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Empirical research of strategic alliances and merges, as a mean of expanding smes. The case of coop bank Pomou-Tillirias

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EMPIRICAL RESEARCH OF STRATEGIC ALLIANCES AND MERGES, AS A MEAN OF EXPANDING SMES. THE CASE OF COOP BANK POMOU-TILLIRIAS

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EMPIRICAL RESEARCH OF STRATEGIC ALLIANCES AND MERGES, AS A MEAN OF EXPANDING SMES. THE CASE OF COOP BANK POMOU-TILLIRIAS

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Student Declaration

This dissertation is all my own work and all other works discussed or referred to have been cited.

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ABSTRACT

This paper, tries to evaluate the merger of four separate Cooperative Credit Institutions into a consolidated one, which is named today Cooperative Bank Pomou- Tillirias. The basic question in this thesis was the examination whether the mergers and strategic alliances help Small and Medium Enterprises (SMEs) to expand and become stronger.

The specific case of Pomou-Tillirias Bank was analyzed using data from financial statements, and survey questionnaires. The financial statements were referring to the period 1999-2011 and enabled the identification of changes through time and comparisons of the financial conditions before and after the merger. The questionnaires included 15 questions to be answered, 14 of which were Likert-type selection and 1 open-ended to provide their own view and where individuals from the Cooperative Bank provided information. Some of the issues, among others, examined in this study involved the operational improvement and competitiveness.

The research concluded that in the case of the merger examined, the results were positive, improving the operations and increasing competitiveness where these have characterized the merger as successful. The hypotheses of this study were proven through the results of the analysis since key findings suggested that the merger had positive effect on turnover and profitability, increased the efficiency and the competitive advantage, promoted the improvement of the harmonization of organizational procedures with the demands of the Central Cooperative Bank policy and reduced the operational expenses.

Key words: SMEs, Mergers, Strategic Alliances, Cooperation

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The present study is dedicated to all the invisible pioneers of Cooperativeness, who have devoted their lives in the idea of Cooperativeness.

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EXECUTIVE SUMMARY

This dissertation has been made for an MBA completion. The aim of this dissertation is to analyze if the mergers of Small and Medium Enterprises (SMEs), have negative or positive consequences to their future. A specific SME, Pomou- Tillirias Cooperative Bank was analyzed.

Many questions derive from a merger, and in this thesis they are going to be answered. Some of those questions are: What are the benefits of a merger; Does it the advantages outweigh the disadvantages; in what areas the merger brought better results; which variables affect competitiveness and volatility of a merger; is ultimately a merger means expanding an SME or is simply the path to destruction.

The theoretical support for the accomplishment of this target is focused on three parts. First part is a general overview explaining the Cooperativeness in Cyprus. The second part refers to the main definitions of this thesis, mostly mergers and secondly strategic alliances, their advantages and disadvantages, their differences, and why mergers tend to fail. The third part is the SMEs definition and criteria, the issues that they have to face, and SMEs known cases.

The measurement of success of the Pomou- Tillirias merger was achieved by using the historical data of financial statements of the last thirteen years. The analysis was separated in three parts from 1999-2004, where the four bank institutions were acting separately, the merger year 2005, and finally from 2005 until 2011 were the consolidated Cooperative Bank Pomou-Tillirias has a unique policy to follow.

The results of the study examine if the following hypotheses are valid by this research:

H1: Merger helps to the overall turnover increase and profitability.

H2: Merger increases the competitive advantage and maximizes the efficiency of the Coop.

H3: Organizational procedures become more robust and harmonized with Central Cooperative Bank policy.

H4: After the merger, total operational expenses were reduced.

The key findings of the analysis provided useful information that enabled the support of the hypotheses. The first part of the analysis presents quantitative evidence that prove firstly that the merger has increased the efficiency of the Cooperative Bank and has strengthened its competitive advantage. Secondly the profitability has increased and costs were decreased after the mergering while procedures became more robust in relation to Authority for the Supervision and Development of Corporate Societies policy. These results were supported by the qualitative evidence provided through the survey, where the view of individuals related to the Cooperative Bank were expressed and brought further information in order to prove the hypotheses.

In conclusion, this research has proven the hypotheses set through the analysis of the case of Pomou- Tillirias Bank merger showing that there are important advantages deriving from cooperation of organizations and these overweigh the disadvantages.

CHAPTER 1. CASE ANALYSIS

1.1. The purpose of this study

The merging strategy, followed by many Cooperative Banks over the island, is a fundamental transition in the history of Cooperative Societies. Through this empirical research, this matter is analyzed and explained further as a mean of SMEs' expansion. The main purpose of this study is to find the key answers for the merger's benefits, the advantages and disadvantages deriving from mergers, the areas where mergers bring better results, the variables affecting competitiveness and volatility of a merger, and prospects after SMEs' mergers.

More analytically, the main objectives of this study are:

- Examination of the effectiveness of mergers as a mean to expand SMEs in a competitive environment.
- Distinguishing the meanings of mergers and strategic alliances.
- Assessment of the case of Pomou-Tillirias Cooperative Bank, in order to verify the significance of merger and success of SMEs.
- Evaluation of the success of Pomou-Tillirias Bank merger, in order to find out the factors influencing the success or failure of this merge.
- Analysis of problems that were faced before, during and after the merger.
- Identification of benefits of the COOP Bank Pomou - Tillirias that resulted due to merger.
- Recording the merger's results in terms of future growth and survival.
- Examining if the results of the study support the hypotheses.

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CHAPTER 2. LITERATURE REVIEW

In this chapter, the theory behind this research is presented. The literature review defines Cooperativeness and examines its history in Cyprus, describes Small and Medium Enterprises (SMEs), Mergers and Strategic Alliances, discusses the reasons why SMEs merge and refers to the degree of cooperativeness in SMEs mergers, looking at the measurement of success and providing a theoretical framework for the Hypotheses of this research.

2.1.Cooperativeness

It is necessary to explain the term Cooperative Company and provide a definition. According to the version of collaborative confederation a Cooperative company, it is an autonomous association of persons which relate to volunteer to serve economic, social and cultural needs and aspirations through a participatory and democratically controlled enterprise (Cyprus Collaborative Confederation, 2010).

2.1.1. The history of Cooperativeness in Cyprus

The history of Cooperativeness in Cyprus starts many years ago. In 1905, with W. Bevan blessings, the beginning of cooperativeness takes place in Cyprus, starting from five villages, Pegeia, Chloraka, Kissonerga, Empa and Mesogi. But neither W.Bevan's nor the local people's efforts tend to be successful because of lack of interest or lack of capital.

In 1909, four years later, Bank Lefkonikou is being founded in the country. Some years later, in 1925, the Agriculture Bank was founded. The ideal conditions began to be formed with the establishment of specific laws, latter on with the foundation of Agricultural Bank, and following with the foundation of Cooperative Central Bank (Aggastiniotis, 1965).

The spirit of cooperativeness began to infiltrate in the ranks of farmers, and the idea of cooperation began to mature in order to achieve the desirable results. This is due to the fact that, from 1926 and afterwards, a suitable and sustainable climate was created with the massive registration of credit companies. By the end of 2005, each village had its own co-operative company.

Since 2005 and by the end of 2009, 123 Cooperative institutions merged. The existing merged Cooperative institutions by the end of the same year were 118 (Authority for the Supervision and development of Cooperative Societies, 2010). Since 2005 and afterwards, a wave of mergers began due to the strict Central Cooperative Bank's directives. Those directives placed restrictions on capital solvency, financial positions, organizational and functional structure and sufficient administration.

The table in Appendix II, the merger cooperative credit institutions in agreement with cooperative company law of 1985 until 2003, is presented.

2.1.2. Description of Organization

Pomou Cooperative Bank was established in 1943 by some progressive farmers, having as main objective the elimination of usury which prevailed at that time as well as improving the quality of life in the community of Pomos.

Throughout the first steps of the Coop Bank Pomou, it devoted itself purely to serve the world's agricultural-area market through fertilizers, seeds, agricultural tools, etc.

During the 70's, the circle of the Company's business expands in line with the development of Pomos and the requirements of the new society. Today, it is composed of 16 employees and has two branches. The head office is located at Charalambou Fournide Avenue 98, P.O. 8870, Pomos, Paphos and the branch is at Nicola Pilide Str. Kato Pirgos Tillirias, Nicosia.

Pomou-Tillirias Cooperative Bank merged in 13.06.2005 (registration number 0046/1943) with the Cooperative Banks of Pachiammos, Nea Dimmata and Kato Pirgos Tillirias (Authority for the Supervision and development of Cooperative Societies, 2010).

The bank has customers from various towns of the island and this is due to the confidence that the members of the staff create for the customers.

The last years, the circle of the Company's business expands significantly and offers services such as:

- Current accounts
- Deposits and savings
- Visa Cards Services
- Loans
- Insurance
- Internet banking
- Western Union, Sepa, Swift transfers
- Renew road tax fees and other fees, taxes and bills payments

2.1.3. Values and Virtues of Cooperativeness

The cooperative societies are based on values such as that of self-help, accountability, democracy, equality, justice and solidarity. Under the collaborative tradition, members of cooperative companies believe in moral values like honesty, social responsibility and care for others (Cyprus Collaborative Confederation, 2010).

Cooperative Principles

The Rochdale principles adopted by the Pioneers in 1844 and recognized throughout the world to-day are the open membership, democratic Control (One man, One vote), distribution of surplus in proportion to trade, payment of limited interest on capital, political and religious neutrality, cash trading and promotion of education.

According to Cyprus Collaborative Confederation (2010), those principles are standardized by the International Cooperative Union with the current economic and social reality which is about the same as those that exist today:

1. Voluntary organization and open participation for all people without discriminations.
2. Democratic organizations controlled by their members.
3. Economic participation of members, justly and through democratic methods.
4. Autonomy and independence of Cooperative companies, controlled by their members.
5. Education, training and information for members, representatives, and employees.
6. Collaboration between the Cooperative companies for serving better their members.
7. Social interest from the Cooperative companies.

2.2.SMEs

As Recai & Remzi refer to their article in 2002, one of the key difficulties for researchers, interested in studying SMEs, is that there is no commonly held definition of what constitutes a small or a medium-sized business (Gibb, 1993). Different quantitative (such as the number of employees, capital, profit, energy consumption, sales, value-added and market share) and qualitative (such as managed by owner-managers, lower level of hierarchy and specialization, insufficient financial resources and absence of modern managerial techniques) criteria have been used for the definition of SMEs (Dincer, 1996).

The Commission of the European Communities (1992) adopts a recent definition of Micro, Small and Medium-sized Enterprises. According to Article 1, the Commission describes an enterprise as any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity (European Union, 2003).

To sum up, according to the European Commission (2003), SMEs are defined on the basis of their number of employees and their turnover or their annual balance sheet. Hence (Official website of the European Union, 2012):

a) A medium enterprise is defined as the one which employs less than 250 employees and which has a turnover up to 50 million Euros or its annual balance sheet does not exceed 43 million Euros.

b) A small enterprise is defined as the one which employs less than 50 employees and its turnover or its annual balance sheet does not exceed 10 million Euros.

c) As very small, is defined the enterprise which employs less than 10 employees and its turnover or its annual balance sheet does not exceed 2 million Euros.

More precisely, according to the Article 2 of the Commission Recommendation 2003/361/EC "the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro". Moreover, the definition of the EU Commission states that an enterprise can be defined as SME if 25% or more of its capital does not belong to any other enterprise which is not an SME (European Commission, 2003).

Based on the above mentioned characteristics, the table below summarizes the criteria for the determination of SMEs.

Table 1: Criteria for the determination of SMEs

	Very small (micro)	Small	Medium
Number of employees	1 – 9	10 – 49	50 – 249
Total assets (in millions Euros)	2	2 – 10	10 – 43
Annual sales (in million Euros)	2	2 – 10	10 – 50
Percentage of dependence (%)	-	25% +	25% +

2.3.Issues faced by SMEs

SMEs, not only in Cyprus which is a small island but all over the world, are playing an important role in countries' economy and development, since in some cases they constitute a growth engine for many countries. However, SMEs face various issues that have important impact upon their future. Globalization, competitiveness, elimination of innovation, economic crisis, operational difficulties, increasing consumer awareness, protectionism, environmentalist pressures, and political climate are some of the most important problems that SMEs face. In addition to that, the unemployment percentage, the government restrictions, and the decrease of salaries and incomes worsen the peoples' living standards. As it is widely acknowledged, most of the SMEs are family companies, and they have to overcome all the above mentioned problems and survive in a world where the "Giants", have a continuous increasing competitive advantage.

Cyprus is a small country having around 839.000 citizens according to the last population research of Cyprus Government Statistical Department (Cyprus Government, 2011), there are 155.000 registered companies Based on the population the number of companies is significant especially when taking into consideration that most of them are family businesses. Those businesses have to face significant challenges.

Most SMEs have to play a direct role in global markets, and when seeking to compete internationally they face many of the consequent challenges and barriers (Graham, 1996).

For many others who do not choose to play such a proactive role in foreign markets, globalization presents threats and challenges of a different nature in terms of competition than those abroad (Dunne et al., 1999; Pheby & Kalantaridis, 1999; Kalantaridis, 2000). Within this framework, a major challenge for the SMEs in the current competitive environment is to acquire and maintain a competitive advantage, in order to enhance their sustainability. In order to gain this advantage and remain resilient, and hence be able to survive and develop, SMEs should implement policies that will enable the process of changing and improving (Ates & Bititci, 2011). In fact, Ates and Batitci (2011) argue that in order for the SMEs to be resilient, they should adopt the philosophy of change management, which means that they should focus on long – term planning, they should use external communication, and above all they should include all their human force, and give emphasis to the special characteristics of their operational behavior. As a result, the first issue concerning SMEs is their adaption to innovative processes and, more precisely, the implementation of practices towards change management process.

