outperformed the fourth wave with its mega deals and great supply of hostile takeovers despite its duration being shorter than the fourth wave. This period ended due to the bursting of the Millennium bubble and the excessive scandals of the US transactions (Gaughan, 2001; Lipton, 2006).

- *Sixth merger wave: 2003 to 2007:* According to Lipton (2006), a sixth merger period, is a result of globalisation, an increase in commodity prices, low-interest financing, hedge funds, shareholder activism and the excessive growth of private equity funds that are connected to the increase of management-led buyouts. The sixth merger was largely characterised by the European takeover market; to date, the UK is still the dominating player in these activities (Froese, 2013). The main driver of the sixth merger wave was largely due to the low interest rates in a recovering economy, this led to a major increase into the private equity business, the other catalyst to the sixth major wave was triggered by the delay of transactions after the 9/11 terrorist attacks in the US. After this quagmire, there was stability in the market and investments began to explode. It is important to note that this wave was impactful despite its short lifespan (Kvalen & Vister, 2014).

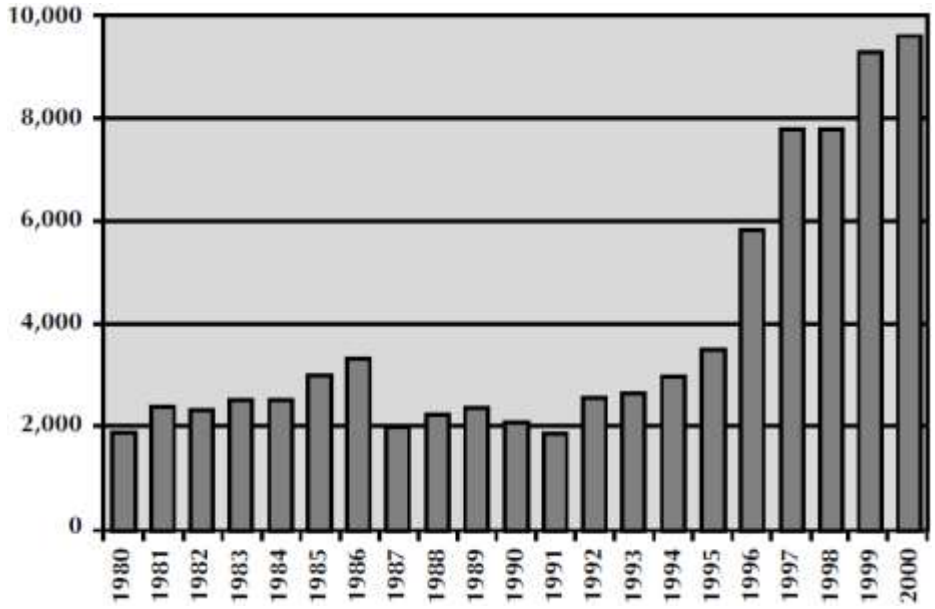


Figure 2: Number of M&A transactions in the US and Europe: 1980 - 2000. (Gaughan, 2001:2)

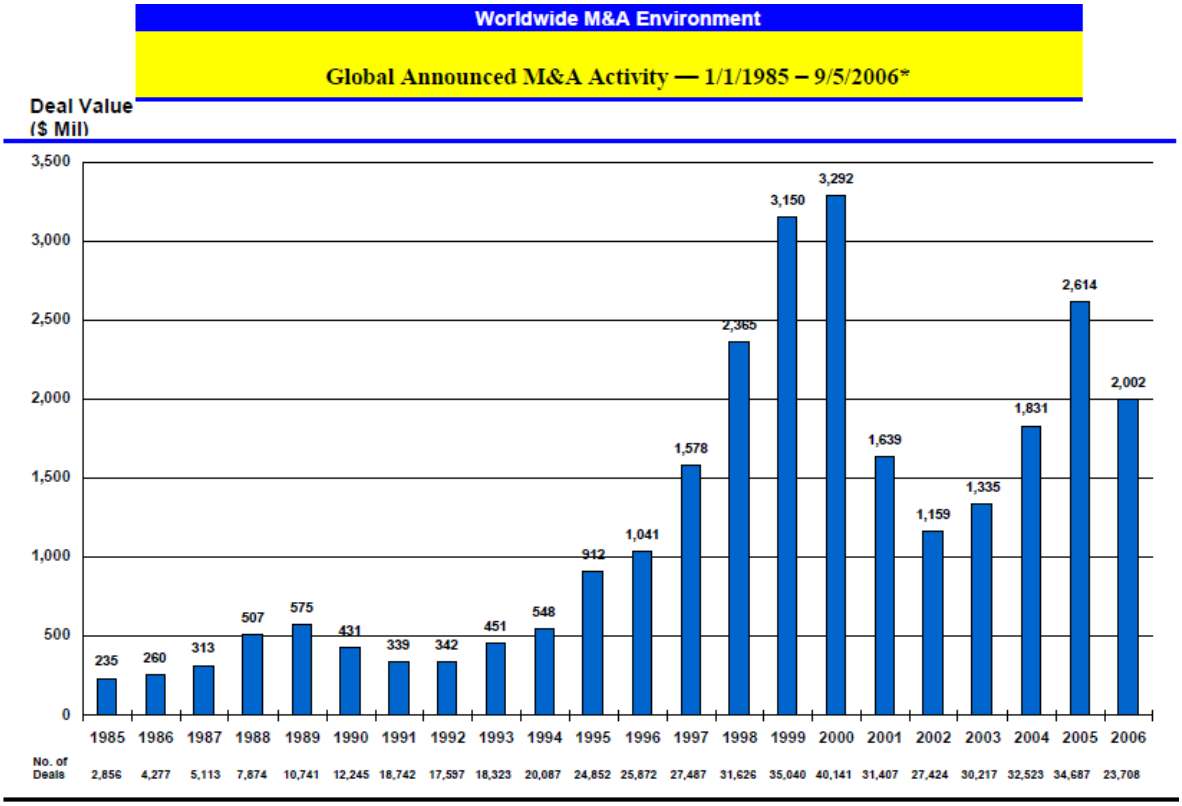


Figure 3: Worldwide dollar value of M&As: 1985 - 2006 (Lipton, 2006:19).

The graphs in Figures 2 and 3 demonstrate that from the late nineties leading to the 21st century, there has been an expansion in M&A transactions. In the year 2000, more than 40 000 cross-border transactions were registered and the total value of global M&As at that time was estimated at $3.5 trillion (Fendt, 2005).

From the above-mentioned eras or merger waves, it is evident that since the 19th century, M&As have played a significant role in strategic partnerships between companies (Fendt, 2005). M&As are a strategic tool used by corporate entrepreneurs to pursue sustainability and performance. Mustafa and Horan (2010) argue that acquisitions are a critical form of corporate growth in today's multifaceted and global commercial economy. Based on the evolution and development of mergers, it can be argued that M&As have been a common entrepreneurial tool for corporate development (Fendt, 2005).

2.2 M&As in the real estate industry

According to Madigan (2015), there is a clear distinction between real property and real estate. Real property is inclusive of movable assets such as furniture that can be moved around. Immovable assets are those assets that cannot be moved around such as land and actual buildings, these immovable assets are known as property fixtures. Real estate on the other hand is known as tangible property, which is inclusive of land, buildings and the improvements, which can also be referred to as tangible fixtures. Legal rights that accrue to the owner of the real estate articulate a clear distinction in the concepts of real estate and real property. The legal privileges are intangible and differ depending on the type of property ownership one possesses. Therefore, the definition of real property is inclusive of both the tangible real estate and the intangible legal privileges that are related to real estate.

Westwood (2006) defines commercial property as property that caters for the accommodation needs of the industry and trade; these are inclusive of retail space, offices and factories that are required for industrial use. South African real estate industry was very buoyant from 1994 to 2009, when the world experienced its fourth greatest recession post World War II. During the period 1994 to 2008, commercial property prices performed well, there were great returns, which made South Africa one of the best performing leaders globally within the property sector (IPD, 2014). Despite the global economic downturn in 2009, which had a negative impact on property markets internationally, South Africa's real estate industry gained momentum from 2012. In 2012 alone, the property sector contributed R237.8 billion to the economy of South Africa, which was estimated to be a 6 percent contribution to the country's GDP at that time (Kneale, 2015).

The focal point of this study is on M&A activities within the real estate industry and because of this, it becomes important to give context about the investments that occur within this industry. In South Africa, major contributors within the Real Estate Investment Trust (REIT) industry generally outperform other firms within the global space. According to De Klerk (2013), in the past 10 years, the South African property sector has been performing better than REITs from the developed world. Even though this is the case in South Africa, the challenge lies in the fact that smaller companies within this industry find it difficult to compete with the major

firms because 80 percent of the market share resides in the big firms. The smaller organisations are therefore left with no choice but to consolidate through partnership acquisitions with big firms in order to gain access to the market share, in order to improve on scalability and funds (Kneale, 2015).

Table 1 depicts the trends of M&A transactions that took place between September 2013 and January 2015 as a result of the above discussion:

Table 1: Corporate M&A actions for the period September 2013 to January 2015 (Kneale, 2015:46-53)

Company	Date	Corporate Actions
Acsion Ltd	December 2014	Listing on the JSE only as an introduction of the company's shares and not a private placing. Acsion, focuses on the delivery of net asset value (NAV) growth.
Acucap Properties Ltd (See Growthpoint below)	June 2014	Subsequent follow-on offer to acquire all remaining Sycom Units that it did not already own.
	February 2014	Acquisition by Acucap and Sycom of undivided half share in Greenacres Shopping Centre, Port Elizabeth, with plans for an expansion and upgrade.
African Land Investments	July 2014	Hyprop Investments and Attacq agreement to acquire 87 percent and 12.4 percent respectively of the issued shares in African Land Investments for R768m and R110m. The company would not proceed with its proposed listing on the JSE or Lusaka Stock Exchanges
Arrowhead Properties Ltd	November 2014	Establishment of Arrowhead Residential for proposed acquisition of various residential properties for a reported R1.6bn including: Jika Properties Pty Ltd; Amberfield Village and Park Village, Vanderbijlpark; Bree Street Acquisiiton, Johannesburg CBD; Highveld View Estate, Emalahleni, Mpumalanga.
	July 2014	Merger with Vividend Income Fund Ltd (31.7 percent)
	March 2014	Acquisition of 22 percent of Dipula Income Fund's B linked units
Attacq	December 2014	Merger between Attacq Waterfall Investment Company (Pty) Ltd (AWIC) and Micawber 832 (Pty) Ltd.
	December 2014	Sole shareholder of Attacq Waterfall Investment Company (Pty) Ltd with Atterbury retaining a 20 percent undivided co-ownership interest in the Mall of Africa
Dipula Income Fund Ltd	August 2014	Proposed acquisition of portfolio of six retail properties from Redefine Properties for R425m, four in Soweto and two in Hammanskraal, North West Province.
	August 2014	Proposed disposal of 13 properties for R51.8m to reduce debt
	February 2014	Acquisition for R265.6m of Umgeni Business Centre (Durban), Fairways on Main shopping centre, (Howick), 50 Hamilton Street offices (Pretoria) and Tower Mall (Jouberton, North West Province).
	January 2014	Proposed acquisition of Gillwell Taxi Retail Park development, East London, from Isibonelo Property Services and Eris Property Group for R316m,
Equites Property Fund Ltd	September 2014+	Acquisition of Crossroads Distribution Facility (Cape Town) with an agreed property valuation of R42bn, Epping Industria site for R18.1m, Bellville industrial site for R12.6m,
Fairvest Property Holdings Ltd	December 2014	Proposed acquisition of Sibilo Shopping Centre, Postmasburg, (Northern Cape) from Purple Fountain Prop 132 (Pty) Ltd for R1.6m.
	May 2014	Proposed acquisition of Richmond Shopping Centre (KZN) from Magnificent Four Properties Pty Ltd
Fairvest Property Holdings Ltd	January 2014	Acquisition from Vukile Property Fund and Vukile's subsidiary, MICC Properties (Pty) Ltd of a portfolio of retail properties with both companies acquiring a beneficial interest in securities of Fairvest.

Company	Date	Corporate Actions
Fountainhead Property Trust Ltd	June 2014	Disposal of 27 office and industrial properties, and one small retail asset, in the greater Johannesburg and Midrand areas to focus on larger core portfolio of larger property assets.
	April 2014	Competition Tribunal approval without conditions of merger with Pareto Ltd.
	March - August 2014	Acquisition of: CIB office building, in Bedfordview, for R159m; Motor dealership adjacent to the Kenilworth Centre for R34.7m; and
		Vacant fuel station adjacent to the Centurion Mall for R13m. Sale of shares in Westgate Shopping Centre, Southgate Mall and Southgate Value Mart for R944m. Sale and leaseback agreement with Robor to acquire the Robor industrial property in Elandsfontein for R570.5m.
Growthpoint Properties Ltd (See Acucap above)	December 2014	Acquisition of shares in Acucap not already owned, through a share exchange scheme with the company becoming a wholly owned subsidiary of Growthpoint. Its listing on the JSE will be terminated and Growthpoint will indirectly own 100 percent of the shares in Sycom Property Fund Managers, the statutory fund manager of Sycom and, directly or indirectly, about 99 percent of the participatory interests in Sycom,
	August 2014	Merger with The Truzen 75 Trust and Erven 99 and 100 Parktown Township Share Block (Pty) Ltd.
	March 2014	Acquisition of the Tiber Group, a portfolio of office space in Sandton and surrounds for R6.6bn.
	October 2013	Acquisition of entire issued share capital of Abseq Properties (Pty) Ltd for R1.3bn.
Hyprop Investments Ltd	December 2014	Proposed merger with FPG Holdings (Pty) Ltd (FPG), whereby FPG will have sole control of all the target properties owned by Hyprop.
Ingenuity Property Investments Ltd	August 2014	Acquisition of eight prime properties and a 67 percent interest in the company that owns the Palmyra Junction shopping centre in Claremont (Cape Town) for R863m; A central city block in Cape Town bounded by Strand, Rose, Castle and Chiappini Streets for R86m. Construction of a mixed use development on this prime site between the De Waterkant and Bo-Kaap precincts is planned to start early 2015; and Remaining 50 percent share of its site on Hans Strijdom Avenue, Pinewood Office Park (Pinelands), SARS Building (Cape Town) and Vineyard Centre, Claremont.
Knight Frank	August 2013	Commercial property consultancy Galetti has secured a formal relationship with property group Knight Frank, to operate as Galetti Knight Frank.
Octodec Investments Ltd	September 2014	Merger with Premium Properties Ltd. Premium and unlisted property ownership and development vehicle IPS Investments, in which Premium and Octodec each held a 50 percent share, would now become wholly owned subsidiaries of Octodec.
Old Mutual Investment Group Property Investments (Pty) Ltd	January 2015	R10bn asset swap transaction with Pareto, whereby Pareto to acquire 50 percent share in Menlyn Shopping Centre, Pretoria, that it did not already own from Old Mutual, while Old Mutual to acquire 50 percent share in Cavendish Square, Cape Town that it did not own from Pareto, with the net consideration payable in cash.