Another major issue that SMEs have to face is the internationalization. Given the strong competition and the globalization of economy, companies try to find ways of internationalization, so as to be able to develop themselves and also positively contribute to the increase of productivity of the company itself and the country where they operate. In order to achieve this goal, SMEs should exploit all the existing opportunities on investing financial resources and time (Korsakienė & Tvaronavičienė, 2012). Above all, the key factor for the success of SMEs' internationalization is the provision of support to those SMEs by the government or external investors (Wright et al., 2007).

One of the major issues concerning SMEs is innovation. According to Shapira (2008, p. 70), the implementation of innovation and innovative practices is of great significance, since this will enable them "not only to address complex, long - term, objectives, but also to sense and adjust to changing circumstances". For this reason, SMEs need support through initiatives that will promote the exchange of knowledge, help in the building of relationships with SMEs in other countries, enhance the private - public partnerships, invest in new technologies and provide training to the workforce (Shapira, 2008).

Another problem that SMEs face is the problem of the financial crisis along with the delay in the implementation of developmental programs. The support of SMEs in this negative economic environment, where the cost of lending is increased and the banks have limited their lending, is of great importance. However, governments do not seem willing to support SMEs, especially in Greece (Kassimatis, 2010). Some more factors that hinder the effective operation of SMEs are the financial crisis which resulted in the decrease of consumers' income availability and lead to reduced demand, the tax policy of the governments, the limited cooperation of the domestic SMEs with the SMEs in other countries, the lack of governmental support and the limited promotion of competitiveness (Vandenberg, 2009; Kassimatis, 2010).

Finally, another issue that SMEs have to face has to do with the limited resources for raising capital, especially due to their size. To be more precise, there is a need for the firms to acquire knowledge-based competencies in order to survive in the current competitive environment. This, however, is difficult for the SMEs, since they deal with lack of functional expertise and capital investment limitations which often "hamper the identification and leverage of resources and competencies" required to "yield new opportunities" (Yasuda, 2005, p. 1). The difficulty in raising capital may be due to their location, as well. Petersen and Rajan (2002) mention that SMEs that are far from banks find it more difficult to raise capital, because of the asymmetric information.

2.4. Mergers and strategic alliances

Mergers and acquisitions (M&As) are a mean for firms to expand as an alternative to internal growth. There is a difference between the terms 'merger' and 'acquisition'. In mergers, the companies combine and share their resources so as to achieve common objectives. The shareholders of the firms usually remain as joint owners of the combined entity. In acquisitions, one firm purchases the assets or shares of the other and the acquired firm's shareholders cease to be owners of that firm. In the case of a merger, a new entity may be formed subsuming the merging firms, while in the case of an acquisition, the acquired firm becomes a subsidiary of the acquirer (Sudarsanam, 1995).

2.4.1. Types of Mergers

In general, "a merger is viewed as bringing the capital of two firms under a single authority" (McAfee & Williams, 1992, p. 183). According to Doytch et al. (2012, p. 925) "mergers are viewed as efficient reallocations of assets in response to market forces – such as new regulation, new technology, financial liquidity, new competition, industry growth or maturity – under the condition of sufficient capital liquidity".

There are three types of mergers (Delta Publishing Company, 2009). The first is horizontal mergers. According to this type, mergers occur between large firms in the same industry (Farrell & Shapiro, 1990). This type of merger helps the companies that merge to increase their strength in terms of performance, capital, profits and market share, as horizontal merger leads to a decreased number of competitors in the industry, thus giving an opportunity in terms of competition. Such an example of horizontal merger in the Cooperative area is the case of Coop Bank Geroskipou and East Paphos held in 2008 (Christophorou, 2011).

The second type is vertical merger. This type of merger occurs again between companies in the same industry, but in different fields. The fact that the two companies combine their businesses is similar to producing in a single segment (Church, 2004). This type covers "different but supplementary stages of the production procedure (e.g., pumping, distilling and distribution of oil) as well as businesses which belong to succeeding stages of the whole circuit of production and distribution of goods or services merge or form alliances in various ways, in order to overcome serious disadvantages which result from the apportionment of projects" (Kyriazopoulos & Petropoulos, 2010, p. 449).

The third type is conglomerate merger. In this type, two or more companies from different industries merge. The companies participating in the merger are not related to each other, nor are their production processes related. On the contrary, it is about a unification of business, where the operations of the companies overlap each other (Church, 2004). An example from the area of Cooperative Institutions in Cyprus is the acquisition of Cooperative Grocery of Polis Chrysochous from Cooperative Bank Polis Chrysochous.

What should be mentioned is the fact that for public companies there are other types of mergers. For example, in Greece the relative law 2190/1920, Article 68, Section 1 states that for public companies the three types of mergers are the following: a) the buying out of one by another, b) the absorption of one by another and, (c) the creation of a new entity (Kyriazopoulos & Petropoulos, 2010).

2.4.2. Types of strategic alliances

Another solution that is similar to organizations merging is strategic alliances. Both are referred together as Mergers and Strategic Alliances, as a solution for expansion. The current study, empirically analyses the case of merging organizations. Strategic alliances were examined in theory as an alternative solution.

Strategic alliances can be defined as an "independently initiated inter-firm link that involves exchange, sharing, or co-development" or as "cooperative arrangements between two or more firms to improve their competitive position and performance by sharing resource" (Yasuda, 2005, p. 2).

Strategic alliances can be formed in various departments, such as the department of marketing, of joint production, in Research & Development (R&D), in sales and distribution and in technology licensing. The relationships that are formed can be a) horizontal between the suppliers and b) vertical between customers and sellers, while they can be either local or global (Bugnar, 2009).

There are two types of strategic alliances, the symmetrical and the asymmetrical. What differentiates these is the type of management resources that are exchanges. In symmetrical strategic alliances the same type of management resources are exchanged, while in asymmetrical the management resources exchanged are not of the same kind (Yasuda, 2005). This is also the reason for which SMEs tend to prefer asymmetrical alliances rather than symmetrical ones. The following figure depicts the different types of strategic alliances.

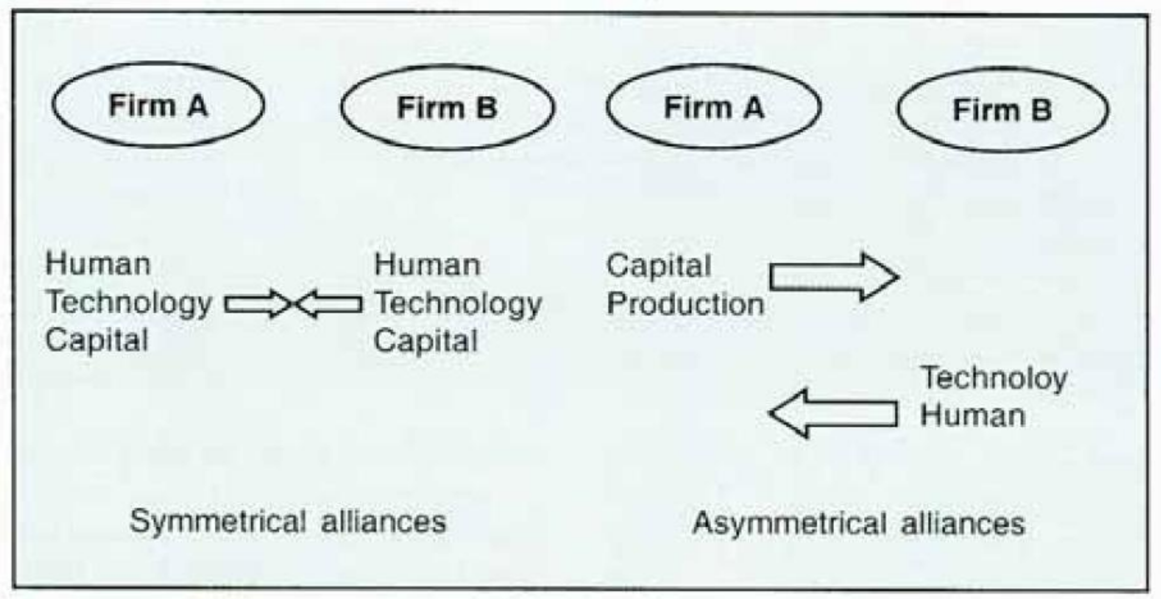

Figure 1: Types of strategic alliances (Yasuda, 2005, p. 2)

According to Vaidya (1999), strategic alliances can be distinguished between market and technology related. The first category tends to benefit companies in a mature industry, whereas the second type is more beneficial for companies in high technology industries.

2.4.3. Advantages of Merges & strategic alliances

With regard to the mergers, Farrell and Shapiro (1990, p. 113) argue that “A merger can raise output and make consumers better off, only if it permits the merging firms to exploit economies of scale or if the participants learn from it”. Likewise, mergers have the possibility of fostering efficiency either at some or all the parties that took part in the merge, since one or more merger facilities can learn from other partners (Farrell & Shapiro, 1990). Examining the case of the Cournot model, McAfee and Williams (1992) argue that the low - cost company benefits from the merger, since the high - cost company is eliminated as a Cournot rival, especially due to the fact that the company with low cost has no capacity constraints. Mergers have been also found to increase employment both in the short and long term (Doytch et al., 2011). Another advantage mentioned by McAfee and Williams (1992, p. 183) is that a merger has the ability to increase welfare, given the fact that the merger can result in more effective production, since it makes the industry "more symmetric". Apart from the above, the study of Diepold et al. (2008, p. 58) in Australian firms indicated that mergers have no effect on target firm investors, whereas the actions, or expected actions of the Australian Competition and Consumer Commission (ACCC) had an impact on acquiring firms' investors' responses to domestic mergers. In addition to that, the same study provided evidence that there were "significantly lower abnormal returns to acquirers in mergers that were eventually raised with the ACCC".

Majumbar et al. (2010, p. 1613) argue that mergers help the companies to increase their market power, since managers are motivated in extracting rents or suffer from hubris. Hence, "after mergers, employee numbers may increase as managers add personnel. In addition, managerial pay can rise with firm size thus providing a potentially strong incentive to managers to pursue growth through acquisitions". Apart from this, "given a merger scale effect, the combined entity can develop a new brand because of additional advertising, and gain from new technology platforms. These new activities enhance requirements for expensive skill sets. On acquiring these skill sets, the average levels of post-merger compensation can go up because the employees in the merged firms are qualitatively different" (Majumbar et al., 2010, p. 1614).

Finally, from the shareholders' perspective, Majumbar et al. (2010, p. 1614) argue that there are two results that are possible. "First, pay cuts are a device to cut costs, enhance efficiencies, and augment shareholder value. Second, the scale effect and elimination of intermediate markups can generate efficiencies to increase the surplus amounts available for compensation. If efficiencies arise, merger gains can be split between stakeholders".

Strategic alliances allow SMEs "to get access to more diverse capabilities, to acquire external knowledge, to sustain the ability to learn from partners, to internationalize and to be exposed to new opportunities" (Yasuda, 2005, p. 1). In fact, strategic alliances are extremely significant for SMEs, so as they can be competitive in a knowledge-driven economy. Strategic alliances give the companies the possibility to enhance their competitive position, to enter into new market gaining increased market share and finally they may share major costs or risks of development projects (Bugnar et al., 2009).

As a result, strategic alliances strengthen the competitive advantage of the companies that taking part into this alliance. In general, the benefits for the companies participating in a strategic alliance include advantages of scale, increased competitiveness not only in the domestic but also in the international markets, development of products, exploitation of new opportunities, enhancement of exports, creation and diversification of new business lines, access to new distribution channels, access to capital, and finally reduced cost and lower uncertainty (Bugnar et al., 2009).

Vaidya (1999) points out that strategic alliances offer opportunities to enter the international markets through the evasion of barriers, to protect the domestic competitive position, to broaden the product line and / or to fill the gaps existing in the product line, to reduce the existing or the future competition, to enhance resource use efficiency, to expand the resources of the companies, and to acquire new skills. With regard to the acquisition of new skills, Schoenmakers and Duysters (2006) argue that strategic alliances can lead to an increase in the knowledge base overlap for the allying firms.

2.4.4. Disadvantages of Mergers & Strategic Alliances

One disadvantage of mergers is mentioned by McAfee and Williams (1992), who stated that in the case where companies have different but constant average costs, the merger results in the shutdown of the company with the higher cost. By examining the different types of mergers, it is argued that the disadvantages of vertical merger are related to coordination and collaboration problems (Dragomir, 2011).

Furthermore, Barla and Constantatos (2005) argue that in the case of a merger of two firms in a Cournot triopoly, the newly merged company determines its quantity at a more prudent way, and which results in 'giving' market share to the external company, which now has the ability to be more aggressive. Mergers can also lead to the loss of job positions and can at the same time result in the decrease of the average wages of the companies. Both impacts have a negative impact on the living standards of the people (Majumbar et al., 2010).

Strategic alliances have also some disadvantages. Bugnar et al. (2009) argue that in strategic alliances there is lack of total control, which can lead to significant problems because of the problems and misunderstandings raised between the strategic partners. In addition to that, strategic alliances may have a high risk of failure, in cases where the partners do not have good intentions right from the start of the alliance. Failure can occur because of different organization culture, expectations which are far from reality, non - agreement of the partners during the decision - making process, as well as the inability of a partner to meet the expected requirements in the alliance, such as failure to bring new technology and exploiting new distribution channels. In example, the strategic alliance between the French Carnaud and the British Metalbox Packaging failed, because of the differences that existed in both the style of the decision making process and the competing subsidiaries (Vaidya, 1999).

Apart from this, strategic alliances may limit the flexibility of the partners. This means that one or more partners may not be allowed to participate in another alliance, merger and / or acquisition, or may not be allowed to be so competitive. Depending on other partners may lead to lower levels of performance and failure of the weak partner, which constitutes another disadvantage for strategic alliances. Finally, it should be mentioned that strategic alliances require commitment on behalf of the partners, as well as the disposal of time, capital, energy and other resources, which may be difficult for some partners, or may distract the companies' managers from activities beyond the strategic alliance (Bugnar et al., 2009). Other drawbacks of strategic alliances include control related problems, unequal gains, differences in cultural values, role ambiguity and antitrust regulations (Vaidya, 1999).

2.4.5. Mergers Vs Alliances

Although mergers and strategic alliances are commonly confused concepts, they are different. While mergers "determine permanent changes in the structural mode in which the company exists", strategic alliances are "a business-to-business collaboration" (Bugnar, 2009, p. 202). In addition to that, mergers offer the companies greater control than strategic alliances, especially in terms of technology. This is important, since "increased control through a greater input from integrative modes still appears useful if companies want to protect their interests in external relationships affecting their core business that will constitute their competitive strength for some time to come" (Grosu, 2010, p. 269).

Dragomir (2011, p. 17) states that "merger implies two or more companies joining together to become one single enterprise", while according to Bugnar et al. (2009, p. 202), "strategic alliances are agreements between firms in which each commits resources to achieve a common set of objectives".

In addition to that, through the examination of the case of the airline industry, Barla and Constantatos (2005) point out that instead of merger, the strategic alliances are more profitable, only for a sufficient degree of product differentiation. Their study indicated that "in the presence of demand uncertainty airline alliance dominates merger in terms of profits as a form of cooperation. Strategic alliance is therefore not necessarily a second best solution justified by regulation limiting airline mergers." (Barla & Constantatos, 2005, p. 9)

Apart from the above, the study indicated that with regard to the policy implications, strategic alliances are more beneficial than merger by the competition authorities. The final outcome of the model developed by Barla and Constantatos (2005, p. 10) is that "when cooperation is called for by either cost synergies or regulatory constraints, in the presence of outside rivals strategic alliance is profit superior to merger".

However, examining the sector of passenger air transport, Hellmers (2011, p.1) provided evidence that "no general conclusion can be drawn as to what form of cooperation is superior in generating synergies, according to their theoretical abilities. Furthermore, it is being suspected that both forms leave a significant amount of potential synergies unused".

An organization can go into a merge or a strategic alliance or a combination of both. The current research emphasizes on the case of organizations merging together as it has as a result structural changes, having a bigger impact on the organization. This will provide a fair justification whether the model of Mergers and Strategic Alliances is an appropriate tool to discuss for way to expand SMEs.

2.4.6. Measurement of Success

Most of the empirical studies regarding the success of mergers and acquisitions can be categorized to financial statement studies, case studies, survey, interviews or stock market studies. In this empirical research, two measurements of success were used, the financial aspects and survey. Interviews from the previous Manager of the Bank and the President of the Committee also took place as additional information.

2.4.6.1. Financial aspect

The financial aspect is the most important component of any business. Financial statements are records that outline the financial activities of a business. Financial statements are meant to present the financial information of the entity as clearly and concisely as possible for both the entity and for the investors. These statements usually include: income statements, balance sheet, statements of retained earnings and cash flows, as well as other possible statements (Peterson et al., 1999).

At this point, it would be useful to provide definition of the statements that are used in the financial measurement of success, so as to better understand their usefulness and significance.

The income statement is a financial statement that indicates the amount of money earned or lost by a business during a specific period of time (Green, 2006). The income statement depicts the operating performance of a company over a particular period which is typically a year or a quarter of a year. The components of a typical income statement are related to revenues decreased by the expenses generated that ultimately present profitability. The importance of income statement is that it facilitates the analysis of company's growth prospects, cost structure as well as both components and sources of profitability (Feldman & Libman, 2011).

The balance sheet which is also known as statement of financial position is the financial statement that summarizes the assets, liabilities and owners' equity of a company. The balance sheet is like a snapshot of the company as a certain point in time, it is prepared on the last day of each period weather this is monthly, quarterly or yearly and should always be in balance meaning that the assets should be equal to liabilities and owner's equity (Porter & Norton, 2010). The balance sheet measures the net worth of a business (Hales, 2005).

Turnover denotes sales when expressed in relation to any specific period. It includes sale of goods, services, and sales tax adjusted to discounts (net) (Ahmed, 2008).

Total assets are the entire resources of the utility, both tangible and intangible. The total assets include the total value of properties and claims against others that are owned by the utility as expressed at original cost. The total assets include the value of both current and long-term assets owned by the company (Dopson & Hayes, 2008).

The term net profit is synonymous to net income in accounting. Net profit is measured through comparison of sales revenues and costs related to these. Net income is calculated by the difference between the total revenues within a period and the total expenses and the outcome indicated profit when revenues are in excess of expenses and present losses when opposite (Rajasekaran, 2011).

Net profit or net income to turnover or net sales is the net profit margin ratio. Net profit margin ratio is a measure of the return that a company earns on sales and makes it possible to see how much is left from sales per monetary unit after paying for the product and operations it requires. This percentage shows the proportion of each sales monetary unit that is profit (Rich et al., 2011).

Economies of scale exist if the firm achieves unit-cost savings as it increases the production of a given good or service. Economies of scale are usually defined in terms of declining average cost functions (Besanko et al., 2009). Up to a certain, point, long-run unit costs of production fall as a firm grows for two main reasons: the growing firms offer greater opportunities for employees to specialize and produce more output at lower unit costs, and growing firms can take advantage of highly efficient mass production techniques and equipment that ordinarily require large setup costs and thus are economical only if they can be spread over a large number of units of goods produced (Arnold, 2008). Finally, Spencer (1974, cited in Tholkes & Sederberg, 1990, p. 10), defines economies of scale as "curvilinear relationship between average cost and the number of units produced".

Loan to deposit is measure of liquidity. Loans are the least liquid assets while deposits are a primary source of funds. A high ratio indicates liquidity. A low ratio suggests that additional liquidity can exist (Koch & McDonald, 2009). The loan to deposit ratio is a reliable measure of lending activity of a business, is an indicator of the overall economic activity and it's the monetary unit amount of its loans calculated as a percentage of the total monetary units on deposits (Plaz & Fitch, 2001). A loan takes place when a lender gives up during the term of a loan both possession of money or property and any profit that could be obtained by its investment while the lender has the right to request an interest for the loan that is in his property (Rothbard, 2006).

According to Real Estate Webmasters Glossary (2012) the loan is "a sum of money that is given by one party to another for a limited amount of time. It is to be repaid according to terms of the loan agreement which includes any interest to be charged and a time frame for repayment". A deposit accounts with a bank or financial institution which earns interest normally proportional to and below current base rates. The notice period for withdrawal will also affect the interest rate. In contrast to a current account, no cheque-book is issued with a deposit account. A deposit can also refer to money transferred in advance to show intention to complete the purchase of a property and the deposit in this case is forfeited if the purchaser fails to complete the contract (Bisoe & Fuller, 2007).

2.4.6.2. Survey Variables

For the research purposes, it was necessary to define the variables on which analysis of the questionnaires would depend. Those variables are described and discussed.

Operational effectiveness

Operational effectiveness is a term that Harvard's business school Professor Michael Porter (2001) elaborated on. Porter distinguished operational effectiveness from strategy and argues that "managers must clearly distinguish operational effectiveness from strategy. Both are essential, but the two agendas are different. The operational agenda involves continual improvement everywhere there are no trade-offs. Failure to do this creates vulnerability even for companies with a good strategy. The operational agenda is the proper place for constant change, flexibility, and relentless efforts to achieve best practice. In contrast, the strategic agenda is the right place for defining a unique position, making clear trade-offs, and tightening fit."

Porter is trying to point out that operational effectiveness is necessary but not sufficient; it collaborates with strategy in the process of achieving organisational success. Operational effectiveness though is about having functions in the organisation that work well. These functions are, the organisation's skill sets or 'core competencies', that have to mutually work together to implement a strategy.

Based on Porter's definitions it can be argued that operational effectiveness is a major player for organizational success and that an organization trying to expand and exploit opportunities has to fine-tune its operations and functions to optimize both its functional efficiency and effectiveness. Hence, for a merged organization the improvement in operational effectiveness can indicate the success of the merge and how it helped the newly formed organization to adjust and implement the new strategy by examining the enhancement of functional areas (Porter, 2001).

Competitiveness

The second variable is Competitiveness. Competitiveness is a term both misunderstood and complicated. Following a review of the literature on SMEs competitiveness, between three key aspects affecting an SME's competitiveness have been distinguished, including the internal firm factors, the external environment, and the influence of the entrepreneur. These factors have an impact on the performance of the firm (Man et al., 2002).

The definition of the competitiveness variable is highly important. Competitiveness can be defined through any effort to obtain a competitive advantage, to increase ability to compete among others, to strengthen the company’s position and improve market relations, market share and organizational ability.

Competitiveness is a critical factor related to the prospects of any organization. Competitiveness determines the degree of effectiveness of an organisation to succeed against the demand in the market and influenced by the combination of marketing and operation functions of the organization (Stevenson, 2012).

The determination of this variable is very important nowadays especially since the companies have to compete within a global market where the company size is important and lead companies to decide on merger and alliances in order to improve their competitive capability. Companies are often linked through mergers or alliances in order to be stronger against competitive requirements (Thompson & Martin, 2010).

2.4.7. Failure

A Professor in Department of Intercultural Communication and Management, in Copenhagen Business School, Anne Marie Soderberg, notes that various international business studies lead to the conclusion that mergers and acquisitions frequently do not manage to bring the initially desired benefits, while the cross-border mergers and acquisitions present various problems for the implicated parties (Buono & Bowditch, 2003; Stahl & Mendenhall, 2005). The examination of mergers bring about many questions, however, the most central one seeks to understand the reasons why mergers fail.

2.4.7.1. Reasons of Failure

Merger may fail especially in the case of passive merger policy, due to the potential bargaining failures, such as under imperfect cost monitoring (Burguet & Caminal, 2012). Another reason explaining the mergers’ failure is the conflict organizational cultures, which leads to high turnover. Weber and Camerer (2003) mention one example of a merger failure, using the case of Daimler - Chrysler. The two partners expected that the merger would have advantages for both parties, by exploiting the strengths and capabilities of both companies. However, after the merger, Chrysler performance was not as expected. The stock price began to fail, where there were layoffs in the Chrysler division. The merger failure was due to the differences in the organizational culture. In example, there were differences in the managers’ opinions on various issues, such as travel expenses and pay scales. Furthermore, “operations and management were not successfully integrated as “equals” because of the entirely different ways in which the Germans and Americans operated: while Daimler-Benz’s culture stressed a more formal and structured management style, Chrysler favored a more relaxed, freewheeling style (to which it owed a large part of its premerger financial success)" (Weber & Camerer, 2003, p. 401). This example, shows that cultural conflicts, and in general differences in organizational cultures, form the most significant factor contributing to merger failure.

The second factor that may result in merger failure is the role of leadership. Sidorov (2003) stated that the failure of the merger between Penn State and Geisinger hospitals could be blamed on the existing cultural differences and the role of leadership. It is stated characteristically that "if the leadership of the new organization fails to deal effectively with the inevitable winners and losers, underestimates the role of cultural differences, does not have the management skills necessary to achieve cost savings and address the operational inefficiencies resulting from a larger clinical enterprise, does not anticipate the distrust of other local health care providers, and fails to anticipate the market forces that determine the success or failure of a managed health care system, mergers can fail" (Sidorov, 2003, p. 56).

Finally, Banal – Estañol and Seldeschlats (2009) claim that merger failure may derive from informational asymmetries brought about from the pre-merger period, as well as problems of both coordination and cooperation within the merged companies.

2.5.Reasons for SMEs to merge

2.5.1. Issues solved

According to Huifen (2011) SMEs respond more positively towards the idea of mergers. The result is an increasing trend in mergers during the last decade. To be more precise, in the United Kingdom since 2006 279 companies was engaged in 119 mergers, while during 2009 – 2010 the percentage of SMEs that were merged increased 57%. Thus, from 28 mergers in 2008, there were 45 in 2010 where in 2010 there was a six-fold increase over 2006.

The following figure depicts both the number of amalgamation cases and amalgamating companies for the time period 2006 - 2010, while the figure and table below summarizes the industry distribution of amalgamating companies. At this point is should be defined that amalgamation is the case where "shares, assets, legal rights, properties and obligations of a target company are entirely transferred to another firm" (Huifen, 2011).

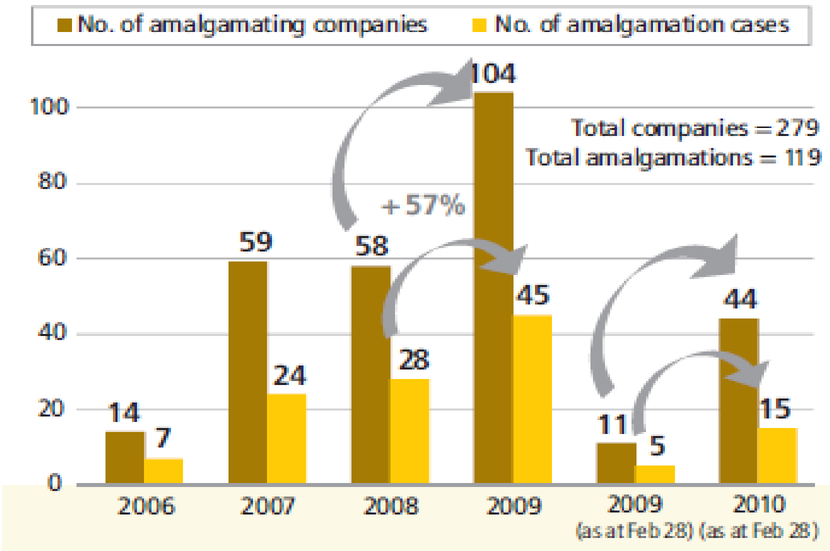

Figure 2: Number of amalgamation cases and amalgamating companies for the time period 2006 – 2010 for the United Kingdom (Huifen, 2011)

Table 2: Industry distribution of amalgamating companies (Huifen, 2011)

SSIC SECTION*	NO. OF COMPANIES	(%)
Wholesale and retail trade	61	22
Manufacturing	60	22
Financial and insurance activities	42	15
Transportation and storage	31	11
Professional, scientific and technical activities	24	9
Administrative and support service activities	22	8
Information and communications	21	8
Other service activities	7	3
Construction	4	1
Health and social services	3	1
Electricity, gas and air-conditioning supply	2	1
Real estate activities	1	0
Accommodation and food service activities	1	0
Total	279	100

The reasons for which companies engage themselves into a process of merger vary according not only to the characteristics of the SMEs, but also to the characteristics of the country in which they are based and operate. For example, Huifen (2011) argues that in the United Kingdom, companies have the tendency to merge based on the introduction of Companies Act in 2006, according to which it is allowed to the companies to amalgamate voluntarily without the need of the court approval.