Company	Date	Corporate Actions
Pivotal Property Fund	September 2014	Acquisition of land and property assets from Standard Bank Properties, for R1.5bn, including: Remaining 70 percent of Sandton's Alice Lane development; 32,305 m² Platinum Square Shopping Centre, Rustenburg; Lakeview Office Park, Roodepoort; Monte Circle Office Park development land, Fourways; and; West End Office Park development, Centurion.
Rebosis Property Fund Ltd	February 2014	Acquisition of Ascension Properties Ltd management company for R150m and 29 percent stake in Ascension's B units for R289m, representing 15.96 percent of the company's total issued linked unit capital.
Redefine Properties Ltd	January 2015	Conclusion of agreement to acquire Leaf Property Fund for a purchase consideration comprising about R3.7bn and less the amount of Leaf's liabilities.
	November 2014	Intermediate merger with Mergence Africa Property; Investment Trust in respect of a portfolio of six retail property letting enterprises located in suburbs within Soweto and in Hammanskraal.
	October 2014	Part disposal by Redefine International of Delta portfolio of 10 regional office assets for an aggregate consideration of £35.06m.
	September 2014	Merger with Macsteel Genprop (Pty) Ltd and Macsteel Coreprop (Pty) Ltd, involving the Macsteel property portfolio (R2.7bn)
	September 2014	Purchase of approximately 11 percent of Emira's Participatory Interests from certain institutional investors in exchange for Redefine shares.
	August 2014	Cancellation of proposed acquisition of assets and property portfolio of Fountainhead Property Trust
	June 2014	Acquisition of Annuity Properties, as well as Annuity's asset and property management companies.
	October 2013	Acquisition of additional 139,782,000 Fountainhead units in return for 15,376,020 Hyprop units. Redefine now holds 61.7 percent of Fountainhead's issued units.
Resilient Property Income Fund Ltd	July 2014	Merger with NAD Property Income Fund (Pty) Ltd in respect of Jubilee Mall Property, Hammanskraal.
	October 2013	Acquisition of remaining shares (90 percent) not already held by Arbour Town Pty Ltd (Umbogintwini, KZN) for R1.9bn and claim on loan account.
SA Corporate Real Estate Fund	March 2014	Acquisition by wholly-owned subsidiary SA Retail Properties (Pty) Ltd of entire issued share capital of Afhco Holdings (Pty) Ltd .
Southern Palace Properties	July 2014	Acquisition of 8 percent stake in Growthpoint Properties from the Public Investment Corporation's Government Employees Pension Fund for R4.5bn.
Texton Property Fund Ltd (formerly Vunani)	September 2014	Change of name from Vunani following Sale of Business Agreement, for R117m, between Vunani Property Asset Management Pty Ltd, a wholly-owned subsidiary of Vunani Properties Pty Ltd, which is a 78 percent owned subsidiary of Vunani Ltd, and Texton Property Investments (Pty) Ltd.

Company	Date	Corporate Actions
Tower Property Fund Ltd	January 2015	Acquisition of three non-metropolitan retail properties (Brits, Ennerdale, Modimolle) and two office buildings (Cape Town and off M1 motorway, Gauteng) worth R480m.
	September 2014	Acquisition of Medscheme Building, Florida North from Coco Haven 31 Pty Ltd for R110.6m.
Vividend Income Fund Ltd	September 2013	Acquisition of BEKA Industrial Parks, situated in Clayville Gauteng, Penral Park Durban and Hilton Township, Bloemfontein for R145m.
	September 2013	Acquisitions include: The Bryanston Gate Property, Bryanston, Gauteng, from various vendors, for R184.5m; The Walk Centre, Bloemfontein, from Oakwood Capital (Pty) Ltd for R70m; and Sparrow Mall Properties, Nylstroom, Limpopo, from Oakwood Capital (Pty) Ltd for R76.8m.
Vukile Property Fund Ltd	December 2014	Competition Tribunal approval without conditions of the buyout of Synergy Income Fund.
	November 2014	Transactions subject to due diligence and Competition Commission approval include: A R320m investment in an 80 percent stake in the 31,653 m² regional Moruleng Mall, North West; A R140m investment in the 15 000 m² Batho Plaza in Soshonguve, Gauteng, A R360m investment in the 27 700 m² regional Nonesi Mall in Queenstown & Eastern Cape; Offer of R127m purchase of an industrial warehousing portfolio in the Silverton industrial area

The challenge with access to market by the small capital firms and SMMEs within the real estate industry forms the basis of the discussion of this study, because it is worth noting that through this challenge lays a massive opportunity for M&As to take effect. When smaller REIT companies collaborate with the big firms, they "secure traction and attract foreign capital" (Kneale, 2015:45). Another fundamental factor worth noting is that the REIT industry has emerged as one of the most active industries in M&As of listed companies on the JSE and this calls for critical research on the performance of these activities post their M&As.

2.3 M&A theories

For purposes of this study, the paper discusses three theories that are catalysts and motivators for the existence of M&A's, these are; organisational theory, economic theory and leadership theory (Dele, 2012; Fendt, 2005).

2.3.1 Organisational theory

Organisational theory in M&A has a lot to do with culture and integration. It has evolved over the last hundred years into a social science discipline. Organisational theory "is a body of thinking and writing that describes, explains and influences what goes on in organizations" (McAuley, Duberley and Johnson, 2007:2). Organisational theory offers a foundational body of knowledge that is an enabler to the exploration and development of management and leadership theory. In modern years, organisational theory has become diverse in terms of the insights that scholars use to study and understand organisations. These insights deliver philosophical encounters with regard to the way in which companies and organisations are designed from a wide range of perspectives, such as cultural perspectives, societal perspectives and human capital perspectives (McAuley et al., 2007). In essence, the basic theoretical foundations of organisational theory have to do with the study of the departmentalisation of organisations, distribution of human tasks, organisational structure and behaviour. Various scholars, including Aristotle, (Dele, 2012) explicitly demarcated this field of study from the 19th leading up to 20th century.

Organisational theory can be linked to process theory, which according to Froese (2013) is built on the premise that people are not always sufficiently skilled to make rational decisions as far as complex problems are concerned. This is because often, human beings find satisfactory solutions rather than optimal ones, a behaviour driven by limited information and computational facilities. Froese (2013) argues that highly optimistic predictions and expectations by management concerning the overall feasibility of potential gains from M&As are a driving force or influencer for companies to make the decision to transact through M&As.

Linked to integration, which is part of organisational theory, are various synergistic theories. Harwood (2000:523) quotes Castell, Gregory, Hindle, James and Ragsdall (2000) who wrote, "synergy comes from the Greek word *synergos* which means working together. This demands a platform for participation through the development of dialogues, between disciplines and people, the very stuff of systems thinking". However, it should be noted that a wide range of academic discussion exists as to the various types of synergy in the works of authors such as Gaughan (2007), Hitt, Ireland and Hoskisson, (2001), Rappaport (1998), and Devos, Kadapakkam, and Krishnamurthy (2008). First, Gaughan (2007) presents operational and financial synergy. According to Gaughan (2007), operational synergy appears in the form of revenue enhancements and cost reductions. Financial synergy is achieved when the cost of capital may be reduced through the combination of two companies. Second, Hitt et al., (2001) presents three components of synergy, operational, financial, and managerial synergies. Operational synergy is achieved when the cash flow from operations is improved whereas financial synergy is achieved by interest tax shields, the change in capital structure, and financing. Managerial synergy is created when additional value is created through the decision makers' ability to integrate the two companies and create competitive advantage.

The above typologies of synergy are comparable to the definitions by Rappaport (1998), Devos et al. (2008), and Weitzela and McCarthy (2009), which divides synergies into market power, operating synergy, financial synergy, and tax shields. Market power is achieved through enlarging the size of the company, it is about increased synergies and is known to offer organisations positive and significant

growth benefits. Operational synergy is achieved through scale economies and financial synergy is created by means of reducing risk and lowering the cost of capital. The corporate control theory is also a synergistic strategy focusing on the acquisitions of underperforming organisations, it acts as a catalyst for the removal of underachieving managers who have failed to take advantage of opportunities within their markets. Finally, tax shields are created from increased interests of the combined entity.

Another synergistic theory is the efficiency theory, which is motivated by mergers that yield viable synergies making transactions beneficial to both organisations. This theory inspires friendly mergers to take effect because it often meets the expectations of both parties gaining successfully in deal making transactions (Weitzela & McCarthy, 2009). In addition, the efficiency theory posits that M&As are executed to fulfil three types of synergies: financial, operational and managerial (Hauser, 2015).

From a market perspective, the efficient theory recognises a weak form theory, a semi-strong form theory and a strong form theory. The weak form theory argues that it is not possible for a venture capitalist or financier to realise a positive abnormal return by using historical information on stock prices. It further argues that if the market were a 'weak' form of efficient, then the stock prices would have previously been incorporated into the historical information. This theory further elucidates on the fact that financiers or investors may not constantly agree on the price of a stock, this will therefore cause its value to fluctuate. "The theory explains that even though its real value may be unknown, the price will wander around its intrinsic value, making the market efficient" (Von Gersdorf & Bacon, 2009:3). On the other hand, the semi-strong form theory is a public domain information market because it fully reveals all public information, making it challenging for the investor to outperform the market, this theory holds water because it's been tried and tested (Von Gersdorf & Bacon, 2009). The strong form market theory suggests that all information whether public or private is made available. "Therefore it is expected that any type of information that may be relevant to the value of a stock, even if it is only known by one investor, will already be adjusted for in the Market, even inside information is expected to be included" (Von Gersdorf & Bacon, 2009:3).

2.3.2 Economic theory

Economic theory comprises market power theory and resource-based theory. Market power theory is essentially about the strategies of companies that are linked to having a strong footprint and sizeable market-share in their various industries and improving competitive success. There is also an assumption that M&As are applied to minimise transaction costs. On the other hand, resource-based theory is about augmenting the core capabilities of the firm in order to create viable competitive advantage that is sustained. Furthermore, resource-based theory is about maximising of profits in a certain industry as well as gaining market power. Therefore, the companies' resources and ability to utilise these resources efficiently determines the company's strategy and its performance (Dele, 2012).

Monopoly theory ties to market power theory because organisations that monopolise industries have sizeable market-share and very often have no competitors in the market (Dele, 2012). Monopoly theory is essentially about wealth transfer from customers that are targeted to monopolising firms (Gupta, 2012). The monopolisation in M&As exist in order to achieve market power through horizontal mergers, this phenomena is known as collusive synergy, because horizontal mergers create greater synergy value than operational or financial synergies and realise a wealth of transfer from the customers of the organisations operating in the affected sectors. Furthermore, monopoly theory through conglomerates and horizontal mergers enables companies to cross subsidise goods, while concurrently minimising competition in several markets, and discouraging potential companies from entering the markets, which leads to a gain in pricing power (Froese, 2013; Hauser, 2015).

It is important to note that greater pricing power is derived from operational synergies because by acquiring a firm that is within the same industry as the acquirer through a horizontal merge, the joint 'one entity' instantaneously increases their market power (Patregnani, 2014). For example the merger between British Petroleum (BP), Amoco (ARCO), and Alaskan Crude Oil (Bulow & Shapiro, 2000) is a case in point, both companies belong in the same sector which is oil, therefore market share competition will be reduced or eliminated.

Another example, which is more specific to this research study, is the 2014 acquisition of Protea Hospitality Group (SA-based) by Marriott International (US-based) wherein after the acquisition Marriot International became the largest hotel company in Africa (Marriot, 2014). Therefore, Protea Hotels and Marriot International joint entity increased their market coverage, Marriot did not have a significant African footprint prior to this acquisition, this acquisition gave them broader power, and this ultimately put Marriot International in a position of market share strength (Patregnani, 2014).

There is also a valuation theory that is also known as an investment theory and is literally about net gains from private information and not public domain information (Gupta, 2012). This theory is based on the notion that managers who acquire firms are better advanced at assessing the target company's value than capital markets (Froese, 2013; Hauser, 2015). The assumption of efficient capital markets in M&As is largely motivated by the knowledge of the existence of exploitation of undervalued targets, this is because efficient markets operates from the premise that the integration of all public information in a firm's stock price is included in its semi-strong form (Froese, 2013).

2.3.3 Leadership theory

M&As cannot take place without company leadership and change management, purely because most acquisitions require comprehensive transformation. A leader's role then becomes that of providing direction and certainty where there is uncertainty (Pagh-Rasmussen, 2011). Furthermore, the actions of leaders, their words, beliefs and conduct have to resonate with national culture, organisational culture and employees' background and characteristics (Able, 2007). M&As require the creation of groups of key individuals to pay attention to people's positions, power, expertise and credibility, as this will bring about efficiency and coalition. It is imperative for the leadership to create a strategy and a vision for the change process (Pagh-Rasmussen, 2011).

Able (2007) and Pagh-Rasmussen (2011) jointly argue that the larger the size and the more complex the change is, the more essential leadership and culture

become. Leadership is said to be the cement that holds everything together during this transformation process and the strength of the leadership will either make or break the merger or acquisition. The reason for this is because leadership is the utmost critical driver for employee engagement during transitioning periods and moments of disruptions. When a major corporate change occurs employees turn to their leaders for direction on how to respond, behave and perform, therefore the M&A transitioning period is a sensitive one because what leaders do during this period has a substantial impact on how employees react. It is in this sensitive period that employees need to have a positive perception of and outlook because of their leaders. This positive perception of the institutional leader will yield a successful transformation of the merger or acquisition (Able, 2007).

Another theory associated with leadership is the disciplinary mergers theory, it suggests that M&As discipline target firms' managers who pursue objectives other than profit maximisation. Managers who do not maximise profits presumably would focus attention on goals other than profitability (Sudarsanam, 1995). Since this difference in focus can come at the expense of operating efficiency, a firm's performance may suffer. Poor performance does not go unnoticed, however. Opportunistic buyers may observe the poor performance accompanied by good assets and discipline the poorly performing plant by acquiring it (Straub, 2007). Thus, the disciplinary theory suggests that acquiring firms merge with poorly performing targets and improve their performance as new management realises the full potential of a target's assets.

Finally, there is an empire building theory, which is essentially about M&As that are beneficial to the acquirer's management, it favours the management utility far greater than the shareholder holder value. This type of M&A theory often fails because there is no shareholder value, furthermore, this M&A is known as a principal-agent relationship bond, meaning that the shareholders are the principals, and the managers are the agents acting on their behalf (Froese, 2013; Patregnani, 2014). "This leads to the problem that, when acting in this opportunistic way, managers put the owners' money at risk, taking all the benefits coming from a contingent success for themselves" (Patregnani, 2014:19).

2.4 The role of corporate entrepreneurial culture in M&As

2.4.1 A corporate entrepreneurship perspective

M&As are strategic tools that are applied by corporate entrepreneurs to attain sustainability, profitability, innovativeness and expansion, among other things. M&As take place in entrepreneurially oriented organisations as a means of increasing competitiveness, productivity and growth. Therefore, it can be argued that M&As are growth acquisition strategies (Hitt, Hoskisson & Ireland, 1990). The decision to pursue a company through an acquisition reflects, in many cases, the underlying strategy of the acquiring company. An acquisition can be viewed as an integrated part of the corporate strategy (Rappaport, 1998). As such, the strategic actions to be undertaken are founded in the overall strategy of the acquiring company. Through the definition of strategy, the potential synergies to be achieved can be identified and for the acquisition process, the synergies are evaluated and assessed in order to define a strategy on how to realise the synergies. These corporate strategy actions play a critical role in encouraging the growth of organisations' turnover and market share, improving competitiveness, entering new markets, sharing and reducing business risk and very importantly in capitalising on economies of scale (Hoang & Lapumnuaypon, 2007; Mahesh & Prasad, 2012).

Bruner (2004) presents how M&As are influenced by strategy and that they are the engines driving the process of a transaction. In order to determine the corporate strategy, well known strategic tools such as Porter's Five Forces and the SWOT analysis can be used to position the acquiring company towards the industry and its competitors, where it will be positioned after the transaction, and to which areas special attention must be drawn. In addition, through a SWOT analysis, criteria of the desired target company can be determined before the deal, as the company gets a clear picture of its strengths and weaknesses (Borghese & Borghese, 2002). In the same vein, Trautwein (1990) presents three categories of direction for merger strategies; choice of acquisition mode, choice of entry mode,

and choice of integration mode. Each of the choices can be traced back to the company's competitive strategy.

Corporate entrepreneurship on the other hand is a structure for facilitating on-going change and innovation in established organisations. Corporate entrepreneurship is a method of augmenting innovative abilities, as well as growing organisations through the creation of new corporate ventures (Ferreira, 2002). Corporate entrepreneurship enables established mid-sized and large organisations to create new businesses with the objective of improving the company's competitive position and financial performance. As argued by Guth and Ginsberg (1990), corporate entrepreneurship focuses on two aspects namely; new venture creation in existing organisations and the transformation of organisation through strategic renewal.

2.4.2. Corporate entrepreneurship as an integration tool

The post-acquisition process or transposition in M&As is pivotal to the success and ultimate 'integration' of the merger. This requires corporate entrepreneurial orientation. This means the merged organisation has to implement strategic management interventions expected of a corporate entrepreneurial organisation such as linking different typologies of strategic processes within organisations (Ferreira, 2002; Thomson & McNamara, 2002). Corporate entrepreneurship plays another important role in the identification of distinctive knowledge and competences of the acquired company and its integration into the new post-merger firm. The desired success of post-M&A integration is achieved through the ability to access prospective future benefits through successful innovative ways of redeployment of underperforming staff or change management. There are great advantages to be derived in a corporation that successfully implement an effective corporate integration strategy in post-acquisitions environment (Thomson & McNamara, 2002). Post-merger firm performance phenomenon is clearly subject to effective integration. This means integration is one of the antecedents of financial success in post M&As and is

indeed achieved through adopting corporate entrepreneurial strategies such as integration.