Another factor that stimulates the decision for a merger is the need of the SMEs to acquire new technology and broader skills. Consequently, mergers are regarded as an effective tool towards the acceleration of SMEs' growth (Huifen, 2011). This can be associated with the access to new technology that merges allow, as well as the achievement of economies of scale and other synergies (Doytch et al., 2011).

Apart from the above, there are many theories which explain why SMEs decide to merge (Weitzel & McCarthy, 2009). The first category of theories relate to value – increasing, which includes the theory of efficiency, the market power theory, and the theory of corporate control. According to these theories, mergers occur since they result in synergies, which in turn result in increase of the value of a SME. The second category involves the value - destroying theories, which includes the theory of managerial hubris, the theory of managerial discretion, and finally the theory of managerial entrenchment.

These theories can be divided into two groups. "the first assumes that the bidder's management is 'boundedly rational', and thus makes mistakes and incurs losses due to informational constraints despite what are generally value-increasing intentions. The second assumes "rational but self-serving managers, who maximise a private utility function, which at least fails to positively affect firm value" (Weitzel & McCarthy, 2009, p. 6). All the above are summarized in the following table.

Table 3: Summary of theories explaining why SMEs merge (Weitzel & McCarthy, 2009, p. 9)

Outcome	Benefits	How?	Theory	Link	SMEs?
Gains	Owners	Net gains through operative synergies	Efficiency	Synergy	High
		Wealth transfers from customers	Market Power		Medium
		Net gains through managerial synergies	Corporate Control		Medium
Losses	Owner Intended	Net losses though overpaying	Hubris	Bounded Rationality	Medium
		Net losses due to valuation mistakes	Managerial Discretion		Medium
	Manager	Net losses as managers make acquisitions to reinforce job positions	Entrenchment	Agency Costs	Low
		Net losses as managers make acquisitions to increase firm size	Empire Building		Low

2.6. Degrees of Cooperativeness in SMEs' Mergers

The SMEs merge through various degrees of cooperativeness. Moreover, there are many reasons why mergers take place in the Cooperative Area while these reasons also form the set of advantages that can be attributed. The examination of known cases of SMEs mergers can provide useful information to prove the hypotheses of this research.

2.6.1. Mergers in cooperativeness

According to Gabunia (2009), the degree of cooperativeness is a determinant factor in mergers. The author claims that this degree of cooperativeness depends on the merger types. Acknowledging four types of mergers, the cooperativeness in each of them is different, as presented hereafter. The first type is the rescue, where the "purchasing firm should be considered as a welcome party" (Gabunia, 2009, p. 21). This type includes the highest degree of cooperativeness between the acquiring and the acquired company. What is worth mentioned is that rescue emerges as a result of the financial distress occurred in the acquired company. Financial distress is the case where the operating cash flows of a company are not sufficient in order to meet the company's current obligations, as in example interest expenses or trade credits. This situation forces the company to take measures, such as bankruptcy, financial restructuring or even merger with another firm. Despite the fact that rescue usually derives from the insolvency of the target company, it is not necessarily monetary or fiscal. Other factors, as corporate image, employees' job satisfaction could also be the target of this type of merger.

After rescue, the second type of merger with the highest degree of cooperativeness is collaboration (Gabunia, 2009). This type is more common, more appealing and more successful than rescue. In this type "one company wants to buy and another company wants to sell, or is persuaded to sell - so both parties approach bargaining table of their own choosing (Gabunia, 2009, p. 22). The negotiations are carried out with mutual respect, while at the same time the whole process is planned carefully; thus collaboration merger is more successful in terms of achieving synergies in costs, revenues and taxes. This success has also a positive impact on the job satisfaction of employees.

Contested situation is the third type of mergers and comes in the third place in the ranking of based on the degree of cooperativeness. This type includes "triangle of companies, where to different companies are competing to merge with a third one" (Gabunia, 2009, p. 23). However, the disadvantage of this type of merger concerns the overall slowdown in productivity, after the deal is consummated.

The fourth and final type of merger having the lowest degree of cooperativeness, in comparison to the above mentioned types, is raid. In raid, the acquiring firm has to face the maximum resistance from the company which is to be acquired. As Gabunia (2009, p. 24) characteristically states, "having information about potential hostile takeover bid, existing management always undermines reputation of the bidding company, trying to secure their current job positions with generating strong antagonism between employees". This resistance to change may be so strong, that it may lead to serious problems n the communication between the new management and the employees. Another disadvantage of the raid merger type is that both employees' job satisfaction and motivation is deteriorated after the raid. More precisely, "when employees realize approach of dramatic and immediate changes, they immediately start subconscious and emotional defensive resistance. Situation is always complicated by existing managers who try to whip up employee concern. Moreover, during defensive resistance, more intense corporate spirit can develop that will be inevitably followed by dramatic disappointments after the deal is executed" (Gabunia, 2009, p. 24).

2.7.Advantages- Reasons of Mergers in Cooperative Area

The reason why Cooperative Banks in Cyprus start to merge is not random. Authority of Supervision and Development of Cooperative Societies (A.S.D.C.S) mentions the aim and reasons for mergers in the annual report for the year 2010.

In 2001, based on "common position" between Cyprus and the European Union, the harmonization of cooperative credit sector with the acquis contained a reform and changes in various fields including reforms of Cooperative Credit Institutions (C.C.I.). These reforms were structural and organizational changes, including mergers or other groupings in geographical or functional basis. The above mergers are aimed at modernizing of C.C.I. particularly addressing the sharpening of competition was the liberalization of markets in the financial system of Cyprus. Moreover, through mergers, it was given the opportunity to reorganize and to empower economically the C.C.I. so as to create the right framework conditions for adaptation to a competitive environment in which it must operate effectively.

The policy adopted by the A.S.D.C.S. regarding mergers achieved the above objectives, showing positive results and benefits. Members and customers of C.C.I. have at their disposal powerful and cooperative societies and therefore services and products have been clearly upgraded. All the little shops (former local C.C.I.), which are now part of larger complexes, enhance the trust and cooperation of the members and customers with the Co-operative Societies. Note that the total number of branches of S.P.I. in nationwide basis amounts to 428 (Authority of Supervision and Development of Cooperative Societies (A.S.D.C.S), 2011).

During the year 2012, which is the International Year of Cooperativeness (United Nations, 2012), the Central Bank of Cyprus and the A.S.D.C.S have set an aim to reduce the branches from 110 to 100. Today there are 95 Cooperative Banks in Cyprus.

According to documented procedures referred to in the report, through mergers, the Cooperative Credit Institutions (C.C.Is.) have the ability to:

- Reduce the cost of products and services for their own benefit, and of their future through synergies and economies of scale,
- Improve their competitive position,
- Strengthen their capital adequacy,
- Create correct and functional organizational structures,
- Implement reliable internal control systems,
- Implement further developmental programs, and
- Create appropriate and upgraded technological infrastructure.

2.8.Hypotheses

Considering the theoretical framework developed on the issue of the study and the scope of this research, the following hypotheses are formed:

H1: Merger helps to the overall increase of turnover and profitability

H2: Merger increases the competitive advantage and maximizes the efficiency of the Coop

H3: Organizational procedures become more robust and harmonized with Central Cooperative Bank policy

H4: After the merger total operational expenses were reduced

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CHAPTER 3. RESEARCH METHODOLOGY

The methodology behind this research was based on three major steps undertaken in order to obtain the necessary information to prove the hypotheses. In this chapter, the Research Methodology describes the three stages which were essential in order to complete this study. The first stage included the granting of the necessary permission from the Bank Manager and the collection of the required data to be used in this study. The second stage involved the description of the construction of the questionnaire in order to enable the selection of the appropriate data for testing the hypotheses. The last stage dealt with the processing of the collected data in order to produce useful and meaningful results.

3.1.Necessary permissions and data collection

At a primary level, it was necessary to obtain permission from the Director of Pomou-Tillirias Cooperative Bank to conduct research into the bank and get the necessary information. The Director Mr. Ioannis Ioannou, was willing to help.

Conducting the Head Manager of Accounting Department, the required financial statements were collected in order to be able to evaluate the quantitative data. The information needed, involved the financial statements before and after the merger, and more specifically, the years between 1999 and 2011, from the financial statements of the four Cooperative Credit Institutions: COOP Pomou, COOP Pachiammou, COOP Pirgou (Nicosia) and COOP Neon Dimmaton as well as the financial statements of the consolidated COOP Pomou Tillirias. The collected details from the Income Statements and Balance Sheets were imported into Excel since they were not in electronic format, in order to be able to analyze and compare the data before and after the merger.

3.2.Questionnaire, the survey tool

After all the financial details were collected, a questionnaire was developed as an additional and supporting tool in order to collect the missing information from involved individuals. Many people were involved in the merge procedure. Those people that construct the population of this survey were the 4 bank managers, members of the Bank Committee, and employees. All of them were trustful people, having strong opinion and worked together for the best interest of the company.

Participants opinion, about the merger, was measured through the use of a questionnaire, which is one of the tools used in the survey (appendix III). The questionnaire was developed on the basis of the research questions presented in appendix III and was prepared in the Greek Language in order to be understood by all the participants. The questionnaire was translated into English for the purposes of this research, as it is presented in the appendix mentioned above.

The questionnaire has fourteen questions that can be easily completed on a five-point Likert-type scale ranging from 1 representing a 'strongly disagreement' to 5 meaning that one 'strongly agrees.' An open-ended question completes the questionnaire, having a scope to take the general opinion of participants about SMEs mergers, advantages and disadvantages, etc.

Personal appointments were arranged for each participant in order to explain the reason of the survey and to provide support that may be needed. In addition to this, both two sexes of various ages participated having as a result a more complete sample representation. The survey was done anonymously and on a volunteer basis. Personal information was protected and, in any case, was not going to be exposed. No known or anticipated risks to participation are related to this study. No one at the organization, other than the researcher, will have access to the data. The data will be summarized and no individual responses will be identified for reporting purposes. Participation will have no impact on the participants or on their jobs in any way. A week was defined as a margin to complete and return the questionnaires.

Considering the fact that the number of population (people involved in the merge, members of staff and committee) was small, more specifically 25 people, the respondents were 18. The 72% of participants, that provided information, was considered satisfactory.

The questions posed to the participants are related to the variables discussed in the literature review, which are operational improvement, competitiveness and general questions. Each question relates to a certain variable in order to examine the opinions on their significance. Besides the variables presented in the literature review an additional variable, which serves a different purpose, was included in the questionnaire. This question has to do primarily with the personal opinion of the interviewees that have different opinions.

3.3. Data processing and examination

After the collection of the questionnaires, the numerical data were input into Microsoft Excel spread sheets where the demographic details, sex and age, and the interviewers' position before and after the merge after they have been coded. At the following step of the methodology, all the results to the questions were analyzed and compared one by one.

In the third and last stage of the methodology used, the analysis was conducted. Firstly an analysis was performed based on the financial elements that were collected via the research. The analysis that took place related to the financial statements of the four companies compared the financial condition before the merger and the consolidated accounts of the company after the merger. Finally the quantitative data that were taken by the questionnaires were analyzed.

The analysis and the results in order to examine the research hypotheses of this study are primarily based on the quantitative analysis of the financial information that can provide the required information. However, in this research the numerical results alone cannot provide satisfactory support for the hypotheses because of the effect of various forces of the external environment such as the financial crisis on the financial condition of the Coop. Therefore, the survey through the use of questionnaires is equipped in order to provide qualitative data that will enable a more comprehensive evaluation of the results and will allow for drawing key findings that will support fully justified answers to the questions of this research.

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CHAPTER 4. ANALYSIS AND FINDINGS-RESULTS

The analysis and the results are presented in different parts. Each part seeks to prove the hypotheses that were set earlier in this study. The first part of the analysis seeks to prove the second hypothesis stating that merger increases competitiveness efficiency. For this reason, the growth and the viability will be examined while issues related to the statement of financial position and the loans and deposits will be analyzed. The second part, attempts to prove the first, third and fourth hypothesis set, showing that merger increases turnover and profitability, Central Cooperative Bank policy enhance robustness and harmonization of procedures, and merger reduces operational expenses.

Hence, the analysis in each part involves the consideration and discussion of elements related to the financial statements. Further to the financial information analysis that takes place, the survey findings are also presented and combined in order to provide useful and meaningful results.

4.1. Examination of Growth and Viability

The examination of growth and viability is performed through the analysis of elements of the statement of the financial position and income statement through a 12 year period (1999-2011), with 2005 being the year of the merge.

Moreover, the examination of statements of financial position and information on the total assets, total liabilities, net assets and the related ratios are analyzed, with a separate analysis on loans and deposits. Finally, this part of the analysis deals with the income statement for the given periods focusing on turnover, net profit, operational expenses and related ratios.

4.1.1. Examination of Statement of financial position

The analysis of the statement of financial position, table 4, presents the increase of total assets and their percentage change, the increase of net assets and their percentage change, the increase of total liabilities and their percentage change, the ratio of total assets to total liabilities and the ratio of net assets to total assets.