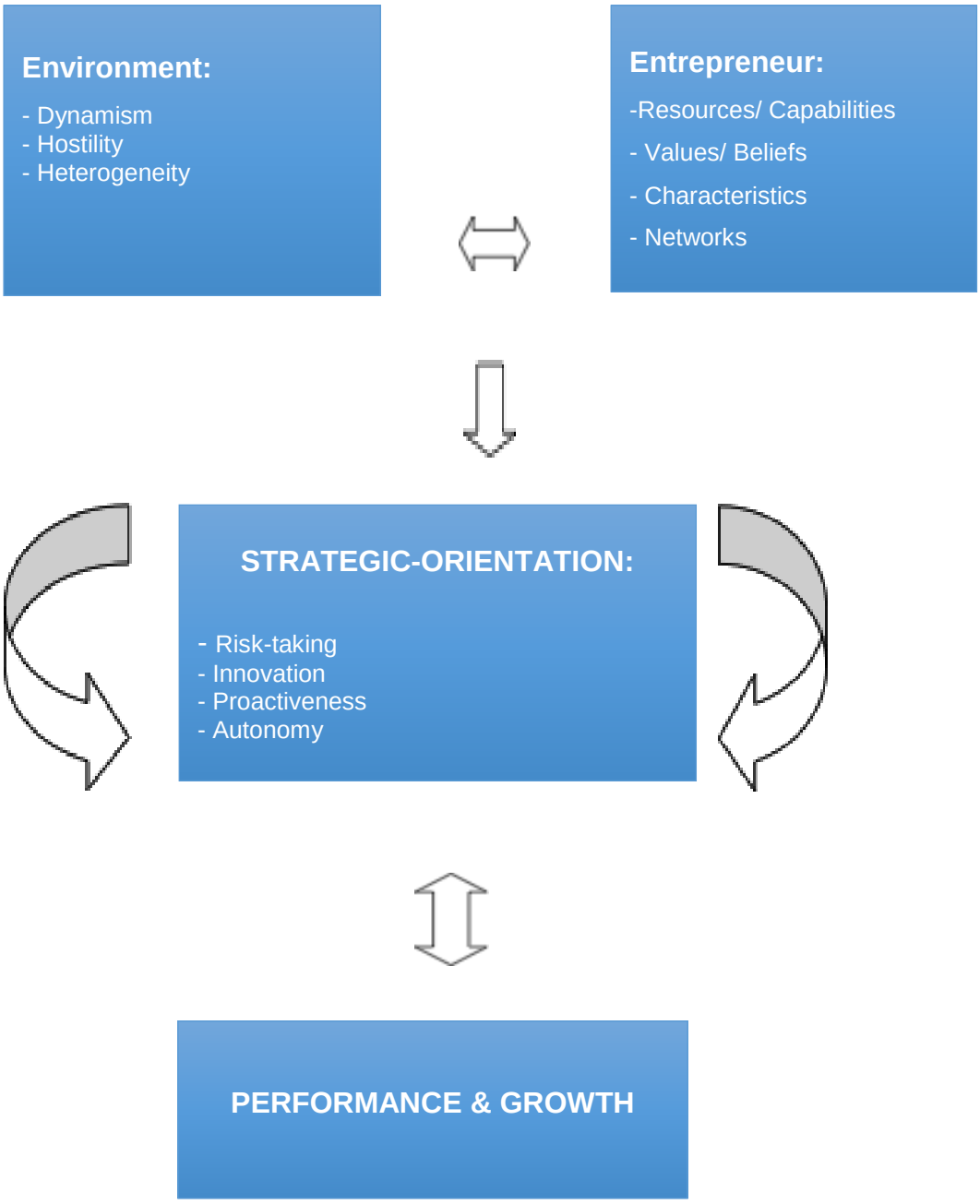


Figure 4: An Integrating Conceptual Model of Corporate Entrepreneurship (Ferreira, 2002: 13)

2.4.3. Corporate entrepreneurship as a tool for growth in M&As

Corporate entrepreneurship is a catalyst for companies to grow and become profitable in a competitive and sustain able manner. There is evidence that confirms that exhibit corporate entrepreneurship advances organisational performance, thereby leading to improved financial performance. This is mainly achieved through an increase in the organisations proactiveness, forward-thinking behavior and inclination to take risks towards being innovative in the development of new products and services (Ramachandran, Devarajan, Ray, 2006). Innovation in entrepreneurship is disruptive and it encompasses revolutionary tactics that create products and services that are beyond existing areas of competency. This process is a catalyst for organisations to detect new service offerings that will yield to sustained growth and profitability, when current norms no longer serve the market due to rapid changes in technology and other influencing factors (Tushman, Anderson & O'Reilly1997),

Zahra and Covin (1995) present proof of a significant corporate entrepreneurship performance relationship in their study of the longitudinal impact of corporate entrepreneurship on a financial performance index. The indicators of their study are growth and profitability, thus making their study very relevant for this research paper. The findings of their study obtained a positive relation between corporate entrepreneurship and financial performance (Zahra and Covin, 1995). In contemporary years, scholars have began focusing more on the cultivation and promotion of corporate entrepreneurship than on dialogues which question the validity and benefits of corporate entrepreneurship (Ramachandran, Devarajan, Ray, 2006).

Organisational growth is often expected when larger companies acquirer small firms. Small firms tend to gain through the leverage of shared resources and skills from the parent company. However, this growth is not guaranteed and it is subject to the availability of resources within specific environments. For instance, when small entrepreneurial companies get access to resources, their process to their strategic goal for expansion becomes realised (Xiao, 2013). Welge and Al-Laham (2003) propose that growth and expansion strategies that lead to stability, and a decrease of retrenchments are more likely to yield better performance than the alternative in post M&A environment

Corporate entrepreneurship allows businesses to grow internally in various ways. For example, organisations can enter into partnerships or strategic alliances with other companies. They can partake in M&As to attract employees who are innovative, as well as create new competencies and entrepreneurial activity within the existing organisation. Corporate entrepreneurship can be cultivated through different strategies that include internal growth through various projects, internal venturing, strategic partnerships, and acquisitions. The acquisitions strategy is largely viewed as an important tactic to raise radical change in companies because it is an enabler for innovation and the creation of new products and services. Nevertheless, there is limited research on the impact of acquisitions on corporate entrepreneurship (Greenberg & Guinan, 2002). Furthermore, despite the positive impact that corporate entrepreneurship has on financial performance, existing policies on strategy and growth are likely to have a negative impact on the creation of radical innovations (Michalski, 2006) if inadequate strategic considerations are not put in place.

2.4.4 A corporate culture perspective

Organisational change is of significant importance in as much as it affects corporate culture. Organisational culture is vital to the success or failure of a transaction (Bligh, 2006). The culture in an organisation is the set of values, norms and beliefs, and understandings shared by the members of the organisation. In order to understand the organisation it is essential to understand Edgar Schein's three levels of cultural values (Daft, 2003); observable, exposed, and underlying values, of both the acquiring and acquired company in order to assess how to merge the organisations. Managers involved in the transaction must be completely aware of the complexity of organisational issues and as Kandula (2006) stipulates, the key to good performance is a strong culture.

Culture in M&As can be defined in various ways (Kanter & Corn, 1994), the most common definition describes organisational culture as the shared beliefs among employees in an organisation (Nahavandi & Malekzadeh, 1988). The organisational dimension of culture can be defined as beliefs, values, and assumptions shared by the members of an organisation (Schein, 1985). Weber

and Tarba (2012) agree that the word culture has many meanings, various connotations and there is no agreement among researchers as to its exact meaning. However, Weber and Tarba (2012) define corporate culture as a phenomenon where the management of an organisation develops a system of assumptions, ceremonies, company dress code, strategies, policy, principles and behaviours in the organisation; values, and beliefs that will enable better management and success of the organisation.

Marks (2007) emphasises the importance of paying attention to organisational structure and change even before the merger takes place as lack of an organisational end state implies that partners are pulled apart rather than being brought together. After the transaction Marks (2007) introduces four E's in order to adapt into a new, combined organisation, "empathy, engagement, energy, and enforcement" (Marks, 2007:726). Marks' (2007) four E's are supported by Petersen (2008), who emphasises credible communication, planning, easiness, and practical planning as key factors to an easier transition.

Lesowitz and Knauft (2003) highlight the need to create an organisational structure that integrates and maximises the various strengths of each individual organisation in order to reap the benefits of the merger. In this manner, the competences and strengths of each entity can be actively shaped in order to realise the desired synergies. In order to integrate and change the two organisations into one entity, Lesowitz and Knauft (2003) continue to highlight that the integration and change should be motivated by an arrangement of financial, organisational, and operational factors as well as the characteristics of the already existing company cultures.

2.4.5. Cultural integration in M&A activity

Cultural integration is may be considered a key attribute of successful M&As. However, most companies do not know how to address cultural issues in M&A

environment. As stated before, M&A activities are on the rise, but that does not mean post-M&A transactions are always successful. One of the main cause of post-M&A failure lies in poor integration of cultures of the merging or the acquired firm. The reality is that most organisations do not have a workable approach towards integrating cultures during M&A transactions (Aon Hewitt, 2011).

The success of collaborative M&As depends on cultural integration of processes, whereby there is equality in terms both companies benefiting equally irrespective of who the acquirer is. During M&A transactions, collaborative methodologies become a shared learning experience for both parties. True collaboration is not about abolishing and dislocating one culture in favour of another, instead it seeks build on and integrate two organisations to benefit equally from the coming together of both entities, wherein the 'two become one' (Cartwright & Cooper, 1992). Cultural barriers are perpetuated by a comfort-zone mentality of being accustomed to certain routines and systems, lack of agility and inadaptability to change, which all impede on growth and innovation (Michalski, 2006).

When proper integration is effected, the acquired company should be in a position to uphold many of its cultural characteristic traits, by so doing the merged company maintains the best cultural features from both organisations. During the process of integration, the discussions are often characterised by elements of conflict because cultures more often seeking to compete as opposed to collaborating. Should proper negotiation and collaboration be part of the M&A transection, the process would quickly remove the elements that are associated with conflict. It is important to note that at times there are duplications of functions that are discovered post M&A transactions. When this occurs it sometimes leads to great uncertainties for employees because some of their positions would be abolished in the new structure. These uncertainties also lead to the loss of great employees who tend to resign for fear of loosing their jobs. Furthermore, these duplication of roles unnecessarily increases the workload and leads to high stress levels which have a negative impact on productivity, mainly for the acquired company (Pikula, 1999).

One of the great dilemmas to cultural integration has to do with 'people problems',

this is a dilemma because people problems are seldom at the agenda of their leaders during the M&A transections. This dilemma emerged as one of the top problems in a study whereby 45 Chief Financial Officers from Fortune 500 companies had engaged in M&A activity. The inconsideration of people and different leadership styles in cultural integration has a negative impact in the value of M&A deals, however the opposite of this has a positive impact. For example, organisations that make culture a priority in early stages of the transaction are greatly rewarded because they tend to realise financial growth, value and also attract the right caliber of employees who have abilities to grow the company to its maximum potential of growth and value (Makhlouk & Shevchuk, 2008).

Although the focal point of this paper is on the financial success of post- M&As within a South African context, it is prudent to briefly discuss the cultural impact of cross culture transactions. This is because the success of M&As do not only depend on the integration of processes that are at the center of the national culture but integration has to be penetrated down to various locations globally, where national cultures sometimes differ fundamentally from that in the center (Denison, Adkins & Guidroz, 2011).

Fortunately there is a solution for challenges that are affecting cultural integration, for the overachievers in post M&As, understanding culture is a priority and therefore they focus on culture from as early as the due diligence process. The overachievers of post M&As also invest time on culture and building dedicated processes that address culture and also quite importantly is that they are proactive in their approach, hence they communicate change in a manner that is proactive. Despite the successes of overachievers in post M&A transactions, they believe that their approach to cultural integration is not the final answer (Aon Hewitt 2011).

2.5 The impact of financial performance in M&As

Stahl and Voigt (2008) assert that there has been much research done to determine the variables that affect the performance of M&As. However, the key factors for success, and the reasons why M&As often fail, is least understood. This study seeks to determine and test the theory mentioned antecedents / predictors

of M&A financial performance. The variables of post-M&A transactions which are corporate entrepreneurial culture, resource sharing and infrastructure support were tested as antecedents of financial performance in this study.

2.5.1 Free cash flow, size and return to scale financial models

Financial performance (as the dependent variable of this study) is largely discussed in M&A literature. Its measurement varies from cash flow and stock market analysis to accounting-based measures (Bauer & Matzler, 2014). The focus of this study measured financial performance and therefore the discussion of the literature review pays attention to the financial intent and post-M&A financial performance sustainability. The financial intent for M&As is largely motivated by the money involved in deal making transactions; the objectives are either short- or long-term financial goals. Financial goals are linked to the performance of the stock markets, because of this, stock performance can also be viewed as a financial intent, and this is a form of a market driven acquisition model (Adjei & Ubabuko, 2011; Ferrer & Tang, 2015).

- *Free cash flow model:* Free cash flow model is essentially about diverting free cash flow from shareholders or stakeholders. Its advantage is that it allows management an option not to use capital markets, which are vested in equity issues when the need arises for new capital to be sought. The other advantage of diverting free cash flow is that management can grow the size of the firm, enhance productivity and earning ability as well as reduce the risk that is associated with take-overs. Free cash flows can be diverted from dividends that issue debt and bind management to pay out future cash. This funding model stimulates the need to advance the financial performance of firms through M&As (Mboroto, 2012).

- *Size and return to scale model:* According to Mboroto (2012), size is indicative of many terms, it may include the size of the post-merger or acquired firms in terms of turnover, several ways an organisation can achieve superior operating efficiency in a merger or an acquisition exist, which are often subject to the economies of scale. Size; however, largely

refers to sources of synergies, which are positive incremental net gains that are associated with the joining or partnering of two organisations through a merger or acquisition. An equation to test this model can be calculated using the following assumption: firm A purchases firm B for cash. “The synergy or total gain in value to the shareholders of A and B is Synergy = VAB - [VA + VB]. If the synergy is positive, then the combination of the two firms (VAB) is more valuable than the sum of the separate firms” (Mboroto, 2012:8).

2.6 Relationship of variables and hypothesis formulation

2.6.1 Relationship between corporate entrepreneurial culture and financial performance

The relationship between corporate entrepreneurship and financial performance is not a new phenomenon in the field of M&As; however, there is minimal research that focuses purely on emerging markets and more specifically on the real estate industry. This statement is supported by authors such as Aktan and Bulut, (2008), and Shamsuddin, Othman, Shahadan and Zakaria, (2012). Aktan and Bulut, (2008) support this argument because they have undertaken a study on corporate entrepreneurship and financial performance, which only focuses on Turkey as an emerging economy. Their study seeks to provide guidelines that will aid investors, entrepreneurs, and academics to understand the importance of corporate entrepreneurship and financial performance in developing countries. Shamsuddin et al. (2012) on the other hand, support this argument through their study on the effect of corporate entrepreneurship on firm performance in Indonesia’s emerging markets. All these studies seek to contribute to the body of knowledge by incorporating emerging markets in corporate entrepreneurship studies. It is for this reason that this study sought to enhance the literature of corporate entrepreneurship and financial performance in post M&As that are within the real estate industry, with a direct focus on South African activity.

According to Aktan and Bulut, (2008), Greenberg and Guinan (2002), Shamsuddin et al. (2012), and Zahra (1993), financial performance and corporate

entrepreneurship dimensions such as innovation and proactiveness have demonstrated that corporate entrepreneurship positively influences the financial performance of organisations.

It is important to note that corporate entrepreneurship is an effective tool for companies operating in hostile environments, such as hostile takeovers. Zahra (1991), and Zahra and Covin (1995) back up this statement by suggesting that there are three principals for management, which hold this view. The first principal refers to the financial capability and sustainability of engaging in corporate entrepreneurship, this principal holds the view that corporate entrepreneurship has a superior relationship to financial performance. The second principal refers to the analysis and assessment of the financial implications of corporate entrepreneurship. The longer the duration of the evaluation the more positive the outcome is, because lengthier periods allow sufficient time for entrepreneurial action to have full market and corresponding financial impact. Third, is the principal concerned with specific data of effective entrepreneurial activities.

Worth noting is that successful entrepreneurial results will automatically have a positive impact on the organisations' financial performance in the long-term, but very seldom in the short-term. This is because there might be an absent relationship among corporate entrepreneurship climate factors and the organisations' financial performance criteria largely due to project investments and organisations' operational costs. In such situations, the first signals of successful entrepreneurial achievements may be obtained from the marketplace (Aktan & Bulut, 2008).

Despite the positive correlation between corporate entrepreneurship and financial performance, as echoed and supported by various scholars, and as demonstrated above, other research contradicts some findings in this field. For example Xiao (2013:1), argues that "by comparing the firm growth between acquired and non-acquired firms and before and after acquisition within acquired firms, it is found that acquisition is a selection process that the fast-growing entrepreneurial firms are more likely to be acquired. But the post-acquisition effects on growth is not positive". However, the same scholar hypothesises in the same literature that an

acquisition on post-acquisition growth will have a positive impact on an acquired entrepreneurial organisation (Xiao, 2013).

In a paper by Teerikangas and Very (2006) is a brief review on several authors who assessed the cultural–performance relationship in M&As. According to the review, there is a consensus that contrary to the well-known notion that cultural differences are the main reason for failure in M&As, culture can play an important role in enhancing organisational performance. This is backed up by studies such as those by Bauer and Matzler (2014) who found that there is a positive relationship between the degree of cultural integration and M&A success. Furthermore, another recent study by Idris, Wahab and Jaapar (2015) noted that corporate culture integration (i.e., dominant characteristics, organisational leadership, management of employees, organisational glue, strategic emphases, and criteria of success) between M&As is important to enhance the performance of acquiring companies in M&As.

Stahl and Voigt (2008) however obtained differing findings in literature regarding the culture–performance relationship. Weber and Tarba (2012) noted that there are contradictions in literature regarding the culture-performance relationship in M&As. In an attempt to resolve these contradicting findings, Stahl and Voigt (2008) developed a set of hypotheses to assess the cultural differences that may have an impact on M&A performance. One of the findings of a study by Stahl and Voigt (2008) was that cultural differences could be positively associated with acquisition announcement returns for the acquiring firm's shareholders. Overall, Stahl and Voigt (2008:172) concluded by stating that "cultural differences can be both an asset and a liability in M&As, depending on the degree of relatedness and the dimension of cultural differences separating the firm". Teerikangas and Very (2006:35) state that the contradictions in accurately assessing the culture–performance relationship are brought about the "(1) the concept of cultural differences, (2) the dynamics in the M&A process and (3) related methodological concerns". Weber and Tarba (2012) note that the high rate of M&A failure versus the growing activity of M&A may be due to lack of synchronised activities of merger stages (i.e., stage 1: planning, stage 2: negotiations, and stage 3: organisational integration).

Figure 5 further explains the complexities associated with studying the culture–performance relationship in M&As.

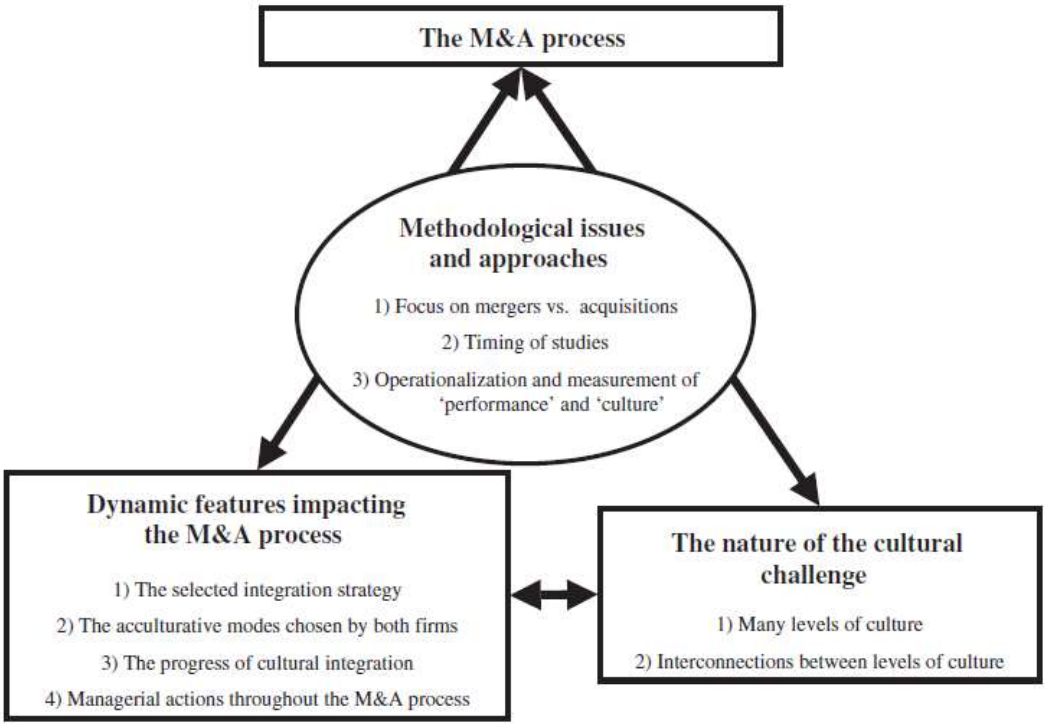


Figure 5: Figure 5: Complexities associated to studying the culture–performance relationship in M&As (Teerikangas & Very, 2006:103)

Based on the discussion of the literature on the relationship between corporate entrepreneurial culture and financial performance in M&As, the following hypothesis was deduced for this study:

> *Hypothesis 1: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.*

2.6.2 Relationship between resource sharing and financial performance

According to Harrison et al. (2001), formulation of M&As transactions allows organisations to work together and combine resources. There are different forms

of resource types that influence the choice of alliance structures in M&As (Das & Teng, 2000). The different types of resources that can be shared between M&As are: tangible and intangible resources (Grant, 1991), physical capital resources, human capital resources, and organisational capital resources (Barney, 1991), financial, managerial, human, organisational, and technological resources (Hofer & Schendel, 1978). In addition, property-based resources (i.e., legal properties owned by organisations e.g., financial, physical and human resources) and knowledge-based resources (i.e., the organisations' intangible know-how and skills e.g., organisational resources such as culture, and technological and managerial resources (Miller & Shamsie, 1996) can be shared resources.

The transfer of capacity and resource sharing between interdependent merging firms is known as strategic interdependence (Angwin & Meadows, 2015). The strategic interdependence process between merging firms involves the integration of organisational structures and resources, functional activities (e.g. functional skills transfer and general management transfer), systems and cultures (Angwin & Meadows, 2015). Previous studies have shown that resource sharing between M&A firms has a positive impact on organisational performance.

Based on the theories in literature regarding the resource sharing and financial performance relationship, the following hypothesis was formulated for this study:

> *Hypothesis 2: There is a positive relationship between resource sharing and financial performance in the South African real estate M&As.*

2.6.3 Relationship between infrastructure support and financial performance

Infrastructure support, more specifically IT infrastructure, performs an important role in M&As financial performance, because IT has an impact in M&As through two key channels namely; a flexible IT infrastructure for the improvement of business flexibility, which is critical for organisations to experience through M&A opportunities. The second one is a flexible IT infrastructure that enables the augmentation and enhancement of IT integration and business resources of the

merged organisation to experience the much-needed economic benefits of an M&A (Benitez-Amado & Ray, 2013).

Studies such as those by Chi, Sun and Young (2011), and Wang and Zajac (2007), have shown that the sharing of infrastructural resources, especially the sharing of different types of assets such as land or office space, is necessary to influence the organisational performance of the merging firms. Harrison et al. (1991) studied the infrastructure sharing–M&A financial performance relationship, and found that differences (versus similarities) in resource allocation between M&As contributed significantly to the performance of merged organisations. Other authors, such as Singh and Montgomery (1987), investigated the financial performance differences between related acquisitions (i.e., those acquisitions related in product, market, or technological resources) and unrelated acquisitions. The study by Singh and Montgomery (1987) revealed that the related acquisitions have higher financial performances than unrelated acquisitions. While other studies suggest that there is a positive relationship between related product diversification and the performance of multinational M&A firms, a study by Chang and Wang (2007) found that unrelated product diversification negatively moderates the international diversification–performance relationship.

Based on the theories of this literature regarding infrastructure support and performance relationship, the following hypothesis was formulated for this study:

> *Hypothesis 3: There is a positive relationship between infrastructure support and financial performance in the South African real estate M&As.*

2.7 Overall assessment of financial performance of post-M&As

Over the past years, numerous studies have assessed the financial performance of organisations prior to M&As and post-M&As. Some of these studies (Campa & Hermando, 2006; Gates & Very, 2003; Kumar, 2009; Kumar & Bansal, 2008; Lubatkin, 1983; Ramaswamy & Waegelein, 2003; Schoenberg, 2006; Schmidt & Fowler, 1990) assessed the different methods for determining firm performance in M&As. However, there are inconsistent results in the effect or impact of post-M&A performance resulting from corporate acquisitions. The findings from performance

measurement are widely varied, for example, some findings indicate significant deterioration in the post M&A performance, while others show significant growth (Adjei & Ubabuko, 2011). To supplement this statement, observations have been made about the performance of acquiring firms, which indicate that some of the deals from the acquisitions deteriorate post the acquisition stage (Marimuthu, 2008).

Examples of other empirical studies that assessed the post-M&A–performance relationship include a study by Kumar and Bansal (2008), which assessed the impact of M&A transactions on long-term financial performance of 74 Indian M&As, 22 of which were mergers and 52 of which were acquisitions. In terms of improvements in liquidity position, operating efficiency, overall efficiency (profit before tax), ROI and financial composition, Kumar and Bansal (2008) found that 13 of the 22 mergers, and 37 of the 52 acquisitions, had an increase in working capital. While 17 of the 22 mergers, and 33 of the 52 acquisitions, showed an improvement in operating profits. Only 19 M&As failed to show any improvements in operating profits; 20 of the 22 mergers, and 36 of the 52 acquisitions, had an increase in profit before tax. While 10 of the 22 mergers, and 30 of the 52 acquisitions, showed positive signs of an increase in return on net worth. Of the 22 mergers 14, and 35 of the 52 acquisitions, showed improvements in earnings per share. While 12 of the 22 mergers, and 18 of the 52 mergers, showed an increase in debt-to-equity ratio. In conclusion, Kumar and Bansal (2008), deduced that formation of M&As are important for improving financial performance, especially for acquiring firms.

Another study by Ghosh (2001) showed that cash flow increases significantly following acquisitions made with cash. Ramaswamy and Waegelein (2003) found that post-M&A performance is positively associated with long-term incentive compensation plans (i.e., post-M&A performance is associated with an improvement in operating cash flow). Rani, Yadav and Jain (2013), and Reddy, Nangia and Agrawal (2013) found similar results. Rani et al. (2013) investigated the impact of M&As on corporate performance by comparing the performance of firms involved in M&As before and after the M&A deal, and showed that there is an improvement in long-term operational performance (cash-flow) following an

M&A. Other studies showed contradicting results. For example, Tuch and O'Sullivan (2007) reviewed the impact of acquisitions on firm performance and found an insignificant short-term impact on shareholder wealth, and a mixed / inconclusive long-term financial performance of an acquiring firm. Kumar (2009) also found contradicting results that M&As do not improve the acquirer's financial performance.

2.8 Conclusion of the literature review

M&As are great strategies for expansion and growth for companies (Pagh-Rasmussen, 2011). M&As have evolved and have had significant growth, since the 18th century or a period known as the advanced industrial economy. There has been six merger waves that have been well recorded world over (Lipton, 2006). In South Africa, major contributors within the REIT industry generally outperform other firms within the global space. According to De Klerk (2013), in the past 10 years, the South African property sector has been performing better than other REITs from the developed world. South Africa's real estate industry has 80 percent of its market share residing in the big firms. Smaller organisations have to consolidate through partnership acquisitions with big firms in order to gain access to the market share (Kneale, 2015).

Three theories are recognised in the literature on M&A, these are: organisational theory, economic theory and leadership theory (Dele, 2012; Fendt, 2005). Based on these literature theories, the current study aimed to assess the hypothesised antecedents of financial performance within M&As, specifically in post-M&A transactions.

The literature examines the role of corporate entrepreneurial culture in M&As in two perspectives namely; corporate entrepreneurship perspective and corporate culture perspective. From a corporate entrepreneurship perspective, the study discusses corporate entrepreneurship as a integration tool and as a tool for growth. There are great advantages on well-executed integration strategies in post-acquisitions; one of the most important advantages is the pay out of dividends (Thomson & McNamara, 2002). From a growth perspective, the study explains

corporate entrepreneurship as a structure for facilitating on-going change and innovation in established organisations. Corporate entrepreneurship is a method of augmenting innovative abilities, as well as growing organisations through the creation of new corporate ventures (Ferreira, 2002)

From a corporate culture perspective, cultural integration is said to be a top priority in M&As, despite this very top priority, most companies do not know how to address the issue of cultural integration. The reality is that most organisations do not have a workable approach towards integrating culture during M&A transactions (Aon Hewitt, 2011).

The variables of post-M&A transactions identified in literature are corporate entrepreneurial culture, resource sharing and infrastructure support were tested as antecedents of financial performance using various financial models.

Based on the literature reviewed, hypotheses of the relationships between variables were formulated for this research:

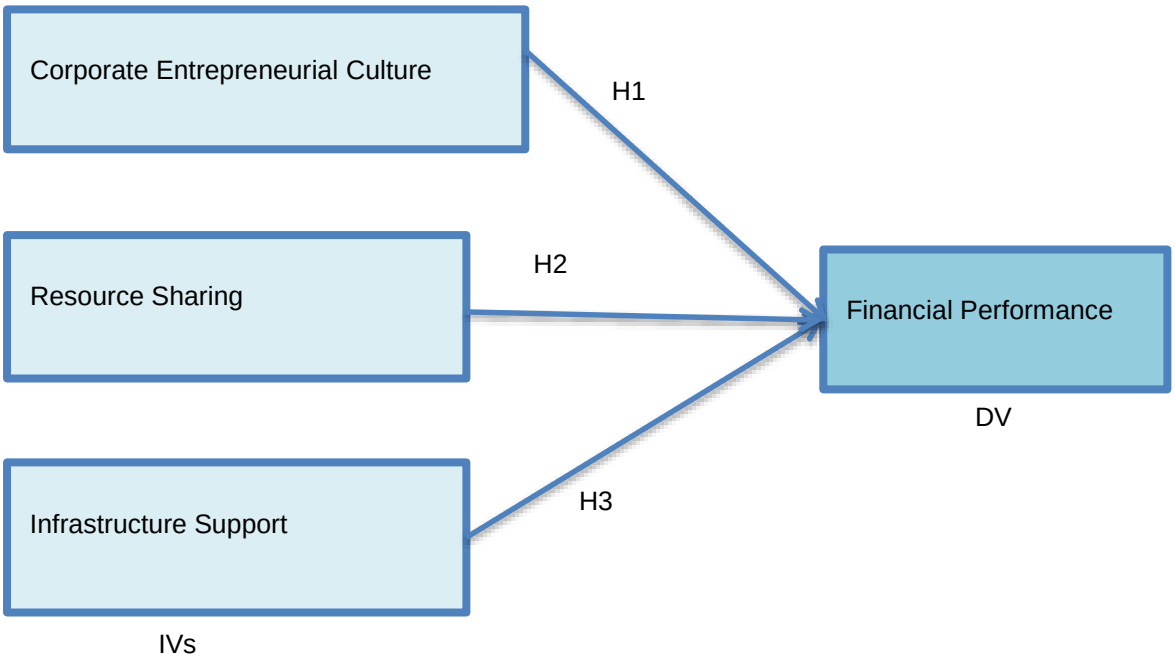
> *H1: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.*
>
> *H2: There is a positive relationship between resource sharing and financial performance in the South African real estate M&As*
>
> *Hypothesis 3: There is a positive relationship between infrastructure support and financial performance in the South African real estate M&As*

A hypothesised research model based on the relationship of the variables from the literature is depicted in the next chapter (Chapter 3).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Hypothesised research model

The research model in Figure 6 was formulated based on the theories and concepts that were discussed in chapter 2 of the literature review.



Key: Independent variable (IV); Dependent variable (DV); Hypothesis (H)

Figure 6: Proposed hypothesised model.

3.2 Research methodology and approach

A positivistic research approach was followed in this study. This means that quantitative data was collected to test the hypotheses that were formulated from the theory. This approach is a scientific method of enquiry and is similar to that of other studies that have been conducted in related research fields.