Table 4: Statement of Financial Position Analysis for the years 1999-2011

Statement of Financial Position Analysis for the Years 1999 - 2011								
Year	Total Assets Increase		Net Asset Increase		Total Liab. increase		T. Liab./ T. Assets	Net Assets/ T. Assets
1999	11.842.761	N/A	427.771	N/A	11.414.990	N/A	96,39%	3,61%
2000	13.253.397	11,91%	502.357	17,44%	12.751.040	11,70%	96,21%	3,79%
2001	14.393.354	8,60%	556.520	10,78%	13.836.834	8,52%	96,13%	3,87%
2002	15.801.567	9,78%	638.119	14,66%	15.163.448	9,59%	95,96%	4,04%
2003	17.986.542	13,83%	728.138	14,11%	17.258.404	13,82%	95,95%	4,05%
2004	18.928.489	5,24%	635.524	-12,72%	18.292.965	5,99%	96,64%	3,36%
2005	**19.902.947**	**5,15%**	**464.270**	**-26,95%**	**19.438.677**	**6,26%**	**97,67%**	**2,33%**
2006	23.872.960	19,95%	447.023	-3,71%	23.425.937	20,51%	98,13%	1,87%
2007	27.076.397	13,42%	722.814	61,70%	26.353.583	12,50%	97,33%	2,67%
2008	29.570.151	9,21%	1.762.448	143,83%	27.807.703	5,52%	94,04%	5,96%
2009	34.353.415	16,18%	1.999.499	13,45%	32.353.916	16,35%	94,18%	5,82%
2010	37.203.414	8,30%	2.189.290	9,49%	35.014.124	8,22%	94,12%	5,88%
2011	36.817.840	-1,04%	2.329.375	6,40%	34.488.465	-1,50%	93,67%	6,33%

The hypotheses suggest that the merger increases the competitive advantage and maximizes the efficiency of the cooperation. It is thus necessary to examine whether the merge assisted towards the improvement of the financial position of the organization in order for it to be competitive and efficient in its operations. First the assets and liabilities will be analyzed and then the loans and deposits will be compared in order to show whether the efficiency and competitiveness have been increased.

The above table represents the main financial position results for 13 years, with the year of merger (2005) being highlighted. The total assets before the merger presented a continual increase with year 2005 presenting the lower percentage increase of those years. Even though 2011 was the first year with a minor decrease in total assets, the years after the merger had a significant increase of around 85% (2005-2011) in comparison to the prior years that had an increase of 68%. Total assets are mostly related to loans given to customers, the differentiation of each year is a result of those loans. For a bank organization loans given are the main source of profit. The increase of total assets after the merge can be related to an increase in competitiveness.

The total liabilities are mostly customer deposits. They presented large increase after the year 2005, but in 2011 a small percentage decrease can be viewed most likely due to economic crisis affected Cyprus at the end of 2009. Total liabilities were 77% more the years after the merger in comparison to 70% increase before the merger. Total liabilities, similarly to total assets increase, can also be considered as an increase in competitiveness as more and more customers trusted the newly formed organization with their deposits.

Net Assets and Total Liabilities / Total Assets ratio are tools to compare the movement between assets and liabilities or deposits versus loans. For a healthy financial institution both assets and liabilities have to move similarly as one is strongly related to the other. The differentiation between them though can be due to many factors affecting the organization unrelated to its performance.

In this case the differentiation of Net Assets was considered to be normal as it is expected that while competitiveness is increased both total assets and total liabilities will increase at the same time, keeping between them a relative difference. The increase of net assets is a sign of a healthy organization with its operations simultaneously expanding in both directions. This is also confirmed from the relatively steady Total Liabilities to Total Assets ratio.

4.1.1.1. Loans and Deposits Comparison

As mentioned above, the comparison of loans and deposits can provide an indicator of the competitiveness of the banks since its major operations are accepting deposits and providing loans. The following table presents the information from the financial statements related to the loans and deposits as well as the percentage change for each year.

Table 6: Customers' Loans and Deposits for the years 1999-2011

Customers' Loans Vs Customers' Deposits (1999 - 2011)				
Year	**Loan/Dep.**		**Increase**	**Consolidated**
1999	104,9%	Customers' Loans	N/A	10.161.616
		Customers' Deposits	N/A	9.684.376
2000	97,8%	Customers' Loans	8,1%	10.987.398
		Customers' Deposits	16,0%	11.238.210
2001	92,9%	Customers' Loans	5,6%	11.607.771
		Customers' Deposits	11,2%	12.491.495
2002	89,3%	Customers' Loans	11,2%	12.910.573
		Customers' Deposits	15,8%	14.460.474
2003	86,4%	Customers' Loans	11,3%	14.371.368
		Customers' Deposits	15,0%	16.632.541
2004	88,3%	Customers' Loans	11,6%	16.041.571
		Customers' Deposits	9,2%	18.169.626
2005	**84,1%**	**Customers' Loans**	**1,3%**	**16.257.024**
		Customers' Deposits	**6,4%**	**19.340.778**
2006	74,4%	Customers' Loans	6,8%	17.363.896
		Customers' Deposits	20,7%	23.336.896
2007	75,2%	Customers' Loans	13,7%	19.737.492
		Customers' Deposits	12,5%	26.255.624
2008	82,8%	Customers' Loans	15,8%	22.853.656
		Customers' Deposits	5,2%	27.608.190
2009	82,6%	Customers' Loans	15,2%	26.333.498
		Customers' Deposits	15,5%	31.892.804
2010	85,7%	Customers' Loans	10,0%	28.972.757
		Customers' Deposits	6,1%	33.825.561
2011	90,2%	Customers' Loans	3,7%	30.044.712
		Customers' Deposits	-1,6%	33.294.081

According to the information provided in the loans and deposits table it can be seen that the ratio of loans to deposits have been lower since the merger. The deposits have substantially increased and almost doubled during the years 2004 and 2011. The loans provided during the same period, before the merger and until today have also almost doubled. The increase of deposits has provided the banks with the opportunity to offer more loans and increase its operations and therefore competitiveness.

4.1.2. Comparison of Financial Position and Profitability

The first scale of the examination was the analysis of the statement of financial position, before moving on analyzing profitability through analyzing the income statement a comparison between the two will provide the necessary information to correlate growth and viability to competitiveness and profitability. The following table presents the major components of this information for the consolidated accounts for both financial statements.

Table 5: Financial Information for the year 1999-2011

Financial Information for the Years 1999 - 2011						
	Statement of Financial Position			Income Statement		
Year	Total Assets	Total Liabilities	Net Assets	Turnover	Net Profit	Net Profit/ Turnover
1999	11.842.761	11.414.990	427.771	821.450	61.758	7,52%
2000	13.253.397	12.751.040	502.357	961.301	95.968	9,98%
2001	14.393.354	13.836.834	556.520	1.043.126	66.718	6,40%
2002	15.801.567	15.163.448	638.119	1.110.397	88.312	7,95%
2003	17.986.542	17.258.404	728.138	1.175.237	69.557	5,92%
2004	18.928.489	18.292.965	635.524	1.388.787	-93.271	-6,72%
2005	**19.902.947**	**19.438.677**	**464.270**	**1.407.222**	**-171.402**	**-12,18%**
2006	23.872.960	23.425.937	447.023	1.486.020	-15.890	-1,07%
2007	27.076.397	26.353.583	722.814	1.650.181	297.947	18,06%
2008	29.570.151	27.807.703	1.762.448	1.972.361	358.833	18,19%
2009	34.353.415	32.353.916	1.999.499	2.177.787	244.296	11,22%
2010	37.203.414	35.014.124	2.189.290	2.312.257	204.336	8,84%
2011	36.817.840	34.488.465	2.329.375	2.439.630	151.559	6,21%

In the literature review the definitions of the elements of the above table have been provided and their importance has been discussed. According to the theories related to financial statements and considering that loans are included in total assets and deposits are included in total liabilities, the above table provides some indicators of the yearly change in the performance of the merged banks.

As discussed previously, it can be viewed that since 2005, the year when the merger took place, the total assets and the total liabilities were increasing and until 2011 both of them were almost doubled, while, the difference of net assets is a sign of a healthy financial institution. In the mean time this increase of the elements of the statement of financial position was reflected on the turnover that was substantially increased as well. This is an indication that confirms that profitability and overall performance is related to the bank's ability to increase its competitiveness.

Moreover, due to operations performed before the merger took place by the four, later merged, organizations led to a substantial decrease in profitability, with 2004, 2005 and 2006 experiencing losses. The overall improvement turned around the profitability and from 2007 the merged organization showed a great increase in its net profits. The net profit to turnover ratio, that had been negative until the year that followed the merger, in 2008 reached its pick, confirming the turn of profitability and the improvement of efficiency.

The next step is to further analyze the profitability of the organization and its ability to turn proceeds into profits.

4.1.3. Income Statement Analysis

The second part of the analysis deals with the income statements analysis, comparing the profitability and performance of the bank in order to prove that the merger increased turnover and profitability, the procedures became more robust and harmonized with Central Cooperative Bank policy and that the merger reduced the operating expenses, experiencing economies of scale (hypotheses 2 and 4).

Table 7: Income Statement Analysis (1999 -2011)

Income Statement Analysis for the Years 1999 - 2011								
Year	Turnover Increase		Net Profit Increase		Operational Exp.		Net Profit/ Turnover	Expenses/ Turnover
1999	821.450	N/A	61.758	N/A	108.629	N/A	7,52%	13,22%
2000	961.301	17,02%	95.968	55,39%	123.781	13,95%	9,98%	12,88%
2001	1.043.126	8,51%	66.718	-30,48%	138.021	11,50%	6,40%	13,23%
2002	1.110.397	6,45%	88.312	32,37%	146.244	5,96%	7,95%	13,17%
2003	1.175.237	5,84%	69.557	-21,24%	193.131	32,06%	5,92%	16,43%
2004	1.388.787	18,17%	-93.271	-234,09%	207.141	7,25%	-6,72%	14,92%
2005	**1.407.222**	**1,33%**	**-171.402**	**-83,77%**	**240.503**	**16,11%**	**-12,18%**	**17,09%**
2006	1.486.020	5,60%	-15.890	90,73%	262.725	9,24%	-1,07%	17,68%
2007	1.650.181	11,05%	297.947	1975,06%	275.735	4,95%	18,06%	16,71%
2008	1.972.361	19,52%	358.833	20,44%	361.238	31,01%	18,19%	18,32%
2009	2.177.787	10,42%	244.296	-31,92%	360.240	-0,28%	11,22%	16,54%
2010	2.312.257	6,17%	204.336	-16,36%	428.262	18,88%	8,84%	18,52%
2011	2.439.630	5,51%	151.559	-25,83%	413.010	-3,56%	6,21%	16,93%

The above table includes the analysis of information of the income statement related to the three hypothesis of this study. Considering that the improvement of profitability and cutting down costs are two of the main reasons why organizations merge, it is important to observe the results for this case.

Turnover has substantially increased since 2005 and it seems like one year after the merger, the net profit presented a large increase. The improvement of profitability is also visible through the net profit to turnover ratio that after the merger started to increase revealing an ongoing improvement of profitability efficiency.

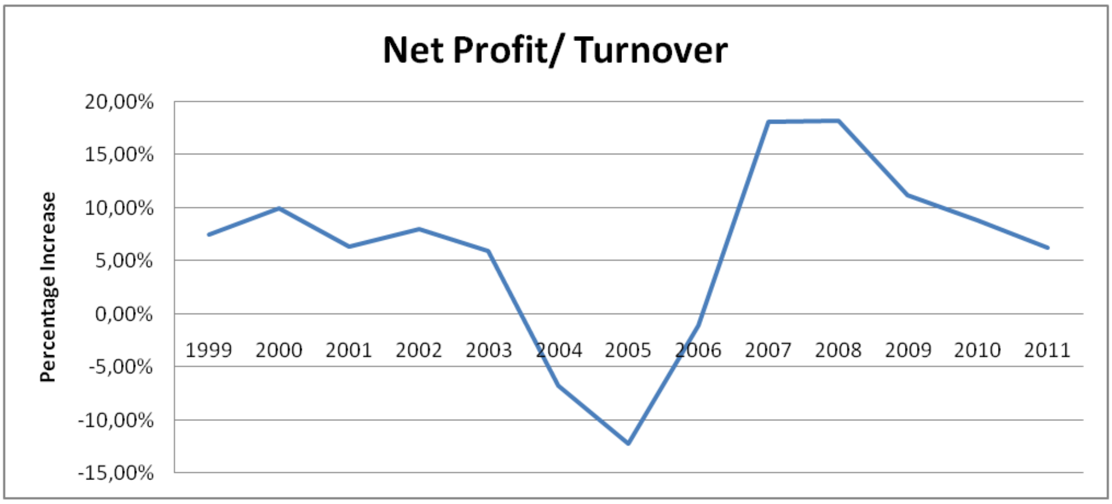

Figure 3: Net Profit & Turnover (1999-2011)

Even though all results indicate the success of the merger, the bank experienced losses during the years 2004 until 2006. These results cannot disprove the hypothesis since an important reason for these results is the recognition of doubtful debts in the financial statements. Doubtful debts were also the reason of financial issues affecting the four banks before the merge, which also forced them into merging. The following table presents the information that show the high amounts related to doubtful debts accumulated for these three years.

Table 8: Provision For Doubtful Debts (2003-2007)

	2003	2004	2005	2006	2007
Provision For Doubtful Debts	-40.000	-320.000	-401.392	-221.455	30.455

After the merger the operating expenses were either decreasing or presenting a much lower rate of increase than during the years before the merger. The Expenses to turnover ratio though was getting worst year by year, even though in normal cases this was going to be considered as a negative situation in this case it can be justified.

Table 9: Economies of Scale after 2004

Economies of Scale	
Year	$Economies\ of\ Scale = \frac{(C_n/C_0)}{(T_n/T_0)}$
1999	C: Expenses -> C_0: 2004
2000	T: Turnover -> T_0: 2004
2001	
2002	>100%: Failure
2003	<100%: Successful
2004	
2005	**114,58%**
2006	118,53%
2007	112,03%
2008	122,79%
2009	110,90%
2010	124,18%
2011	113,50%

The reduction of operational expenses through expansion is called economies of scale, one of the most common reasons for organizations to merge. Table 9 presents information on the existence of economies of scale since year 2004. The formula that is based on turnover and expenses is an important indicator of the success of mergers. The economies of scales present the opportunity for organizations to decrease their operating cost and improve profitability as they become larger and increase their operations. The percentage that is lower than 100% show success while the opposite presents a failure of achieving economies of scale. As expected by analyzing the changes in operational expenses and operational expenses to turnover ratio, in this case and since 2005, all the results for the banks are higher than 100% and this indicates that economies of scale have not been achieved. This shows that the merger did not provide the bank with the ability to improve profitability through the reduction of expenses due to the larger operations undertaken. However, as mentioned above the failure to achieve economies of scale is potentially justified from facts in operational changes.

The newly introduced operational procedures and bureaucracy increased operational expenses. A reason for the merger was that the Central Cooperative Bank introduced new rules and procedure related to internal controls and audit requiring each cooperative bank to maintain greater internal procedures. This was going to increase the operational expenses of the four banks to the point of economic failure. The merged bank though, kept its operational expenses to an acceptable level eliminating any related going concern issues. Due to the fact that there are not available data in respect of the impact that these changes would have had on the banks, it cannot be definitely concluded whether there was economies of scale or not. *The merger enhanced the ability to maintain these expenses to a level that were not materially affecting the new organization, considered as a way of optimizing potential expenses.*

4.1.4. Application on Hypothesis

The main reason for undertaking an analysis of the financial statements was to find appropriate information to apply on this research's hypotheses and examine whether they are applied in this case or not. The related hypotheses are 1, 2 and 4.

Hypothesis 1

This hypothesis has to do with increasing turnover and profitability. The analyzed information suggested that the merger contributed in achieving greater turnovers and profits. There was a significant increase in turnover and at the same time the bank's ability to generate profits.

Hypothesis 2

In this hypothesis it was discussed that the merger helped the organizations to increase competitive advantage and maximize efficiency. By examining the ability of the new bank to increase its operations and its financial position while maintaining improved efficiency, the second hypothesis has been proven. Considering the information provided in the consolidated financial statements, the merger has provided the bank the opportunity to increase its competitiveness, being larger and able to increase its turnover, and has also increased its efficiency through the merger due to the enhanced ability to improve its operations.

Hypothesis 4

This hypothesis is not supported by the figures in the above analysis. The merger did not seem to contribute in reducing operational expenses. The financial statement presented deterioration in the operational expenses of the merged bank in comparison to the consolidated position prior the merger. This was justified though, by reasons that took place and affected operational procedures, increasing expenses. A definite opinion cannot be given at this point regarding this hypothesis, better clarifications and justifications will be given in the analysis of the survey results.

4.2. Survey Results

The fifteen questions presented in the questionnaire, indicate the three variables referred to previously in the literature review. The questions 1, 5, 6, 7, 8, 9, 12 and 14 relate to the operational improvement variable. The questions 2, 3, 10, and 11 indicate competitiveness. Finally, questions 4, 13 and the open ended question 15, which is the last one, signify the general view of the participants on the merger case examined.

4.2.1. Organizational Structure

As referred previously, survey participants were people closely related to the Cooperative Bank Pomou- Tillirias. As shows in the pie chart, Participants Position before the Merger involved committee members by 55%, employees 28% and the rest 17% were Bank Managers.

Figure 4: Participants Position Before the Merger

Figure 5: Participants' Position after the Merger

After the merger, things changed in Cooperative Bank Pomou-Tillirias. Despite the fact that committee members remained the same in number, the Bank Manager obviously had to be one, while previously there were four managers. The results presented in the pie chart are current, coming through some changes through the years. The years after the merger one manager retired, and the zero percentage of managers that is presented on the pie chart is because the only manager that was in the bank before and after the merger retired in February 2012. Not only managers, but also other staff members were retired. No one has been fired. On the contrary, new staff members were hired within the last 18 months.

4.2.2. Respondents' Demographic Profile

As presented in the following pie chart in Figure 6, the demographic profile of the 18 respondents involved 13 (72%) males and 5 (28%) females.

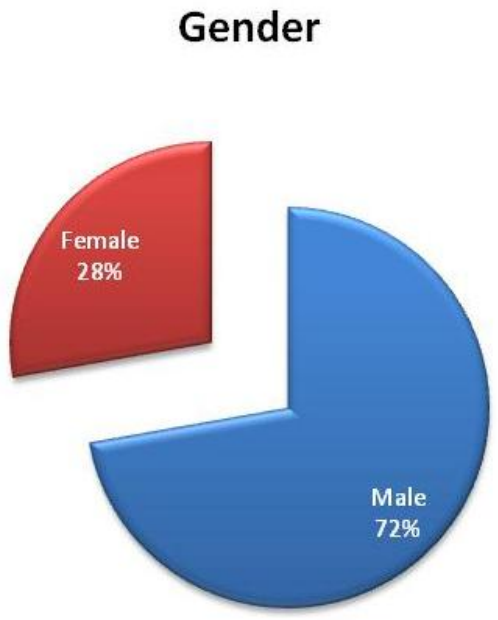

Figure 6: Participants Gender

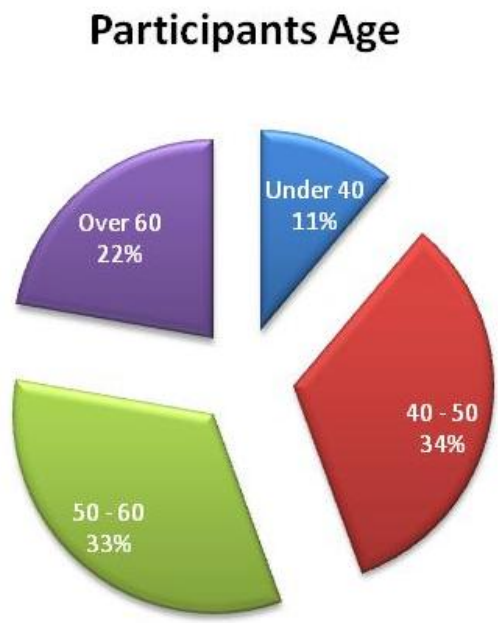

Figure 7: Participants Age

Figure 7 presents a pie chart related to the participants' age. The participants' ages vary from 28 to 74 years. More specifically, 2 interviewers are less than forty years old and represent the 11%, 6 of them are between 40 and 50 (33%), 6 of them are between 50-60 (33%) and the last four interviewers (22%) are over sixty years old (see figure 7). As a result most of the members, twelve of them, are mature people, having a comprehensive idea due to the fact that they have passed all the way through the merger process, and they express their thoughts and opinions from their personal point of view.

Although the sample was small, it was time and effort consuming since each participant in the process needed a special appointment and a personal explanation regarding the research. The process of collecting the questionnaires lasted a week.

4.2.3. Questionnaires results discussion

Before the examination of the questionnaires takes place, it is worth mentioning the Likert-type scale according to which the participants evaluated their answers, as it was required by the questionnaire. The scale used in this survey included five possible answers, starting from 1: Totally Disagree to 5: Totally Agree.

4.2.3.1. Operational Improvement

As presented in the following text box, the operational improvement scoring that resulted from the analysis of the questions was satisfactory. For this variable, the minimum scoring was 8 while the maximum was 40 respectively, having as a result 32,65, or in other words having an average of 4,082 in terms of clarity in describing the participants' opinion through the five-scale.

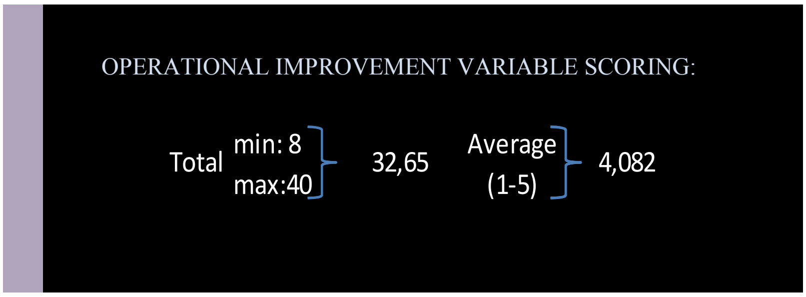

Figure 8: Operational Improvement Variable Scoring

Eight of the fifteen questions, indicate the Operational Improvement Variable. Starting with the two highest scoring questions, Q5 is consistently within the top eight and Q9 has the second highest score. Q5 talks about the quality of customer service. Definitely, there is no hesitation about the increase of quality and quantity.

It is obvious that after seven years of operation in a healthy work environment, customer service is much more advanced and sophisticated. The standard deviation (0.485) for Q5 tends to be the lowest of all, showing that two-thirds of the interviewees strongly agree on the fact that customer service is qualitatively and quantitatively superior today. All functions of the bank's two branches (Pomou Branch and Pirgou Branch) have improved significantly and there is daily cooperation between them. New staff members were recently hired new employees with advance educational knowledge and having attended several seminars in order to be able to follow the latest procedures; hence, now there is no-thing in which the consolidated Bank presents weaknesses.

The second highest scoring question in this variable category has to do with the modernization and streamlining of systems. The mean was 4.611 having 0.502as a standard deviation.

After the merger, all functions and activities of the company evolved and were renewed, while several other changes marked a new beginning for the company. The operating systems were upgraded and the entire operations of the bank were linked and controlled by the Data Processing Cooperative Society. The respondents surveyed agree wholeheartedly with the above view, as it is reflected by the average of 5 points.

As analyzed earlier, in the Financial Statements analysis, the turnover historically had annually increased. It can be seen that there is a trend of higher annual increase after the merger. Q1 also refers to the turnover increase for the merged bank scoring a mean of 4,500.

High agreement rating is related to Q7, which highlights that the merger helped the consolidated company to abide with the regulations of the Cooperative Central Bank and the Central Body, regarding the operation of Cooperative Institutions. More specifically, the mean of Q7 was 4,556. In accordance to the recent regulations on Cooperative institutions' mergers, and as mentioned previously in the literature review, collaborative companies could not cope as separate entities and they would definitely face several problems in the immediate future. This was confirmed soon after the beginning of the economic crisis, which affected the economy in almost all countries. The consolidated Bank Pomou- Tillirias can no longer function as an empowered entity and comply under the regulations of Cooperative Societies Law.

The four remaining questions, in this variable's category, have a lower score, which is under the 4 units. Those questions examine the number of employees in Coop Bank, the operating costs, the working environment and the problems faced during the merge year because of reductions in the number of staff.

More analytically, Q6 states that six employees were hired after the merger. The opinions of the Survey's participants vary, and in total the score was 3,944 having a standard deviation of 0,938. The significant percentage of 28% (5 participants) of the answers neither agree nor disagree to the statement, showing that they are confused or they agree to some extent. At a rate of 33%, interviewees agree completely that the 6 new staff members were hired because of the merger, and a 33% simply agrees. The recruitment of new employees at a time when unemployment in Cyprus have risen to 36,893 unemployed people (Financial Mirror, 2012) is considered a significant issue which indicates an organization which is able to produce, develop and survive through this difficult period of economic crisis. The difference in the responses of the interviewees can be appointed to the fact that some argue that the staff increase was exclusively due to the merger, but as it is stated verbally it is also based in on the requirements that the organization has to follow as made compulsory by the Authority of Supervision and Development of Cooperative Societies (A.S.D.C.S.).

Continuing with Q8, the score is 3,765 and the standard deviation derived from the survey is 1,147 as shown in the appendix. The question examined the ways that the merger helped the reduction of the operating costs of companies. The participants' responses to this question are of great interest. Their views are different, as shown by the results, because they have a different point of view and they have a different perspective on the issue. Two of them disagree and four have no opinion. With a median scoring of 4, most of them seem to agree that the operating costs of the companies were reduced. In contrast to those who agree, some of them believe that the staff increase during the last years is not a source of operating cost reduction. The truth is that two instead of four branches continue to operate, gathering together all the facilities and functions related to the products and services, adding an additional advantage and promoting better controlling from the head office.

Question 12 has the second lowest score (3,722) of all the questions, and refers to the improvement of working environment. The interviewers' answers vary widely, having a standard deviation of 1,227. Differentiation of those answers came mainly from staff's different perspectives and evaluation of their work. Due to the fact that many interviewers are staff members, they form their evaluation from their personal point of view. Therefore, we conclude that probably some of them are not sufficiently satisfied from their job. However, this part needs a different approach in order to be analyzed.

The lowest score level, 2.889, (the lowest score of all the 15 questions as shown in the appendix) were related to staff reductions, and for the merger year, 2005, difficulties and inconveniences caused to the operation of the consolidated company. This question presented the lowest levels of agreement and standard deviation was 1,278. More specifically, 28% of the participants neither agree nor disagree with the statement. Staff reductions were necessary to take place, because some of the members were not able to continue working in their previous positions, and practically the four managers automatically had to be replaced by one.

4.2.3.2. Competitiveness

The survey questions 2, 3, 10, and 11 indicated the competitiveness variable, and were related to new customers, company strength, bargaining power, and advertising. The following text box presents the results for competitiveness.

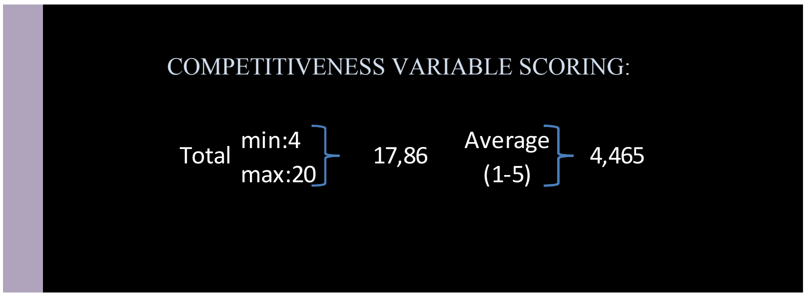

Figure 9: Competitiveness Variable Scoring

Starting with question 11, which scored the highest mean 4,556, we conclude that the merger worked as showcase and promoted the company; thus acted as a magnet for many new customers. The merger of a company shows that it can cope with competition and compete worthily. The projection of the merger of the company, especially the period when it took place, gave wide publicity both within the company and to the geographic region. This increased competitiveness and enhanced the answers of the participants.