According to Cooper and Schindler (2008), empirical research is defined as a scientific study where theory and hypotheses are tested. Empirical research was conducted in this study, mainly to investigate the relationship intensity between the independent and dependent variables as guided by theoretically derived hypotheses. Based on the hypotheses formulated for this study, it was assumed that there would be a positive relationship between the independent variables and the dependent variable; hence, a positivistic research approach was suitable for this study. This is because it enabled a quantitative research analysis to be conducted; which allowed for the already constructed theories to be tested and validated (Johnson & Onwuegbuzie, 2004).

3.3 Research design and method of collecting data

A cross-sectional design was deployed in this study, wherein sampling and data were collected through a combination of online surveys, emailed questionnaires and telephonic interviews. The collection of data was done using a research instrument in the form of a questionnaire-survey. The surveys were attached to emails and a link to the online survey was included in the body of the email. Respondents were contacted telephonically to remind them to complete the questionnaires a week before the data collection deadline. Some respondents had not read their emails and requested the questionnaires to be read out to them telephonically, their answers were captured via telephone. Following up on respondents telephonically enabled the researcher to collect more data that would have been missed from the respondents who were too busy to read their emails. This follow-up process was efficient albeit expensive. Receiving responses via online surveys took a long time and there was very little activity on this platform. After the data was collected, it was measured numerically to obtain ordinal data. A survey was a preferred method of collecting data because it is less time-consuming and it allows for the anonymity of participants to be guaranteed, especially when primary data is collected (Cooper & Schindler, 2008).

3.4 Population and sample

3.4.1 Population

The population of this research study was derived from three databases, namely; Investment Property Databank (IPD) South Africa, Who Owns Whom Database (a sector report focusing on real estate activities) as well as the Real Estate Investment Trust (REIT) database obtained from the JSE. The total population from the combined databases was 812 South African real estate companies. The criteria that these targeted companies had to meet was that they had to have participated in M&As in the last 20 years and they also had to be Gauteng-based in order to narrow the sample size. The reason for limiting the geographical area of the population to a single province of Gauteng was due to time and resource constraints in undertaking this research study. However, focusing on Gauteng province was not anticipated to have a major negative impact on the sample, given the observation that the province is the financial and corporate capital of the country and is home to some of the largest corporations on the African continent. For example, major economic institutions such as the Reserve Bank of South Africa, the Johannesburg Securities Exchange, all top banking and financial institutions head offices and major corporate head offices are all located in the Gauteng province.

3.4.2 Sampling method and sample

A stratified random probability sampling technique was used to achieve the target sample. This sampling method was considered for this study because it involved a randomised selection of a sample within the real estate population sub-group. The strata or sub-group population was characterised and limited to property and/ or real estate companies that were based in Gauteng and those that had been involved in M&A transactions over the last two decades. The sampling method undertaken in this study was done in order to allow for statistical tests and analyses to be appropriately conducted. This method of sampling reduces standard error

and is beneficial when aiming to achieve greater statistical significance in a small sample (Cooper & Schindler, 2008).

Out of a population of 812 property and real estate companies that were found in the databases, eight provinces were eliminated from the study and only Gauteng remained, this reduced the sample from 812 to 296 companies. The first phase of sampling data was through sending a concise email to the 296 companies asking them whether they had participated in M&As in the last 20 years. The question was inserted in the body of an email because only one question was asked. Out of the 296 companies that were targeted, only 180 responses were received and out of the 180 responses, only 162 confirmed that they had been involved in M&A transactions at various stages in the last 20 years. The second phase of the sampling process was carried out by sending emails with an attached questionnaire and a link to Wits Qualtrics (online questionnaire) to the 162 companies that had confirmed to have participated in M&A activity in the last 20 years. The responses with completed questionnaires came from 50 companies. The response rate from this sample was 31 percent. Out of the 50 respondents, 86 percent were executives, directors and senior managers, the rest were involved in the deal making transactions.

3.5 The research instrument design and structure

A quantitative research method was used, wherein ordinal data was collected using a measuring instrument. The measuring instrument for this study was in a form of an online questionnaire-survey consisting of close-ended questions. The online survey was designed using the Wits Qualtrics software. The manual surveys were drafted in a Microsoft Word document, which was attached and sent to prospective respondents via email together with the link for an online survey. Ordinal data was measured using a set of closed-ended questions that had a selection of answers that were arranged in ranks on a five-point Likert measurement scale. This structure of the questionnaire was put in place in order for a seamless selection of answers to be completed by respondents (Cooper & Schindler, 2008). The research instrument was organised in such a way that the first section comprised a cover letter, which stipulated the survey instructions and

addressed the ethical aspects of the research. According to Cooper and Schindler (2008), ethics are important in ensuring safety, preventing harm and assuring anonymity of the respondents.

The second section of the instrument was the demographic section used to collect biographical information. The subsequent sections of the instrument comprised of measuring constructs that measured the independent and dependent variables with items formulated from literature scales. As alluded to in the above paragraph, a five-point Likert scaling system was used to compile the measuring scales for each construct in the research instrument. The other sections of the instrument were used to test the hypotheses of this study. The actual research instrument is included in this study and is attached as Appendix A.

3.6 Data analysis and interpretation techniques

Firstly, categorical data which was obtained from the demographic section of the survey questionnaire was analysed using descriptive statistical measurements. Secondly, Kolmogorov Smirnov Test was used to assess the normality of variables before hypothesis testing could be carried out. It is the preferred method if the sample size is at least 50, like the one carried out in this study. When the sample size is less than 50, then the Shapiro-Wilk Test becomes more appropriate. Lastly a variable is said to follow a normal distribution if the p-value of the Kolmogorov Smirnov Test is greater than 0.05. If the p-value is below 0.05, then the variable will not be normally distributed.

3.7 Limitations of the study

The main limitation of this study was that the research conducted was not inclusive of all nine provinces of South Africa. This was because the main activities of M&As have largely taken place in the Gauteng province and other quantifiable M&A activities within the real estate industry have taken place in the Western Cape and Kwa Zulu Natal provinces, with very little activity in the remainder of the provinces. However, another reason for limiting the study to Gauteng was due to time constraints. Collecting data in all nine provinces would have taken considerable amounts of time; however, the time allocated for collecting data was only one

month. The other limitation was that a cross-sectional study was conducted, which was contextualised only to South African property and real estate companies that had been involved in M&A transactions in the last two decades and this limits the results of the study from being generalisable to the rest of the world.

3.8 Validity and reliability of the research study

Cooper and Schindler (2008), describe validity as the extent to which a test measures what the researcher actually wants to measure and reliability as the accuracy and precision of a measurement procedure. This form of measurement was carried out in this study.

3.8.1 Validity

The validity of the constructs was tested using the exploratory factor analysis. The research instrument of this study was compiled using pre-existing literature instruments to ensure criterion validity (both predictive and concurrent validities). Furthermore, construct validity was measured wherein convergent / divergent validities were measured by correlating the results found in this study with those that were found in literature (Cooper & Schindler, 2008).

3.8.2 Reliability

The reliability of the scale for the four constructs was assessed using Cronbach's alpha. An alpha value >0.9 is an indication of excellent reliability (internal consistency), >0.8 signifies good reliability, 0.7 is acceptable reliability, >0.6 is questionable, >0.5 is poor while < 0.5 is unacceptable.

3.9 Conclusion

A positivistic approach was conducted in this study through ordinal data, which was collected using an online survey instrument as well as a research questionnaire. The research instrument was compiled using the Wits Qualtrics Software as well as manually through a Microsoft Word document. The questionnaire-survey was distributed to senior management and executives of 162

property and/ or real estate companies. A number of fifty (n=50) responses was received from a sample population of 162 companies to which the questionnaire was distributed. Data analysis was conducted using descriptive statistics, Kolmogorov Smirnov test was also used to assess the normality of variables in the factor analysis. The next chapter provides a detailed description of the data analysis.

CHAPTER 4: DATA ANALYSIS - PRESENTATION OF THE RESULTS

4.1 Introduction of the research process

This chapter presents the results and analyses of the research findings of the study. The analysis sought to relate the results and findings of this study to the literature discussed in previous chapters. This chapter describes the research sample and sample characteristics that formed the basis for the data analysis procedures that were used on the extracted research results. The subsequent sections discuss output procedures such as data and reliability analyses, as well as factor analysis.

4.2 Respondents' characteristics

From the companies that were included in the sample, an analysis of the company age showed that 10 percent were between one and five years old, 26 percent between six and 10 years old, 42 percent between 11 and 20 years old while the other 22 percent were 21 years or older. The age distribution was weighted on the older firms' cohort, as 64 percent of the companies were 11 years and above. Figure 7 shows a pie chart depicting the distribution of the company age.

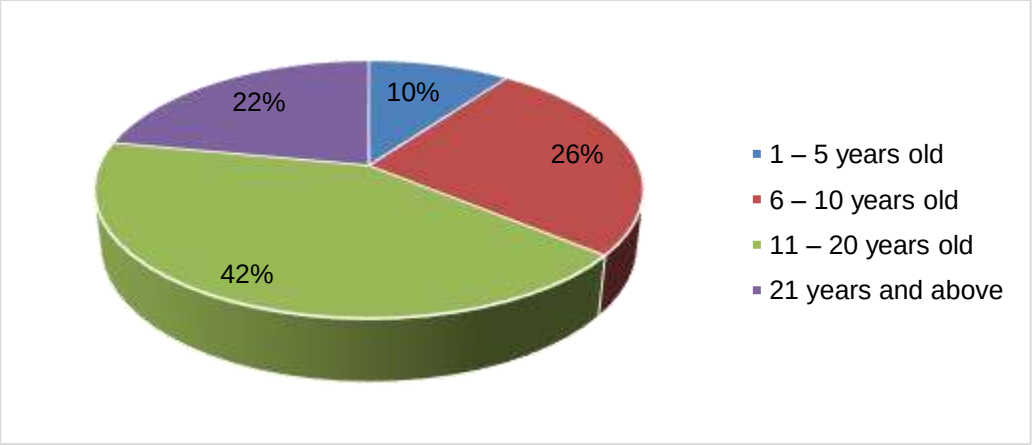


Figure 7: Company age.

Figure 8 below shows the distribution of the firms by industry with real estate leading at 54 percent. Private equity investments, property management and asset management were equally distributed at 18 percent each. The distribution of listed property funds was at eight percent, while the development finance institutions, diversified industrial holding groups, listed companies, private equity firms, property development companies and residential property funds each represented two percent. These companies have all been involved in M&A property and/ or real estate activities within the last 20 years.

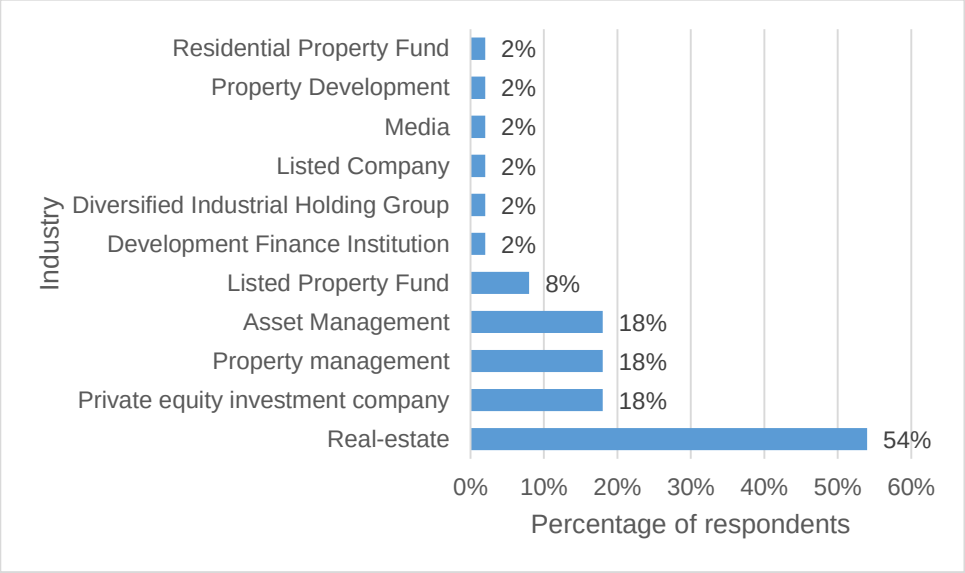


Figure 8: Distribution of respondent s within the real estate Industry.

In terms of the method of purchase, more than three in every four transactions were acquisitions (76 percent), followed by mergers (12 percent) and hostile takeovers (eight percent). The other methods were listing (two percent) and BEE transactions (two percent), as represented in Figure 9.

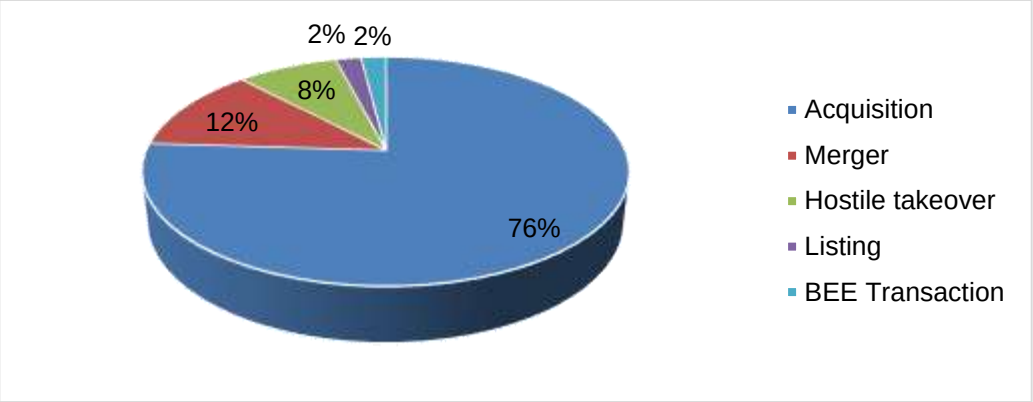


Figure 9: Method of purchase.

Furthermore, it was established whether the respondent's company was an acquirer or a target company. The objectives of the merger and/or acquisition were sought, the results are shown in Figure 10.

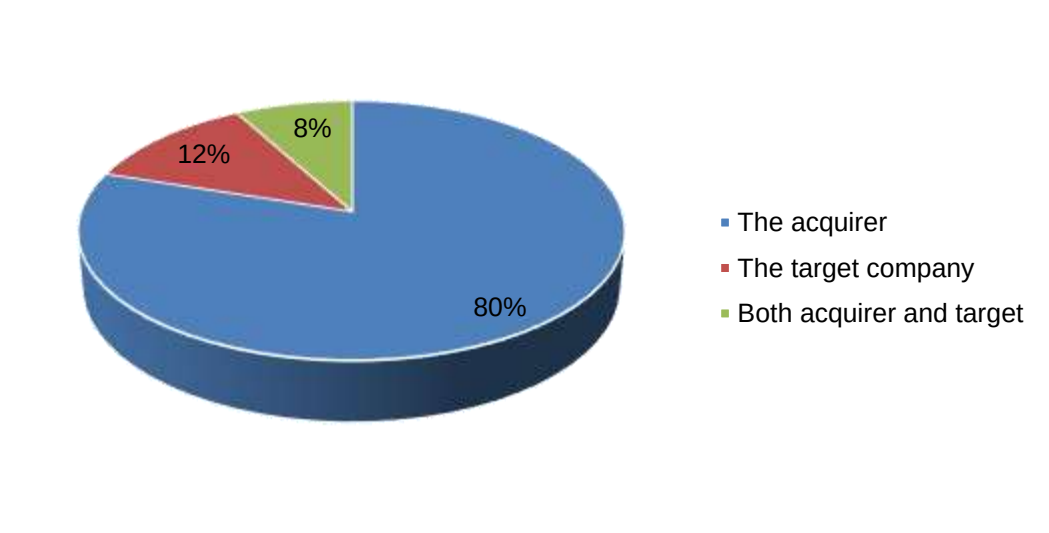


Figure 10: Acquirer or Target Company.

About 80 percent of the respondents in the sample were from the acquiring company, 12 percent from the target company and eight percent had had their company acquiring another company and also their company being acquired by another company.

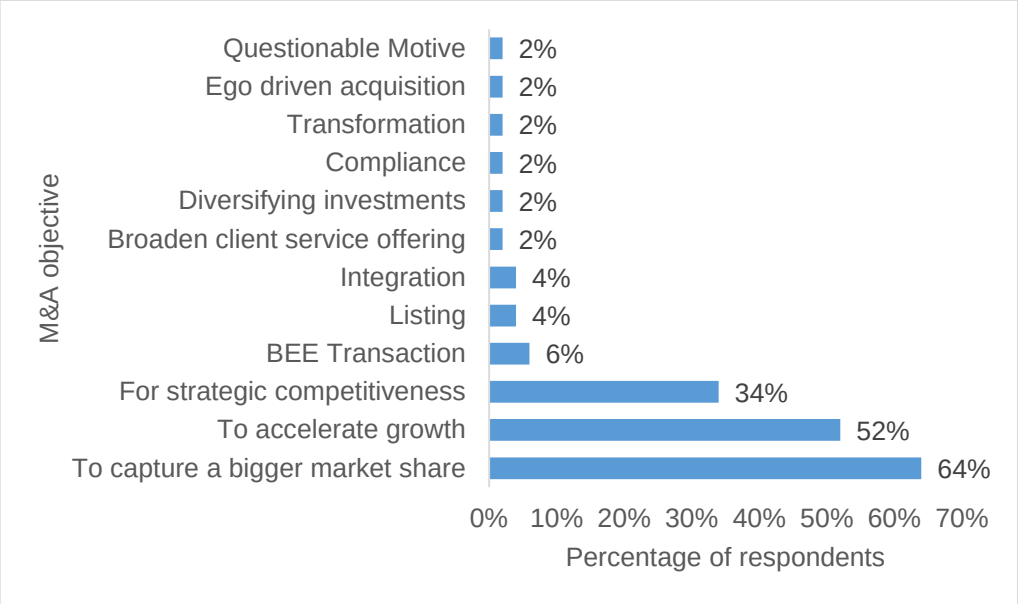


Figure 11: M&A objectives.

It is evident based on Figure 11 that the top three reasons for M&As were to capture a bigger market share (64 percent), accelerate growth (52 percent) and strategic competitiveness (34 percent).

Finally, the age of the M&A relationship was considered and a distribution of such relationships is shown in Figure 12.

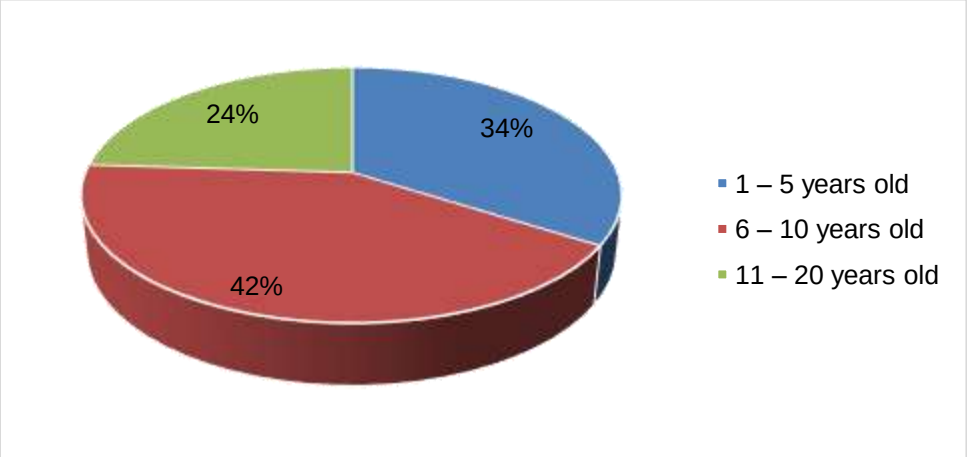


Figure 12: Age of M&A relationship.

It was observed that a third of the companies in the sample had been in an M&A relationship for a period of one to five years, 42 percent had been in such a

relationship for six to 10 years, while another 24 percent had been in an M&A relationship for 11 to 20 years.

4.3 Data processing

This sub-section describes each variable contained in the model in detail, both the dependent and independent variables.

4.3.1 Corporate entrepreneurial culture scale

There were four items used in the corporate entrepreneurial culture scale and a Likert scale ranging from one to five was used for this variable where the lowest and highest corresponded to strongly disagree and strongly agree, respectively. A mean of the ratings was used to calculate an index for the corporate entrepreneurial culture scale. A high index represents a company that has a high corporate entrepreneurship propensity.

4.3.2 Infrastructure support scale

The infrastructure support scale collected data using three items. These items sought to measure the extent to which the infrastructural support led to improved financial performance, as measured by the economies of scale, operational efficiencies and smooth integration of information system. A mean was calculated from the ratings to obtain an infrastructure support index where a high index corresponds to a higher infrastructural impact on a company's operational upside.

4.3.3 Resource sharing scale

Three items were used to measure the resource sharing, quantified by the extent to which there was transfer of physical assets, knowledge or information as well as personnel. Based on the five-point Likert scale, a mean was calculated to obtain a resource sharing index where the higher the index, the higher the flow of information and human resource within the firm, on a conservative conceptual resource sharing continuum.

4.3.4 Financial performance

A nine item financial performance scale was used which was further conceptualised using seven subscales including, a) cash flow, b) financial synergy, c) accelerated financial growth, d) accounting profits, e) stock returns, f) operational efficiency, and g) market share. The cash flow and stock returns subscales consisted of three and two variables, respectively while the rest of the subscales used a one-item variable. A mean of each subscale was calculated based on the ratings and then a combined mean calculated to obtain a financial performance index. A high financial performance corresponds with a high financial performance of the company.

4.4 Demographic variables

4.4.1 Industry classification

Respondents classified their companies in accordance with the type of industry they fell under. These consisted of 11 classifications (Figure 8), most of which were in the financial sector. The industry classification statistic code was used as a control variable.

4.4.2 Method of purchase

Respondents were required to indicate the type of M&A transaction the company was involved in. Included in this category was whether it was an acquisition, merger, hostile takeover, listing or BEE transaction. This statistic was used as a control variable.

4.4.3 Classification of company in the transaction

Respondents classified their companies according to whether their company was the acquirer, target company or both acquirer and target company. This statistic was used as a control variable.

4.4.4 Age of M&A relationship

Respondents were required to indicate the number of years since the M&A took place. These were split into three different periods namely; one to five years old, six to 10 years old, and 11 to 20 years old. This statistic was used as a control variable.

4.4.5 Position classification of respondents

The respondents were classified by the current positions they held in their respective companies, all held decision-making positions with different titles. This statistic was used as a control variable.

4.5 Frequency distributions, completeness and accuracy

As discussed in Chapter 3, there were 50 fully completed surveys. Based on the distribution of positions of respondents, the data had a high accuracy rate. The distribution of the respondents' companies are presented in Figures 6, 7, 9 and 11. More than 64 percent of the respondents' companies are 11 years and older.

4.6 Factor analysis

The financial performance construct had this variable, 'An improvement in operating cash flow (i.e., sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses) was experienced by the firm following the M&A'. This was excluded since it had a cross loading on financial performance (factor loading = 0.485) and infrastructure support (factor loading = 0.498).

Table 2 shows the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Bartlett's test of sphericity. The factor analysis results show that the KMO value

was 0.782, which was greater than the minimum required value of 0.5. This implied that the sample was adequate to conduct factor analysis.

The Bartlett's test of sphericity (p-value = 0.000) had a significant p-value which implied that the hypothesised identity matrix is not an identity matrix since the p-value is less than 0.05. This means that there are some relationships between the variables and hence the factor analysis is appropriate.

Table 2: KMO and Bartlett's tests

Test		Score
Kaiser-Meyer-Olkin measure of sampling adequacy (KMO)		.782
Bartlett's test of sphericity	Approx. Chi-square	610.255
	Df	171
	Sig.	.000

Figure 13 shows a scree plot generated as part of the outcomes of the factor analysis which shows that the factor analysis extracted four distinct components as is suggested by the mappings in the scree plot. The four retained components explain 71.7 percent of the total variance in the variables.

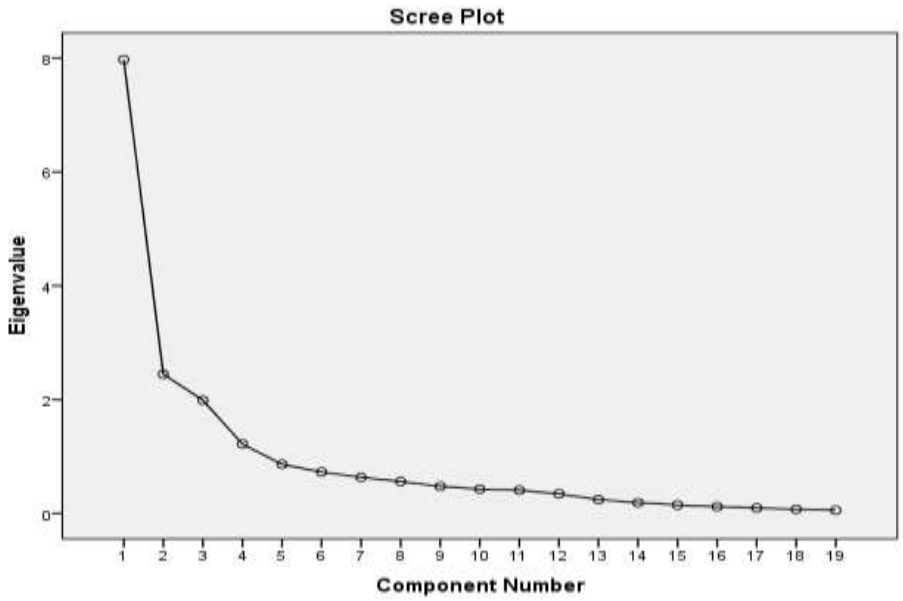


Figure 13: Scree plot.

The results on the items within each construct/component are presented in Table 3. This is based on principal component analysis with a matrix Kaiser normalisation.

Table 3: Factor loadings per construct (Rotated Component Matrix[a])

Construct	Code	Items	Component			
			1	2	3	4
Financial performance	D1g	The firm saw drastic improvements in stock prices surrounding the M&A announcement dates?	.865	-.015	.017	.102
	D1h	The firm continually realised improvements in stock prices 1 or more years after the M&A deal?	.805	.162	.041	.228
	D1i	The firm has realised improvements when evaluated according to the traditional lodging industry performance evaluation criteria? (i.e., Changes in occupancy, RevPAR, and ADR)	.799	.214	-.145	.337
	D1f	The firm realised an increase in accounting profits (i.e. ROE, ROI, ROA, ROS) immediately prior to acquisition (relative to the industry sector)?	.780	.256	.168	.163
	D1d	Was there a financial synergy in terms of lower cost of capital or lower tax rates before the merger or acquisition of the firms?	.775	-.033	.175	.172
	D1j	The firm has realised improvements in market share gains since participating in M&A?	.749	.441	.098	.228
	D1a	The acquired company's cash flow immediately prior to acquisition was very strong (relative to the industry sector)?	.734	-.212	.119	.062
	D1e	Has there been a strong accelerated financial growth of the acquiring company?	.708	.327	.216	.048
	D1c	The firm experiences an improvement in free cash flow per share, following the M&A deal?	.597	.365	.313	.201
	C1b	The merger or acquisition led to innovation and/or proactiveness?	.051	.819	.114	.062

Construct	Code	Items	Component			
			1	2	3	4
Corporate entrepreneurial culture	C1c	Would you say that corporate entrepreneurship is in the DNA of the organisation?	.315	.744	-.065	.045
	C1a	The merger or acquisition led to corporate entrepreneurship?	-.104	.683	.104	.436
	C1d	The merger or acquisition led lead to successful financial performance?	.494	.670	.132	.034
Infrastructure support	B2b	To what extent are there improved operating efficiencies that expand capacity at less cost than investing in new property development?	.086	.265	.873	.128
	B2a	To what extent has there been evident improvement on the scale of economies to save costs through combining two firms within this industry?	.045	-.090	.869	.006
	B2c	To what extent has there been a smooth integration of information systems infrastructure between merging firms?	.290	.055	.642	.315
Resource sharing	B1c	To what extent has there been a transfer of personnel?	.354	.199	.245	.765
	B1b	To what extent has there been a transfer of knowledge or information?	.269	.329	.136	.732
	B1a	To what extent has there been a transfer of physical assets?	.275	-.503	.081	.621

Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalisation.

a. Rotation converged in five iterations.

The results showed that each of the items loaded highly in their respective factors/constructs as shown by high factor loadings. The results for factor analysis matched the hypothesised factors except the construct ‘Resource sharing and infrastructure support’, which was split into two factors such that infrastructure support was a separate factor and resource sharing was another factor. This shows that the constructs are valid.

The reliability scores for the four constructs are presented in Table 4.

Table 4: Reliability of scale.

Construct	Items	Cronbach's Alpha	Level of reliability
Financial performance	9	0.932	Excellent
Corporate entrepreneurial culture	4	0.796	Acceptable
Infrastructure support	3	0.788	Acceptable
Resource sharing	3	0.745	Acceptable

The results showed that financial performance scale (0.932) had an excellent level of reliability followed by corporate entrepreneurial culture (0.796), infrastructure support (0.788) and resource sharing (0.745), each had an acceptable level of reliability.

The levels of reliability greater than 0.7 is an indication that the items within each of the four scales can be grouped together to compute a summated scale for each construct. The summated scale for each scale was computed by calculating the average of the items within that particular construct.

4.7 Test for normality

A normality test was conducted using Kolmogorov-Smirnov test. The results are shown in Table 5.

Table 5: Test for normality

Variables	Kolmogorov-Smirnov[a]		
	Statistic	Df	Sig.
Resource sharing	.224	50	.000
Infrastructure support	.120	50	.068
Corporate entrepreneurial culture	.153	50	.005
Financial performance	.196	50	.000

a. Lilliefors Significance Correction

The results showed that only infrastructure support (p-value = 0.068) was normally distributed since the p-value was greater than 0.05. The other variables, resource sharing (p-value = 0.000), corporate entrepreneurial culture (0.005), and financial performance (0.000) were not normally distributed since the p-values were less than 0.05.

Non-parametric tests were used to test the hypotheses since the dependent variable (financial support) and two of the independent variables were not normally distributed.

4.8 Hypothesis testing

To test the hypothesised model, Spearman's correlation coefficient was computed with financial performance as the dependent variable and corporate entrepreneurial culture, resource sharing, and infrastructure support as independent variables. Spearman's correlation coefficient was used to conduct hypothesis testing because the variables were not normally distributed and it is a non-parametric test.

The descriptive statistics and Spearman's correlation coefficient among constructs are summarised in Table 6.

Table 6: Spearman's correlation and descriptive statistics

Variables	Mean	SD	1.	2.	3.	4.
1. Resource sharing	4.11	.804	1			
2. Infrastructure support	3.57	.808	.287*	1		
3. Corporate entrepreneurial culture	3.75	.652	.186	.147	1	
4. Financial performance	3.88	.785	.468**	.311*	.361*	1

**. Correlation is significant at the 0.01 level (2-tailed).

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

Standard deviation (SD)

The descriptive statistics showed that resource sharing was the highest rated construct (mean = 4.11, standard deviation = 0.804), followed by financial performance (mean = 3.88, standard deviation = 0.785), corporate entrepreneurial culture (mean = 3.75, standard deviation = 0.652) and the least rated was Infrastructure support (mean = 3.57, standard deviation = 0.808).

4.9 Results pertaining to the hypotheses

The results support a positive relationship between financial performance and resource sharing; financial performance and infrastructure support as well as financial performance and corporate entrepreneurial culture. However, that alone is not enough to infer that the independent variables affect financial performance because correlation does not necessarily imply causation (Keller, 2011). The next hypothesis test will assist in establishing a causation relationship between the dependent and independent variables.

The examination is of the effect of resource sharing (RS), infrastructure support (IS) and corporate entrepreneurial culture (CEC) on financial performance (FP). The multiple regression analysis framework will be used to analyze the relationship between the dependent variable (FP) and the independent variables which include of resource sharing, infrastructure support and corporate entrepreneurial culture.

4.10. The model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where β_0, β_1, β_2 , β_3 are the coefficients of the RS, IS and CEC independent variables respectively and ε is the error term.

According to Keller (2011), the independent variables may also be functions of other variables. He further states that in order to ensure that the proposed model is valid for the data (particularly for forecasting purposes), the following conditions for the error variable should hold:

1. The probability distribution of the error variable ε should be normal.
2. The errors are independent.
3. The mean distribution of the error variable is 0.
4. The standard deviation of ε is σ_ε and should be a constant.