Furthermore, the second question, as described in the questionnaire, refers to the new customers attracted by the merge. According to the ranking results coming through the survey (4,471), almost 100% of the participants strongly believe that the merger attract new customers to the bank. The number of new customers increased rapidly, especially during the year after the merge, according to (Spyrou, 2012), the President of Bank Committee. Consolidated company increase the competitive advantage and since then considers as one of the strongest competitor for the other banks in the geographic area. (Ioannou, 2012). It is worth to be said that due to the fact that Coop Bank Pomou-Tillirias was one of the first Banks that followed the merging strategy over the island and the increased advertising made even more customers trusting the name "Coop Bank Pomou-Tillirias".

A score of 4,444 was produced for the third question which refers to the help provided by the merger to the company in order to cope with the difficult period of the economic crisis and to avoid the closure of any of the four previous companies. Since 2009, when the economic crisis started, the unsustainable climate and the unstable political factors forced many branches in remote areas to closure. There is no doubt that neither in terms of customers nor in terms of stakeholders, that if the branches remained independent today, they would probably not exist, since the three of them could not assemble current requirements. According to the results obtained from the questionnaires the participants strongly argue that there was no other way out for the four independent companies. In conclusion, the merger was their only way out. Even judging from the financial statements observed previously, the merger was completed on the best possible time.

Sixteen of the respondents agreed that the bargaining power of the bank increased after the merger, while one person did not want to comment. However, the mean score on this question was 4,389. The four companies' power is clearly greater now, when these four banks operate as one, and under common administration. As commented previously, the bank's bargaining power definitely increased after the merger and responded to all the requirements of the Cooperative Central Bank and the Central Body. In contrast, the bargaining power that the Bank has today would not be possible to be held during the years before the merger.

4.2.3.3. General Questions

Three of the questions in the survey, with one of them being open –end, are general questions, having as a purpose to take an overall idea, and compare the participants' different points of view. These do not indicate in a specific variable. The general questions indicate if the step towards the merger was correct, if interviewers suggest the merger of SMEs and if the advantages outweigh the disadvantages in the specific merger analyzed in this study. The following text box presents the scoring of the general questions.

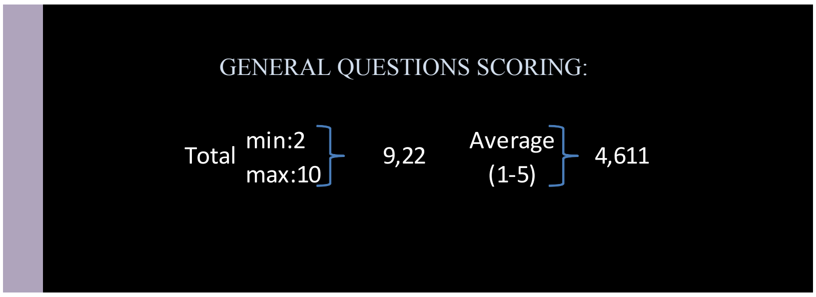

Figure 10: General Question Scoring

Starting with the highest score question in this category, which is question 4, we investigated on a scale from 1 to 5 how would the participants rate the bank merger movement as correct. As highlighted in the previous question, participants share the same opinion, that the merger movement was correct in the case of Pomou- Tillirias Bank. This is reflected in the mean of 4.667, which stems from the analysis of the results. This question recorded the highest rate of positive evaluation by the interviewees. The 72% of them totally agree and give a fairly clear picture of their view. It is emphasized that this observation (about bank mergers) is based on the fact that they refer to a specific case. Many scholars argue, having a completely opposite view on mergers, as reported previously in the literature review.

Moreover, Q4 is highly correlated with Q13, due to the fact that they have about the same meaning. Analyzing Q4 we concluded that most of the interviewees agree with the statement that the bank merger was a successful step in the viability of Pomou-Tillirias Bank. Taking in mind this conclusion, it is logical that the interviewees consider that the advantages of the merger were more than the disadvantages. This is verified from the mean of 4,556 in this question. Also, this question's standard deviation is 0,511.

The table below represents the mean, median, and standard deviation for the sum of questions included in the questionnaire, for each person.

Table 10: Median, Mean and Standard Deviation

Q.	Mean	Median	St. Dev
1	4,50	5,00	0,99
2	4,47	4,00	0,51
3	4,44	4,50	0,62
4	4,67	5,00	0,59
5	4,67	5,00	0,49
6	3,94	4,00	0,94
7	4,56	5,00	0,51
8	3,76	4,00	1,15
9	4,61	5,00	0,50
10	4,39	5,00	0,85
11	4,56	5,00	0,51
12	3,72	4,00	1,23
13	4,56	5,00	0,51
14	2,89	3,00	1,28
Operational Improvement			
Competitiveness			
General			

Continuing with the last but definitely not least question, Q15, the only one which was an open - end question included in the questionnaire, the survey participants were asked of their opinion on whether they recommend the SMEs merger or not. Below there are presented some of the participants' answers, exactly as they were provided in the questionnaires.

"Undoubtedly, I would recommend SMEs mergers for better customer service, since this is a more cohesive and strong organization"

"Of course I agree, provided that those companies planning to merge, they will have the same products and services in order to be able to cope. Merger helps the turnover increase and the hiring of the appropriate people in the appropriate job positions"

"The answer is not so simple. It is difficult to answer simply yes or no. In order to be able to have an appropriate answer in this question, you must be knowledgeable of the financial sector. Also, before any merger takes place, all the necessary factors they reflect on the future of the companies must firstly be considered. It is not an easy task because the factors that must be taken into account before the merger involve financial statements, stakeholders, and various personnel issues that will arise."

"I will definitely suggest SMEs mergers for the reasons below:

1. Turnover increase
2. Elimination of operational expenses
3. Advertising and promote the services and products of the company
4. Help the company to cope with the recession even though In this case it seems that the company has more costs due to obtaining other companies liabilities and losses.
5. Increase the company's competitive advantage"

"I will suggest the SMEs' mergers because they eliminate the risks that the companies face especially during the economic crisis, they become stronger and provide the ability to handle the probable problems"

Based on participants' opinion, since the majority of them are Committee members, their main idea is that they agree with the mergers of Small and Medium Enterprises but there is a main concern we have to focus on at this point. Most of them have in mind the Pomou-Tillirias case, in which the advantages were definitely much more than the disadvantages. But there is no doubt that a correct answer does not exist. Before the merger of any company, various factors have to be examined, in order to take the final decision that will provide the most positive future prospects.

4.2.4. Conclusion & Application on Hypotheses

The survey had as primary objective to investigate the opinion of people that were a part of the merger.

The outcome of the above analysis was that the participants agreed that the merger helped towards the expansion of the cooperative bank and agreed (Q.4) that the merger of the four cooperative banks was correct. It enabled the merged bank to expand and even in times of economic crisis to hire new staff (Q.6). It not only helped the bank to expand as an organization but also contributed to its negotiating power between the Central Cooperative Bank and relevant authorities (Q.10).

Overall the participants believed that the advantages were more than the disadvantages (Q.13) and that the reduction of staff due to the merger did not generate difficulties and disruption to the operations of the bank (Q.14)

The results were conclusive in relation to the hypotheses of this study. They had a tendency to confirm all four hypotheses, more specifically:

Hypothesis 1: The respondents confirmed that the merger had a big part to the increase of turnover and profitability (Q.1 and 6)

Hypothesis 2: The four questions related to this hypothesis (Q.2, 3, 5 and 11) were more than satisfactory for certainly conclude that the merger increased the competitive advantage and maximized the efficiency of the Coop.

Hypothesis 3: This hypothesis could only be confirmed by the results of the survey. The participants strongly believed that organizational procedures became more robust and harmonized with Central Cooperative Bank policy; this was proved by the results of questions 7, 9 and 12.

Hypothesis 4: Economies of scale was one of the major reasons for the banks to merge. The financial statements failed to certainly conclude on the achievement of economies of scale as operational expenses increased after the merge. As discussed this was potentially due to other factors that would have increase the costs to unbearable levels. Question’s 8 objective was to provide support that even though economies of scale was not proved by the actual financial data, it actually occurred by reducing the potential increase of the operational expenses due to new regulations. The mean of 4,61 strongly supports that argument and can be concluded that the merger helped in reducing operational expenses.

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CHAPTER 5. DISCUSSION-CONCLUSIONS AND RECOMMENDATIONS

The issue "Empirical research of strategic alliances and merges, as a mean of expanding SMEs- The case of COOP Bank Pomou-Tillirias" is to consider the merger of four independent Cooperative Banks into a consolidated one named today Pomou-Tillirias Cooperative Bank, which is connected to the Cooperative Central Bank. The strategic partnership and merger of these four SMEs has as a purpose the improvement of functionality and strengthening of the effective control, the significant reduction of cost and the increase of quality in customer service.

This paper introduces the case of Pomou-Tillirias Cooperative Bank in Cyprus, in order to examine such cases were mergers of Small and Medium Enterprises have positive consequences and can be considered as successful. The analysis is based on the comparison of the financial statement of the bank for the last thirteen years and uses questionnaire as a complimentary survey tool.

In addition to this, the paper analyzed the literature on current performance of SME's mergers, incorporating not only the performance factors, but also by taking into account the failure factor which previous studies have examined.

It is worth mentioning that Pomou Cooperative Bank was a healthy organization since the date of its establishment and had adequate turnover. This is the reason why the bank had the ability to merge with three other smaller Cooperative Banks, and was renamed into Pomou-Tillirias Cooperative Bank. Those four Banks not only got stronger and evolved from the merger but they also had the ability to recruit and employ 6 new employees, amid the economic crisis. That was a comparative advantage over other banks that either fired employees or reduced salaries.

The new bank managed to significantly increase its customer base, with satisfied customers from all over Cyprus and abroad, after the merger. During the last years, customers' deposits were significantly increased and as a result loans could be provided. The Cooperativeness in Cyprus is one of the major economic and sociopolitical factors that are inextricably linked with the economic progress of the country. A progressive line of any Cooperative Bank contributes positively to the promotion of a better economy in Cyprus. The success of the merge was not only a matter of an organization but had a wider impact.

The current study was based on four hypotheses seeking to prove that mergers used as a mean of expanding SMEs is a tool that positively contributes to that direction. As mentioned above, two major analyses took place in order to provide answers to those hypotheses, the financial one and one based on surveys' opinion analysis.

The numerical results alone could not provide satisfactory support for the hypotheses because of the effect of various forces of the external environment, such as the influence of financial crisis on the financial conditions of the Coop Bank. On the other hand, the personal opinion of the people involved in the merger was not solid and certain evidence whether the merger succeeded or not. The final conclusion was drafted based on a combination of the available information and results. The outcome was that all four hypotheses were confirmed to a great degree, as seen by their application in the analysis.

The only complication was that of Economies of scale related to Hypothesis 4. By analyzing solely the financial statements, it seemed that the merger did not help to reduce operational cost. Going one step further and seeing the overall picture, and taking into account the survey results, it was concluded that economies of scale were achieved as operational cost reduced, or was kept to minimum, while possible expenses resulted from new regulations and procedures.

The research concluded that in the case of the merger examined, the results were positive, improving the operations and increasing competitiveness and this characterized the merger as successful. The hypotheses of this study were proven through the results of the analysis since key findings suggested that the merger had positive effect on turnover and profitability, increased the efficiency and the competitive advantage, promoted the improvement of the harmonization of organizational procedures with the demands of the Central Cooperative Bank policy and reduced the possible operational expenses.

In some cases, SMEs merging may be a path to destruction. In the case examined, the merger contributed towards the expansion and harmonization to the new regulations of Authority of the Supervision and Development of Cooperative Banks.

In conclusion, this research has proven that the merging of SMEs is a potential way towards expansion. Certainly, that was the case for Pomou- Tillirias merger, it showed that there are important advantages deriving from cooperation of organizations and these overweighed the disadvantages.

CHAPTER 6. RESEARCH LIMITATIONS/ IMPLICATIONS

Each project or survey involves a degree of difficulty. In this occasion, some of the limitations of study were:

- The danger of not having a representative sample because of the company's size.
- The strictly confidential nature of the Financial Statements and all other useful information collected from the bank.
- The need to translate and rephrase the questionnaires, which were initially developed in Greek, in English language for the purposes of this dissertation.
- The meetings arranged with each participant (Employees, Committee and Managers) and the extensive time required in order to complete the questionnaires.
- The currency issue since the financial information was in Cyprus Pounds even after 2008, the year of Euro implementation, for comparative reasons.
- The lack of financial statements were not in electronic form and therefore had first to be transferred to a worksheet and then perform the currency conversion from Cyprus Pounds to Euros in order to be able to make comparisons.