Any deviation from the above requirements by this model is tested later. The research tests the multiple regression model and the error term requirements

Table 7: Model summary.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678[a]	.460	.425	.59494
a. Predictors: (Intercept), Corporate Entrepreneurial culture, Resource sharing, Infrastructure support				

The model summary shows that Resource sharing, Infrastructure support and corporate entrepreneurial culture predicts 42.5% of variation in Financial Performance (adjusted r-square = 0.425). The ANOVA table below shows the results for the hypothesis that there is a linear relationship between at least one of the independent variables and Financial Performance.

Table 8: ANOVA summary.

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.881	3	4.627	13.072	.000[b]
	Residual	16.282	46	.354		
	Total	30.163	49			
a. Dependent Variable: Financial Performance						
b. Predictors: (Intercept), Corporate Entrepreneurial culture, Resource sharing, Infrastructure support						

The results (F-value = 13.072, p-value = 0.000) indicates that there is a causal relationship between the 3 independent variables and Financial Performance since the p-value was less than 0.05. The contribution of each variable in predicting Financial Performance is shown in the coefficients table below.

Table 9: Summary of coefficients.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T stat	P Value
		B	Std. Error	Beta		
1	Intercept	.227	.592		.384	.703
	Resource sharing	.329	.119	.338	2.766	.008
	Infrastructure support	.196	.119	.202	1.653	.105
	Corporate Entrepreneurial culture	.426	.141	.354	3.019	.004
a. Dependent Variable: Financial Performance						

4.11. Interpretation of coefficients

Intercept – the intercept is $\beta_0 = 0.2270$. This is the average financial performance when all the independent variables are zero. It is often misleading to interpret this value especially if the range of the independent variables is not taken into consideration.

Resource sharing – $\beta_1 = 0.3294$. The relationship between financial performance and resource sharing is described by this coefficient value. From this one learns that an increase of a unit of resource sharing in this model, the FP on average increases by 32.94%, all other independent variables held constant.

Infrastructure support – $\beta_2 = 0.1964$. Similarly, this coefficient value specifies that in this sample, for each additional unit of infrastructure support, the FP on average increases by 19.64%.

Corporate entrepreneurial culture – $\beta_3 = 0.4262$. Similarly, one interprets this value as the average increase in FP for each additional unit of corporate entrepreneurial culture.

These signs (+/-) of these values are in agreement with the findings of the correlation tests that were conducted in the previous part of this chapter. Indeed, there is a positive relationship between the dependent and independent variables.

The regression model is given by:

Financial Performance = 0.227 + 0.329 Resource sharing + 0.196 Infrastructure support + 0.426 Corporate Entrepreneurial culture

The VIF values were all less than 10, which indicates that there is no problem of multilinearity.

Standard error of estimate

The standard error of estimate is 1.19919 according to the output above. This value is compared to the mean of the dependent value (y) which is 3.8789 (not shown in the output). It appears that the standard error of estimate is relatively small. This is good for the model in terms of reliability.

Coefficient of determination

The R^2 value is 0.4602. This implies that 46.02% of the total variation in FP is explained by the variation in the three independent variables, whereas 53.98% remains unexplained (Keller, 2011). The fit of the model is not a good one but not very bad either.

4.12. Testing the validity of the model

$$H_0: \ \beta_1 = \beta_2 = \beta_3 = 0$$

$$H_1: \ At\ least\ one\ \beta_i\ is\ not\ equal\ to\ 0$$

The model is invalid if the null hypothesis is true. However if the null hypothesis is rejected, the model does have some validity. One can see from the output above, that the significance F value of 0.0000 is less than the significance value of 5%. One would therefore reject the null hypothesis and conclude that there is a great deal of evidence to infer that the model is valid.

Testing the Coefficients

For each of the independent variables, we test for (*i* = 1, 2, 3).

$$H_0: \ \beta_i = 0$$

$$H_1: \ \beta_i \neq 0$$

We summaries the output of the three different hypothesis tests as highlighted above. The values have been taken from the output of the table above:

Table 10: Summary of P-Value test.

Test	P-value
$\boldsymbol{\beta_1}$	0.008149
$\boldsymbol{\beta_2}$	0.105077
$\boldsymbol{\beta_3}$	0.004125

There is sufficient evidence at the 5% significance level to infer that resource sharing and corporate entrepreneurial culture are linearly related to financial performance; this is because the p-value for the corresponding coefficients are less than 5%. There is also weak evidence to conclude that infrastructure support

is linearly related to financial performance; this is at a 11% significance level.

The fitted model is now stated below:

Testing for violation of error term conditions

1. Normality

The plot of the histogram is somewhat bell shaped. This leads us to believe that it is normally distributed. There is however an apparent noise on the left side of the histogram but does not affect the normality of distribution as they are insignificant (*3 out 50 observations*).

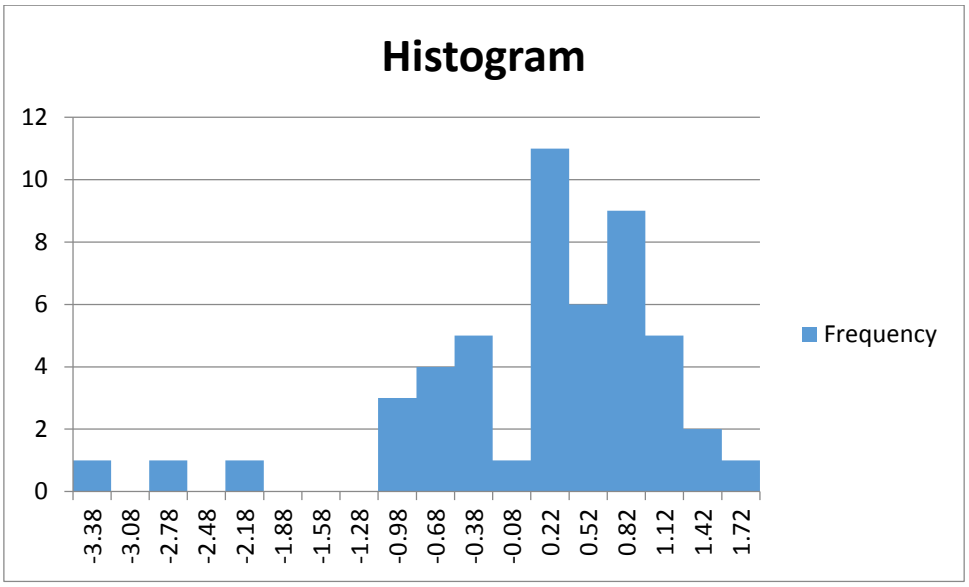


Figure 14: Normality distribution.

2. Heteroscedasticity

The variance of the error term is required to be constant. If this requirement is satisfied then the condition is called *homoscedasticity* however if it is violated, the condition is called *heteroscedasticity* (Keller, 2011). The plot below shows the residuals against the predicted values. Since there seems to be no apparent pattern formed by the residuals along the predicted values, one can say that there

is no sign for heteroscedasticity. Therefore, variance of the error term is constant.

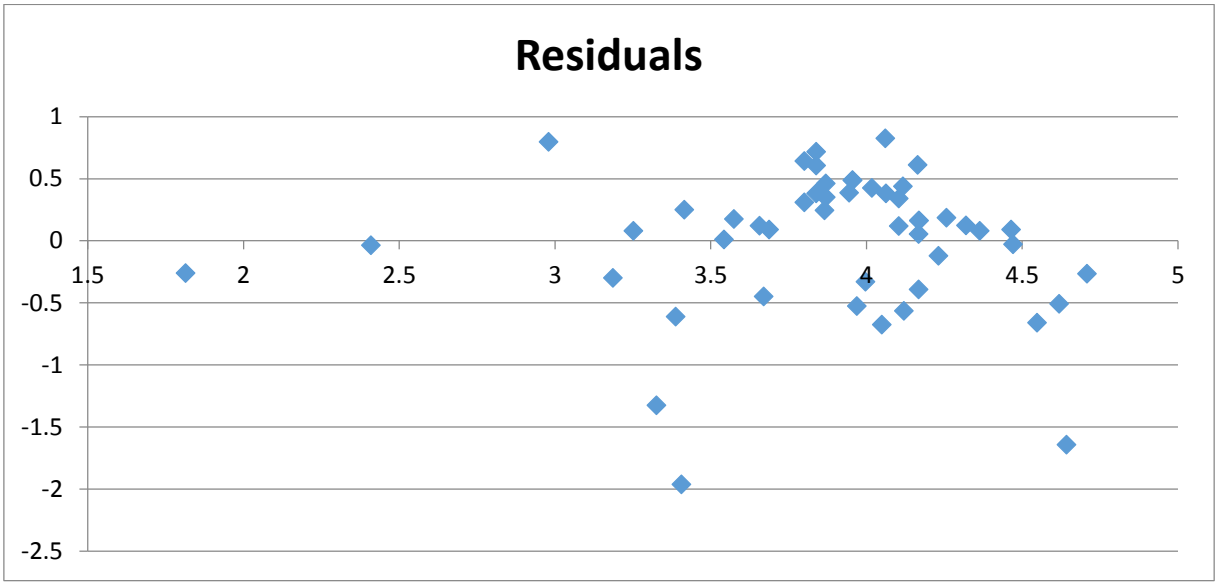
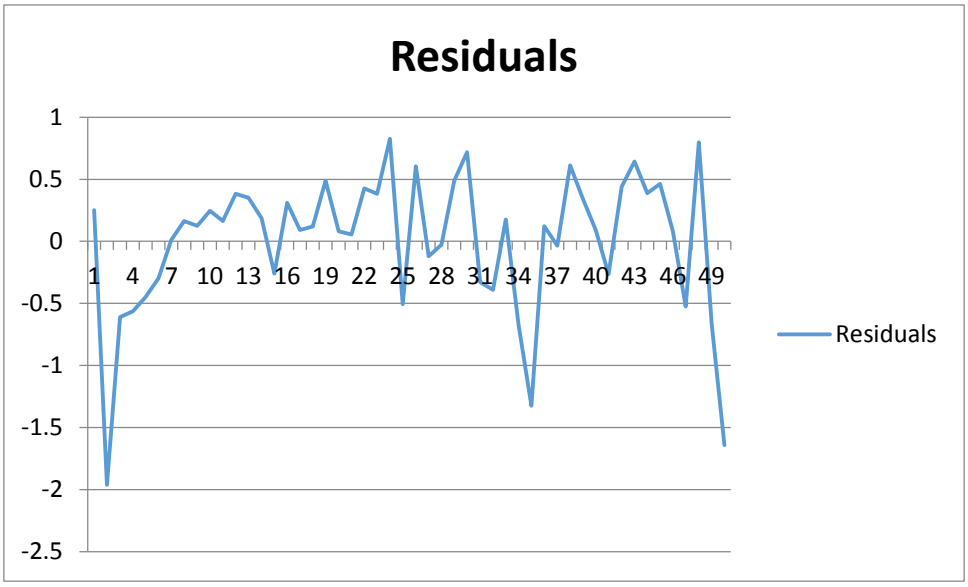


Figure 15: Residual distribution

3. Independence

The plot below is for residuals against time. If the independence requirement is satisfied, there should be no relationships among the residuals. Based on the graph below, there appears to be no relationship amongst the residuals. This is because the residuals are randomly distributed over the time periods. The requirement of independence in the error terms therefore holds.



4. The mean of the error terms is zero, satisfying requirement 3.

Since all four conditions have been satisfied, we can safely state that the proposed model is valid and the fitted model is restated below:

$$\hat{y} = 0.2270 + 0.3294x_1 + 0.1964x_2 + 0.4262x_3$$

where $\hat{y}$ is the predicted financial performance dependent variable and x_1, x_2 & x_3 are the independent variates.

These results enable one to conclude that resource sharing, infrastructure support and corporate entrepreneurial culture does affect (both individually and collectively) financial performance.

H1: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

H0: There is no relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

Ha: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

The results in the coefficients table shows that there is a significant relationship between corporate entrepreneurial culture and financial performance in South

African real estate M&As (β = 0.354), p-value = 0.004) since the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. It is can be concluded that there is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As

H2: There is a positive relationship between resource sharing and financial performance in South African real estate M&As.

H0: There is no relationship between resource sharing and financial performance in South African real estate M&As.

Ha: There is a positive relationship between resource sharing and financial performance in South African real estate M&As.

The results in the coefficients table shows that there is a significant relationship between resource sharing and financial performance in South African real estate M&As (β = 0.338), p-value = 0.008) since the p-value was less than 0.05. The relationship is positive since the coefficient is greater than zero. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. It is can be concluded that there is a positive relationship between resource sharing and financial performance in South African real estate M&As.

H3: There is a positive relationship between infrastructure support and financial performance in South African real estate M&As.

H0: There is no relationship between infrastructure support and financial performance in South African real estate M&As.

Ha: There is a positive relationship between infrastructure support and financial performance in South African real estate M&As.

The results in the coefficients table shows that there is no significant relationship between infrastructure support and financial performance in South African real estate M&As (β = 0.202), p-value = 0.105) since the p-value was greater than 0.05. This implies that the null hypothesis is not rejected. It is can be concluded that

there is no relationship between infrastructure support and financial performance in South African real estate M&As.

4.10 Concluding summary of results

An overview presentation of the results revealed that the reliability of the scale of the four constructs was assessed using Cronbach's coefficient alpha. It also revealed that the data analysis was conducted using descriptive statistics, Kolmogorov Smirnov test assessed the normality of variables and a factor analysis displayed a scree plot, generated as part of the outcomes of the analysis. The factor analysis revealed the relationships between the variables which were carried out. The results also presented the independent variables by predicting financial performance, which was linked to each variable and finally, the results of the hypotheses were presented.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

The previous chapter presented the statistical results of this study; therefore, this chapter discusses the aforementioned results. It provides a full discussion of the results pertaining to the hypotheses of this research. Furthermore, this chapter compares some of the theoretical statements that are discussed in depth in the literature review in Chapter 2 of this study. It provides a detailed summary of the hypotheses, it scrutinises the hypothesised model that was proposed in the literature review by counter-proposing an amended hypothesised model that reflects only the significant relationships of the variables.

5.2 Discussion of hypotheses

5.2.1 Discussion pertaining to hypothesis 1

Hypothesis 1: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

H_0: There is no relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

H_1: There is a positive relationship between corporate entrepreneurial culture and financial performance in South African real estate M&As.

The Spearman's correlation coefficient between corporate entrepreneurial culture and financial performance was 0.361 (p-value < 0.05) as shown in Table 6. This indicated that the relationship between the two variables was significant. The relationship was positive since the correlation coefficient is greater than zero, and significant since the p-value was less than 0.05. This implies that Hypothesis 1 was supported, thus, the null hypothesis was rejected in favour of the alternative hypothesis. It was therefore concluded that a positive relationship existed between

corporate entrepreneurial culture and financial performance in South African real estate M&As.

5.2.2 Discussion pertaining to hypothesis 2

Hypothesis 2: There is a positive relationship between resource sharing and financial performance in South African real estate M&As.

H_0: There is no relationship between resource sharing and financial performance in South African real estate M&As.

H_1: There is a positive relationship between resource sharing and financial performance in South African real estate M&As.

The Spearman's correlation coefficient between resource sharing and financial performance was 0.468 (p-value < 0.001), as shown in Table 6. This indicated that the relationship between the two variables was significant. The relationship was positive since the correlation coefficient was greater than zero, and significant since the p-value was less than 0.05. This implies that Hypothesis 2 was supported, thus, the null hypothesis was rejected in favour of the alternative hypothesis. It was therefore concluded that a positive relationship exists between resource sharing and financial performance in South African real estate M&As.

5.2.3 Discussion pertaining to hypothesis 3

Hypothesis 3: There is a positive relationship between infrastructure support and financial performance in South African real estate M&As.

H_0: There is no relationship between infrastructure support and financial performance in South African real estate M&As.

H_1: There is a positive relationship between infrastructure support and financial performance in South African real estate M&As.

The Spearman's correlation coefficient between infrastructure support and financial performance was 0.311 (p-value < 0.05), as shown in Table 6. This

indicated that the relationship between the two variables was significant. The relationship was positive since the correlation coefficient was greater than zero, and significant since the p-value was less than 0.05. This implies that Hypothesis 3 was supported, thus, the null hypothesis was rejected in favour of the alternative hypothesis. It was therefore concluded that there was a positive relationship between infrastructure support and financial performance in South African real estate M&As.

5.3 Summary of the hypotheses

Table 7 shows a summary of the results of the three hypotheses that were tested. The table indicates that all three hypothesised relationships were supported.

Table 11: Summary of hypotheses

Hypothesis		Spearman's correlation coefficient (r)	P-value	Supported or unsupported
H1	Corporate entrepreneurial culture → Financial performance	0.361	0.010	Supported
H2	Resource sharing → Financial performance	0.468	0.001	Supported
H3	Infrastructure support → Financial performance	0.311	0.028	Supported

5.4 Concluding remarks

The hypothesised model as reflected in Figure 6 is supported by the statistical test results. An observation was made that the relationship between corporate entrepreneurial culture and financial performance is not a new phenomenon in the field of M&As. Another observation was that there is minimal research focused purely on emerging markets within the same field of study. The relationships between the variables were investigated and tested, thus the expectation was that they would be positive. The hypothesis test results indeed confirmed that such relationships existed and they were positive. These results were in alignment with the literature of corporate entrepreneurial culture, which has been observed in recent years to improve organisational performance through innovation and pro-activeness. It was further supported by the fact that a significant proportion (over 66 percent) of the sample data had M&A relationships that were older than six years conforming to the notion that successful entrepreneurial results have a positive impact on an organisations' performance in the long term.

The second hypothesised relationship between resource sharing and financial performance was a positive relationship. The third hypothesised test between infrastructure support and financial performance was also positive. These assertions are backed up by Angwin and Meadow (2015) as well as Wang and Zajac (2007) who support a positive relationship between resource sharing and financial performance as well as infrastructure support and financial performance.

Consequently, the results mean that there is a positive relationship between all three independent variables and the dependent variable, which further translates to the fact that there is a significant positive impact on an organisation's financial performance post an M&A transaction, in South Africa's emerging market within the real estate industry.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This research sought to extend knowledge and literature of post-M&As within the real estate industry by testing whether there is a correlation to the improvement of the organisational performance in terms of financial growth. The research contributed to this body of knowledge by evaluating the predictors of financial performance in M&As. This chapter provides a review of the findings of this paper. In the introductory chapter of this paper the researcher proposed to assess the variables of corporate entrepreneurial culture, resource sharing and infrastructure support as predictors for post-M&A financial performance, as a result of this three relationships were assessed in the study. The results of this study are relevant to the South African emerging economy there is even more relevance for the companies that operate within the real estate industry more so those that are considering to expand or grow through M&A strategies.

The data for this research was sourced from various databases. The total population from the combined databases was 812 South African real estate companies. The research model from the hypothesised relationships suggests that there is a positive relationship between independent and dependent variables. This chapter includes a summary of the interpretation of the results, theoretical considerations, limitations to the research, future research, and recommendations.

6.2 Brief research results

The study hypothesised that a positive relationship exists between corporate entrepreneurial culture and financial performance; resource sharing and financial performance; and between infrastructure support and financial performance (Hypotheses 1 to 3). A regression analyses supported the relationship of the variables. A multiple regression analysis framework was used to analyse the relationship between the dependent variable and the independent variables. The research tested the multiple regression model and the error term requirements. The regression model yielded these results: Financial Performance = 0.227 +

0.329 Resource sharing + 0.196 Infrastructure support + 0.426 Corporate Entrepreneurial culture, furthermore the outcome of the test showed that the VIF values were all less than 10, which indicates that there was no problem of multilinearity.

The empirical results of the study display three important general conclusions. The results for Hypothesis 1 showed a positive relationship between corporate entrepreneurial culture and financial performance within the South African real estate M&As. The correlation coefficient between corporate entrepreneurial culture and financial performance was 0.361 (p-value < 0.05). This indicated that the relationship between the two variables was significant and the relationship was positive since the correlation coefficient is greater than zero, and significant since the p-value was less than 0.05.

The results for Hypothesis 2 also showed a positive relationship between resource sharing and financial performance in South African real estate M&As. The correlation coefficient between resource sharing and financial performance was 0.468 (p-value < 0.001). This indicated that the relationship between the two variables was significant. The relationship was positive since the correlation coefficient was greater than zero, and significant since the p-value was less than 0.05.

Lastly, the results for Hypothesis 3 demonstrated a there is a positive relationship between infrastructure support and financial performance in South African real estate M&As. The correlation coefficient between infrastructure support and financial performance was 0.311 (p-value < 0.05). This indicated that the relationship between the two variables was significant. The relationship was positive since the correlation coefficient was greater than zero, and significant since the p-value was less than 0.0

6.3 Implications of this research

The theoretical implications of this research are garnered in this study and will be briefly summarised. Three theories are recognised and supported in the literature, organisational theory, economic theory and leadership theory. (Dele, 2012; Fendt, 2005). There is enough literature that supports the theories that were discussed however there are significant gaps or areas for development as far as access to theories that deal specifically with post M&As that pertain to the real estate industry. Despite this implication, the research results showed great support for the model that was hypothesised, which deduced that in order to achieve financial success post M&As, organisations require corporate entrepreneurial culture, resource sharing and infrastructure support.

The first theoretical implication is about organisational theory, which from an M&A perspective largely has to do with culture and integration. This theory clearly articulates a body of thinking that defines, elucidates and influences what goes on in organisations (McAuley, Duberley and Johnson, 2007:2). From a cultural integration perspective, the implication of this theory denotes that integration in post M&A transactions is a top priority, despite the fact that most companies do not know how to always address cultural issues. M&A transactions are not always successful as a result of failed integration of cultures. The implication therefore is that most organisations do not have a workable approach towards integrating culture during and post M&A transactions (Aon Hewitt, 2011).

The second theoretical implication is about economic theory, which encompasses market power theory and resource-based theory. Therefore there are two implications to this theory, the first is that M&As are undertaken to minimise transaction costs, the second is that M&As are about maximising of profits and gaining market power. Therefore, the companies' resources and ability to utilise these resources efficiently determines the company's strategy and its performance (Dele, 2012). The other implication that is worth noting is that greater pricing power is derived from operational synergies because by acquiring a firm that is within the same industry as the acquirer through a horizontal merge, the joint company instantaneously increases their market power (Patregnani, 2014). A practical example to this research study, is the 2014 acquisition of Protea Hospitality Group

(SA-based) by Marriott International (US-based) wherein after the acquisition Marriot International became the largest hotel company in Africa (Marriot, 2014).

The final theoretical implication is about leadership theory, the paper already alluded to the fact that M&As cannot take place without company leadership and change management because leaders are required to provide direction and certainty where there is uncertainty (Pagh-Rasmussen, 2011). The implication here is that M&As require the creation of groups of key individuals to pay attention to people's positions, power, expertise and credibility, as this will bring about efficiency and coalition. It is imperative for the leadership concerned with creating a strategy and a vision for the change process (Pagh-Rasmussen, 2011).

The M&A corporate strategy encompasses all the variables of the hypothesised model which all have a critical role in encouraging the growth of turnover, market share, competitiveness, entering new markets, sharing and reducing business risk and very importantly in capitalising on economies of scale. There are mainly two variables that speak to the capitalisation on economies of scale, namely; resource sharing and infrastructure support (Hoang & Lapumnuaypon, 2007; Mahesh & Prasad, 2012).

6.4 Considerations of M&As and financial performance

The results of this study discovered that there was a positive correlation between all the independent variables, i.e. corporate entrepreneurial culture, resource sharing and infrastructure support and the dependent variable of financial performance. Based on these test results, it was concluded that indeed there is an improvement or a positive impact on the financial performance of organisations post a M&A transaction within the South African real estate industry. This conclusion was validated by the three hypotheses, all of which were positive and supported by the statistical outcome of the results.

The study found that there were various reasons for corporations to engage in acquisitions, this could be to enjoy synergistic benefits through diversification such as economies of scale, high operational efficiencies and the desire to improve sales. This implies that a corporation's need for an acquisition is mainly bound by

its objectives (Datta, 1991). The need for post-acquisition integration for instance, is to make effective use of existing capabilities. While in theory, integration should be expected to result in benefits, in reality the picture is usually different mainly because other underlying variables take effect during the transition period and how such variables are handled determines the success or failure of an acquisition.

Walsh (1989), in his research, established that a company's management structure (managers or senior managers) is more likely to experience a high turnover following a hostile takeover rather than in the wake of a friendly acquisition. It follows that if the management turnover is high, the company performance will decline. The sample data consisted of 80 percent acquiring companies, while 12 percent were target companies. Therefore, a possible negative effect of a low performance from a target company in a hostile takeover would have minimal impact in the statistical model because of its insignificant representation.

6.5 Limitations of the study

The variables discussed in this paper were not new to M&As (Stahl & Voigt, 2008); however, the literature on the real estate industry in emerging markets, particularly in South Africa is limited.

Other limitations of this paper have to do with the sample population. The sample population was drawn from three databases, namely; Investment Property Databank (IPD) South Africa, Who Owns Whom Database and the Real Estate Investment Trust (REIT) database obtained from the JSE. The total population from the combined databases was 812 South African real estate companies. The criteria that these targeted companies had to meet was that they had to have participated in M&As in the last twenty years and they also had to be Gauteng-based. The limitation with the sample size is that the population was narrowed down to companies that were operational in only one province out the nine that South Africa has. Questionnaires were only sent out to property companies that were in the three databases, meaning that there is a probability of having left other

companies out due to lack of access to other databases, this also acts as a limitation of the study. Furthermore, the population sample was only limited to companies that had been active in M&As within the last twenty years, eliminating those that had participated in the preceding years.

Despite valid reasons to narrow the sample size, the outcome of such actions leads to limitations, and therefore caution should be taken in generalising the results of this study. The reason for reducing the geographical area of the population to just Gauteng was due to time constraints in undertaking this research study. However, focusing on Gauteng province was not anticipated to have a major impact on the sample, given the observation that the province is the financial hub and the corporate capital of the country.

The other limitation was that a cross-sectional study was conducted, which was contextualised only to South African property and real estate companies that had been involved in M&A transactions in the last two decades. This limited the results of the study from being generalisable to the rest of the world.

6.6 Implications and suggestions for further research

Further research is suggested to test whether there would be a successful financial performance post M&As within the South African real estate industry, without the impact of a corporate entrepreneurial culture. This study could specifically test whether success in financial performance post M&As can be achieved in organisations that do not have entrepreneurship in their make-up. Based on the limitation of this study, which focused on Gauteng, more research is required to test the financial performance of post M&As in the real estate industry in all provinces of South Africa.

6.7 Recommendations

A strong recommendation for dealmakers is to take into consideration the risk element of not receiving lucrative ROIs from investments in infrastructure when

acquiring or merging with companies within the real estate industry. This is because the study revealed that the infrastructure support variable did not strongly correlate with financial performance. This was as a result of the infrastructure variable not being supported by the sample data, which implied that there was no significant improvement in the financial performance as a consequence of an increase in infrastructural support. An ROI is an important financial measurement tool, which is indicative of a firm's past performance.

Another recommendation is for corporate entrepreneurs to take advantage of the opportunities that present themselves within the real estate industry in emerging markets, South Africa in particular. As noted in Chapter 3, South Africa has 51 leading real estate companies that are listed on the JSE and out of the 51, only eight of these dominate the market. The likes of Redefine Properties, Growthpoint Properties, Hyprop Investments, Capital Property Fund, and others, are among the eight dominating firms in the industry. The opportunity in this space is for smaller firms who are corporate entrepreneurs to merge in order to achieve scalability, which will enable them to compete in the real estate industry.

Lastly, a follow up research on this study is highly recommended. It is suggested that the follow up research should include all nine South African provinces and Africa as a whole, in order to get a broader sense of the antecedents of financial performance in post M&As within the continent's (most sought after emerging market) real estate industry.

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APPENDIX A

Research Instrument

Dear Participant

My name is Phumelele Makatini. I am at present finalising my Master of Management degree in Entrepreneurship and New Venture Creation at the University of the Witwatersrand (Wits Business School).

In order to complete this degree, I am required to conduct a research project and submit the findings of the research report to my faculty. My research is on the financial impact of M&A activities within commercial properties in South Africa. I would like your participation in this research, the title of my thesis is:

Antecedents of financial success in post-mergers and acquisitions:
Pursuing corporate entrepreneurship in the
South African real estate industry.

Please be advised that your participation is voluntary and the information you supply will only be used for academic purposes, also note that your name will not be disclosed.

Thank you in advance.

Regards

Phumelele Makatini

SECTION A: DEMOGRAPHIC INFORMATION	
D1. Please state your company name (*information will not be used to identify any participants*):	
D1. Please state your current position in the organisation (information will not be used to identify any participants):	
D3. How old is the company? (Please select only <u>one</u> option)?	
1 – 5 years old	1
6 – 10 years old	2
11 – 20 years old	3
21 years and above	4
D4. Which industry/ sector does the company fall under?	
Private equity investment company	1
Real estate	2
Property management	3
Others, Specify_____	
D5. Please state the method of acquisition your company has participated in?	
Merger	1
Acquisition	2
Hostile takeover	3
Others, Specify_____	
D6. Is your firm the acquirer or the target company?	
The acquire	1
The target company	2
D7. How old is the M&A relationship? (*Please select only <u>one</u> option*)	
1 – 5 years old	1
6 – 10 years old	2
11 – 20 years old	3
21 years and above	
D8. What was the M&A objective? (*Please select **<u>ALL</u** applicable options*)	
To accelerate growth	1
For strategic competitiveness	2
To capture a bigger market share	3
Other, Specify_____	

SECTION B: RESOURCE SHARING AND INFRASTRUCTURE SUPPORT MEASUREMENT					
B1. Please rate the following statements on a 5 point scale where 1 is very low transfer and 5 is very high transfer?					
Transfer					
	Very Low Transfer	**Low Transfer**	**Neutral**	**High Transfer**	**Very High Transfer**
B1a. To what extent has there been a transfer of physical assets?	1	2	3	4	5
B1b. To what extent has there been a transfer of knowledge or information?	1	2	3	4	5
B1c. To what extent has there been a transfer of personnel?	1	2	3	4	5
B2. Please rate the following statements on a 5 point scale where 1 is not at all and 5 is to a great extent?					
Extent					
	Not at all	**To a minimal extent**	**To some extent**	**To a big extent**	**To a great extent**
B2a. To what extent has there been evident improvement on the scale of economies to save costs through combining two firms within this industry?	1	2	3	4	5
B2b. To what extent are there improved operating efficiencies that expand capacity at less cost than investing in new property development?	1	2	3	4	5
B2c. To what extent has there been a smooth integration of information systems infrastructure between merging firms?	1	2	3	4	5

SECTION C: CORPORATE ENTREPRENEURSHIP AND CULTURE					
C1. Please rate the following statements on a 5 point scale where 1 is strongly disagree and 5 is strongly agree?					
	Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
C1a. The merger or acquisition led to corporate entrepreneurship?	1	2	3	4	5
C1b. The merger or acquisition led to innovation and/ or proactiveness?	1	2	3	4	5
C1c. Would you say that corporate entrepreneurship is in the DNA of the organisation?	1	2	3	4	5
C1d. The merger or acquisition led lead to successful financial performance?	1	2	3	4	5

SECTION D: FINANCIAL PERFORMANCE MEASUREMENT					
D1. Please rate the following statements on a 5 point scale where 1 is strongly disagree and 5 is strongly agree?					
Cash flow					
	Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
D1a. The acquired company's cash flow immediately prior to acquisition was very strong (relative to the industry sector)?	1	2	3	4	5
D1b. An improvement in operating cash flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses) was experienced by the firm following the M&A?	1	2	3	4	5
D1c. The firm experiences an improvement in free cash flow per share, following the M&A deal?	1	2	3	4	5
Financial synergy					
D1d. Was there a financial synergy in terms of lower cost of capital or lower tax rates before the merger or acquisition of the firms?	1	2	3	4	5
Accelerate financial growth					
D1e. Has there been a strong accelerated financial growth of the acquiring company?	1	2	3	4	5
Accounting profits					
D1f. The firm realised an increase in accounting profits (i.e. ROE, ROI, ROA, ROS) immediately prior to acquisition (relative to the industry sector)?	1	2	3	4	5
Stock returns					
D1g. The firm saw drastic improvements in stock prices surrounding the M&A announcement dates?	1	2	3	4	5
D1h. The firm continually realised improvements in stock prices 1 or more years after the M&A deal?	1	2	3	4	5
Operation efficiency					
D1i. The firm has realised improvements when evaluated according to the traditional lodging industry performance evaluation criteria? (i.e., Changes in occupancy, RevPAR, and ADR)	1	2	3	4	5
Market share					
D1j. The firm has realised improvements in market share gains since participating in M&A?	1	2	3	4	5