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ABBREVIATIONS

ASDCS: Authority for the Supervision and Development of Cooperative Societies

CCI: Cooperative Credit Institutions

Coop Bank: Cooperative Bank

n.d.: no date

SMEs: Small and Medium Enterprises

APPENDICES

Appendix I

MERGERS OF COOPERATIVE CREDIT INTITUTIONS FROM 2005 TO 2007

AQUIRED COMPANIES				TRANSFERED COMPANIES		
A/A	NAME	DATE OF MERGE	RECORD. NUMBER	A/A	NUMBER OF RECORD	NAME
1	COOP GEROSKIPOU	11.2.2005	0151/1928	**1**	0033/1959	COOP TIMIS
2	COOP POMOU-TILLIRIAS (PREV. COOP POMOU)	13.6.2005	0046/1943	**2**	0372/1951	COOP PACHIAMMOU
				3	0034/1943	COOP PIRGOU NICOSIA
				4	0349/1950	COOP NEON DIMMATON
3	COOP STROUMBIOU	27.6.2005	0079/1927	**5**	0182/1946	COOP THELETRAS
4	COOP KOUKLION	27.6.2005	0018/1941	**6**	0002/1958	COOP NIKOKLIAS
				7	0308/1948	COOP ARCHIMANDRITAS
5	COOP ORINIS (PREV. COOP FARMAKA)	11.7.2005	0342/1938	**8**	0214/1947	COOP KALO CHORIO ORINIS
				9	0124/1928	COOP GOURRIOU
				10	0060/1927	COOP ODOUS
6	COOP SAVINGS BANK LIMASSOL LTD	6.2.2006	0157/1946	**11**	0060/1943	COOP ZAKAKI
		5.9.2007		**12**	0001/1995	COOP MECHANICHAL ENGINEERING LTD
				13	0274/1948	COOP SOCIAL EMPL. LIMASSOL
7	COOP MESA GITONIAS	16.2.2006		**14**	0383/1939	COOP FASOULAS
		13.9.2006	0368/1939	**15**	0256/1947	COOP PARAMITHAS
	-			**16**	0007/1963	COOP SPITALIOU
8	ΣΥΝ. ΟΙΚ. ΕΤΑΙ. ΔΗΜ. ΥΠΑΛ. Λ/ΣΙΑΣ	16.2.2006	0365/1951	**17**	0376/1952	C.S. COOP. EMPLOYEES NIC. LTD
9	COOP SAVINGS BANK NISOCIA LTD (PREV. SEGYP MITSERO LTD)	20.2.2006	0006/1994	**18**	0035/1924	COOP PLATANITSAS
				19	0076/1944	COOP LAGOUDERON-SARANT.
				20	0031/1943	COOP ASKA
				21	0121/1945	NEW COOP FTERIKOUDIOU

10	COOP EAST LIMASSOL (PREV. COOP PYRGO LIMASSOL)	20.3.2006	0152/1946	**22**	0052/1943	NEW COOP MONAGROULLIOU
				23	0111/1945	COOP MONIS LIMASSOL
				24	0371/1939	COOP KELLAKI
				25	0112/1945	COOP PRASTIO KELLAKI
				26	0028/1959	SEC. COOP PENTAKOMO
				27	0288/1948	COOP VASAS AND SANIDAS KELL.
		18.6.2007		**28**	0348/1938	COOP ASGATAS
				29	0089/1944	NEW COOP PAREKKLISIA
				30	0086/1944	COOP EPTAGONIAS
				31	0316/1949	COOP DIERONAS
11	COOP OF AGRICULTURE DEVELOPMENT (PREV. COOP MAZOTOS)	10.4.2006	0039/1927	**32**	0040/1927	COOP AGGLISIDON
				33	0008/1940	COOP ANAFOTIDAS
				34	0400/1940	COOP ALETHRIKO
				35	0010/1960	COOP ALAMINOU
				36	0003/1979	COOP KIVISILI
		7.6.2007		**37**	0119/1945	COOP SKARINOU
				38	0003/1975	COOP KOFINOU
12	COOP KOURION (PREV. COOP EPISKOPI)	15.5.2006	0022/1957	**39**	0300/1929	COOP ERIMIS -O TIMIOS PRODROMOS-
				40	0398/1940	COOP AKROTIRI
				41	0139/1928	COOP PANO KIVIDES
				42	0006/1964	GREEK COOP ASOMATOS LIM
				43	0002/1983	COOP SOUNI-ZANATZIAS
				44	0004/1961	COOP SOTIRAS LIM
				45	0002/1978	SEE SINIKISMOU KOLOSSIOU
				46	0002/1976	SEE KANTOS
				47	0005/1994	SEE PARAMALI
13	COOPERATIVE SAVINGS BANK MARATHASAS LTD (PREV. COOPERATIVE SAVINGS KALOPANAYIOTI LTD)	22.5.2006	0224/1937	**48**	0193/1936	S.T. PEDOULAS LTD
				49	0227/1937	COOP MOUTOULLAS
				50	0083/1944	COOP MILIKOURIOU
				51	0036/1955	COOP KAMPOS-TSAKKISTRA
				52	0101/1938	COOP GERAKION
14	REGIONAL COOP NICOSIA (PREV. COOP PERA CHORIOU NISOU)	15.6.2006	0249/1928	**53**	0004/1975	SEE KOTSIATI-MARKI
		9.7.2007		**54**	0500/1954	SEGYP TSERI

15	COOP STAVROS MINTHIS (PREV. COOP TSADAS)	4.10.2006	0050/1927	**55**	0046/1927	COOP KALLEPIAS
				56	0034/1943	COOP LETIMBOU
				57	0005/1961	COOP LEMONAS
				58	0239/1937	COOP CHOULOU
16	COOP LAONAS (PREV. COOP KATHIKA)	16.10.2006	0021/1923	**59**	0058/1943	COOP PANO ARODES
				60	0444/1953	COOP INIAS
17	COOP SIMOU	6.11.2006	0008/1955	**61**	0407/1952	COOP DRIMOU
				62	0186/1946	COOP LASA
				63	0041/1957	COOP DRINIA
				64	0100/1928	COOP FITI
18	COOP ORINON THERETRON LIMASSOL (PREV. COOP FINI)	11.12.2006	0190/1936	**65**	0083/1928	COOP KILANI
				66	0125/1928	COOP MONIATI
				67	0004/1969	COOP OMODOS
				68	0068/1943	COOP PANO PLATRES
				69	0266/1938	COOP PERA PEDIOU
				70	0120/1945	NEW COOP KATO PLATRES
				71	0311/1948	COOP MANDRIA LIM
19	COOP SAV. EMPLOY. EAC LTD	22.12.2006	0017/1960	**72**	0004/1965	S.T. EMPL. EPITROPIS SITIRON CY LTD
20	COOP MAKRASIKAS	2.1.2007	0233/1947	**73**	0001/2001	S.T. STIRIXIS NEON LTD
21	COOP GIOLOUS	2.2.2007	0084/1928	**74**	0304/1948	COOP PANO AND KATO AKOURDALIAS
22	COOP AMARGETI AND PERICHORON (PREV. COOP AMARGETIS)	19.3.2007	0057/1943	**75**	0385/1939	COOP NATAS
				76	0089/1928	COOP PENTALIAS
				77	0347/1950	COOP GALATARIAS
				78	0424/1953	COOP KILIANIAS
23	COOP LISIS LTD	30.4.2007	0057/1936	**79**	0004/1983	S.T. KATH. AMERIKANIKIS AKAD. LTD
24	COOP STROVOLOS	4.5.2007	0025/1942	**80**	0003/1917	COOP LEFKONIKO
				81	0001/1991	S.T. PERIOCHIS KITHREAS LTD
				82	0025/1924	COOP GIALOUSAS
25	COOP PERICHORON STAVROVOUNIOU LEFKARON (PREV. COOP KORNOS)	7.5.2007	0063/1927	**83**	0396/1940	COOP PSEVDA
				84	0029/1960	COOP KALO CHORIO LAR
				85	0100/1945	COOP PIRGON LARNAKAS
				86	0156/1946	COOP MOSFILOTIS
				87	0169/1929	COOP PANO LEFKARA
				88	0335/1950	COOP AG. VAVATSINIAS
	COOP PANO LEFKARA *	31.7.2006	0169/1929	**89**	0303/1948	NEW COOP VAVATSINIAS

26	COOPERATIVE SAVINGS BANK SOLIAS LTD (PREV. COOPERATIVE SAVINGS BANK KALIANON LTD)	21.5.2007	0322/1949	**90**	0247/1951	COOP LINOU-FLASOU
				91	0233/1937	COOP EVRICHOU
				92	0025/1963	COOP SINA OROS
				93	0221/1947	COOP KORAKOU
				94	0086/1937	COOP TEMPRIAS
				95	0126/1946	COOP KATIDATA
27	COOP TAMASSOS (PREV. COOP PERA ORINI)	4.6.2007	0145/1928	**96**	0093/1945	COOP ERGATON
				97	0344/1950	COOP PSIMOLOPHOU
				98	0006/1963	COOP KAMPION
				99	0147/1929	COOP KAPEDON
				100	0009/1961	COOP POLITIKOU
				101	0024/1960	COOP EPISKOPIOU
28	COOP PERIFEREIAS CHRISOROYIATISSAS (PREV. COOP PANAYIAS)	8.6.2007	0097/1938	**102**	0006/1962	COOP KANNAVIOU
				103	0014/1958	COOP KRITOU-MAROTTOU
				104	0501/1954	COOP AG. DEMETRIANOS
				105	0196/1928	COOP STATOS-AG. PHOTIOS
29	COOP SEMIOREINIS LIMASSOL (PREV. COOP PELENDRIOU)	11.6.2007	0388/1940	**106**	0153/1946	COOP APESIAS
				107	0294/1948	COOP POTAMITISSAS
				108	0039/1936	COOP MONAGRIOU
				109	0045/1943	NEW COOP TRIMIKLINIS
				110	0300/1948	COOP DOROU
				111	0078/1927	COOP LIMNATIOU
				112	0070/1937	COOP ST. MAMANTOS
				113	0045/1936	NEW COOP LANIAS
				114	0187/1928	COOP SILIKOU
				115	0023/1959	COOP KORFIS
				116	0205/1947	COOP KAPILIO
				117	0178/1928	COOP ST. GEORGE LIM.
30	COOP DALIOU	26/7/2007	0240/1937	**118**	0002/1960	COOP POTAMIA
				119	0021/1963	S.T. YPALL. SAYPARKO LTD
31	COOPERATIVE SAVINGS BANK SOCIAL EMPLOYEES LIMASSOL LTD	3/8/2007	0333/1949	**120**	0002/1967	S.T. ERGATOYPALLILON ETAIREIAS KEO LTD
				121	0001/1996	S.T. EKTELONISTON LTD
32	COOP KONION-ARMOU-MARATHOUNTAS-EPISKOPIS (PREV. COOP KONIA)	17.9.2007	0048/1943	**122**	0271/1948	COOP MARATHOUNTAS
				123	0100/1927	COOP EPISKOPIS (PAPHOS)
				124	0096/1945	COOP ARMOS

Appendix II

MERGER COOPERATIVE CREDIT INSTITUTIONS IN AGREEMENT WITH COOPEATIVE COMPANY LAW OF 1985 UNTIL 2003 PART X
Two or more companies can merge into one company, if the majority of the vote, are from the members present and who always take part in specific gatherings according to law N.171 (1) 2000 & N.123(1) 20003:
Majority: a) In circumstances where a company consists of less than one hundred members, it is required that the minimum of 80% of the members, are present. b) In circumstances where a company consists of more than one hundred members, but less than two hundred members, it is required that the minimum of eighty members, are present. c) In circumstances where a company consists of more than two hundred members, but less than five hundred members, it is required that the minimum of one hundred and fifty members, are present. d) In circumstances where a company consists of more than five hundred members, but less than one thousand members, it is required that the minimum of two hundred and fifty members, are present. e) In circumstances where a company consists of more than one thousand members, but less than two thousand members, it is required that the minimum of four hundred members, are present. f) In circumstances where a company consists of more than two thousand members, but less than four thousand members, it is required that the minimum of seven hundred and fifty members, are present. g) In circumstances where a company consists of more than four thousand members, it is required that the minimum of one thousand members, are present.

Appendix III

Survey – Translated

Demographic data:

Gender: Man ◯ Woman ◯

Age: under 40 ◯ 40-50 ◯ 50-60 ◯ over 60 ◯

Position you had before the merger:………………….

Current Position:……………………..

Below is a series of statements.
Describe how much you agree or disagree with each statement using the following code:

1 = Totally Disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Totally Agree
(i.e.: 1 2 3 X 5 = Agree)

1. Merge of the four Cooperative Institutions (COOP Pomou, COOP Pirgou Tillirias, COOP Neon Dimmaton and COOP Pachiammou) help to the consolidaded turnover increase of the merged banks (current COOP Pomou-Tillirias). 1 2 3 4 5

2. The merge help to gain new customers and keep the current. 1 2 3 4 5

3. The merge helped the company cope with the difficult times of economic crisis, and to avoid the closure of any of the four merged institutions. 1 2 3 4 5

4. The merger of COOP Pomou, COOP Pirgou Tillirias, COOP Neon Dimmaton and COOP Pachiammou was correct. 1 2 3 4 5

5. Customer service is qualitative and quantitative better today, seven years after the merge. 1 2 3 4 5

6. Despite the difficulties that exist today because of the economic crisis, the consolidated COOP Pomos Tillirias recently and more specifically the last year and a half, hired 6 new employees. This is due to merge. 1 2 3 4 5

7. The merge helped towards the merged companies to follow the rules of Cooperative Central Bank regarding the fuction of Cooperative Institutions. 1 2 3 4 5

8. The merge help to reduce operating expenses. ① ② ③ ④ ⑤

9. The merge help the modernization and up to datedness of the systems. ① ② ③ ④ ⑤

10. Bargaining power of the merged bank increased in relation to the Cooperative Central Bank. ① ② ③ ④ ⑤

11. The merge of the four Cooperative Institutions helped promoting both products and services and also advertised the merged bank due to the fact that it was one of the first Institutions to merge. ① ② ③ ④ ⑤

12. The working environment is better nowadays. ① ② ③ ④ ⑤

13. The benefits of the merge were more than the negatives. ① ② ③ ④ ⑤

14. Reducing the staff, in 2005, at the merge caused difficulties and troubles in relation to the operation of the newly merged company. ① ② ③ ④ ⑤

Would you recommend the merge of Small and Medium Entities or not? Please elaborate on your answer.

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