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MERGERS AND ACQUISITION: VODAFONE GT CASE

BY

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DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it's contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work to my family, my beloved wife Anita for her immerse interest in this project and for her continuous support and love. I also dedicate it to my baby girl Aseye and her brothers Sewenam, Seyram and Makafui for being a great source of inspiration to me. Furthermore, I dedicate it to my mother, Daa Pat and Brother Nii Ayitey for their support.

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May God richly bless you all.

ABSTRACT

Ghana has seen a far less number of mergers and acquisitions in the telecommunication sector over the past years as compared to the banking industry. The most prominent among them and of immense national interest was the Vodafone acquisition of Ghana Telecom (GT) but whether they have brought any significant change or the outcome has been 'Value conserved', 'Value created' or 'Value destroyed' to GT or Ghana economy makes it imperative to investigate in this area. This study examines the impact of mergers and acquisitions on the acquiring company's corporate financial performance, within the Ghanaian economy, using Vodafone Ghana as case study. The issue was investigated using performance measure based on the company's annual reports and a nonparametric test was carried out on the views of customers and staff in order to know the areas of improvements after the acquisition. The results of the study shows that the accounting performance has increase in some aspect and declined in others after the merger. There has being a downward fall in profitability performance. Sales growth increases during the post-mergers periods since it has the same trend with the pre-mergers period but much higher values in the post-mergers periods. Operating expense and financial leverage have been decreasing while liquidity has been on the rise and from the views of customers almost all areas have seen some improvements but the areas that have seen most improvements is the prices of products and services which has become cheaper and available to customers.

To be able to attain merging objectives of achieving synergy, reducing cost of operations and improving market performance and profitability of the joint operations and other performance

benefits, the company should strengthen its business processes, restructure its capital base and improve its cash operation cycle.

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1.	GT	-	Ghana Telecom Limitd
2.	GOG	-	Government of Ghana
3.	MIC	-	Millicom International Cellular
4.	MTN	-	Mobile Telecommunications Network
5.	GNPC	-	Ghana National Petroleum Corporation
6.	M&A	-	Merger and Acquisition
7.	VFGH	-	Vodafone Ghana
8.	GOM	-	Gross Operating Margin
9.	NOM	-	Net operating Margin
10.	ROA	-	Return on Assets
11.	ROE	-	Return On equity
12.	OER	-	Operating Expense Ratio
13.	GSDER	-	General, Selling & Admin Expense Ratio
14.	CR	-	Current Ratio
15.	LLTA	-	Long Term Liabilities to Total Assets
16.	DE	-	Debt Equity Ratio
17	SPSS	-	Statistical Package for the Social Science

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The objective of this chapter is to give the reader an introduction of mergers and acquisition, and to provide some useful background information about mergers and acquisitions in order to give the reader a full understanding of the subject this thesis will explore. Furthermore, this chapter includes a problem discussion, the research questions and the aim of the study. Finally, the delimitations, targeted audience and the disposition of the thesis are presented.

1.1 Background

In the world of growing economy and globalization, major companies on both domestic and international markets struggle to achieve the optimum market share possible. Every day business people from top to lower management work to achieve a common goal, being the best at what you do, and getting there as fast as possible. As companies work hard to beat their competitors they assume various tactics to do so. Some of their tactics may include competing in the market of their core competence, thus, ensuring that they have the optimal knowledge and experience to have a fighting chance against their rivals in the same business or by the most popular way to achieve growth and dominance, mergers and acquisitions.

Mergers and acquisitions are the most frequently used methods of growth for companies in the 21st century. Mergers and acquisitions present a company with a potentially larger market share and open it up to a more diversified market. At times, a mergers or an acquisition simply makes a company larger, expands its staff and production, and gives it financial and other resources to be a stronger competitor on the market.

There are many reasons behind mergers and acquisitions. For instance, a particular company is very good at administration while some other company is good at marketing strategies or in operations. If the expertise of both is amalgamated, it produces synergy. A new company is formed in the process, which has a potential much higher and superior to what the individual companies previously had. By applying the rules of synergy effectively, mergers can be made a success.

Several other reasons for mergers are as follows:

1. Enhancing company productivity. There is also a general tendency that the merged companies would monopolize the market, thereby ousting others.

2. Reduce tax obligations

3. Gain new technology

4. Political factors. In this instant the 70% sales of GT to Vodafone afford the Government of Ghana (GOG) US$900M to boost the economy.

5. Cutting down expenses and increasing revenues.

6. When a company is not self-sufficient to operate on its own. Hindrances may be in the form of insufficient investment capacity, excessive competition due to which the company is not able to keep pace with other companies. Under such circumstances, the Companies may merge with the parent company for better output.

A merger is considered to be successful, if it increases the acquiring firm's value. The success rate for Mergers and Acquisitions is low. There is less than a 50 percent chance that a mergers or acquisition will become successful. Although growth through acquisitions is risky, companies continue using Mergers and Acquisitions strategies. The success rate of mergers indicate that neither academics or management in merging firms fully understand what a mergers means for the organization or have understandings for the factors that will determine the success rate.

In Ghana mergers and acquisitions have been rather unpopular due to her unique entrepreneurial culture and her business and political environment. Ghanaian business people prefer to work for themselves. Many Ghanaian companies are controlled by their founders or families who are usually the top largest shareholders and the top management. Besides, political and economic instability, in the past, hindered the growth of businesses in Ghana. However, in the last two decades, as Ghana embarked on political democracy, economic liberalization and financial deregulation, corporate Ghana has come to face more intense competition and now seeks mergers and acquisitions as alternative strategy to internal growth. Hence there have been more frequent occurrences of mergers and acquisition activities in Ghana in recent times. The mergers of La Palm Royal Beach Hotel, Berjaya Elmina Beach Hotel and Busua Beach Resort to form Golden Beach Hotels, National Savings and Credit Bank Limited and Social Security Bank Limited and subsequently the merged Social Security Bank Limited and Banc Societé Genérel to form S.G.- SSB Limited. Mobil Oil and Total oil also merged to form Total Ghana Limited while Kumasi Brewery Limited and Ghana Brewery Limited merged and adopted the name Ghana Breweries Limited. The merged Ghana Breweries Limited subsequently merged with Guinness Ghana Limited to form Guinness Ghana Breweries Limited. The largest of the mergers, which attracted a great deal of publicity, was between Ashanti Gold Fields Company

Limited and Anglo Gold South Africa Limited to form AngloGold Ashanti Limited. Prior to this merger, Ashanti Goldfields Limited had acquired a number of companies in Ghana and other African countries.

Other recent acquisitions in Ghana are notably in the telecommunication industry. In Ghana the ICT revolution, which is premised on the convergence of telecommunications with IT, has given a new slant to communications and has made the industry more of a necessity than a luxury. This is in stark contrast to decades ago when telecommunication was nothing more than public utility; characterized by monopoly and low tariffs and inefficiencies. Its main focus was on extending voice services to different parts of the country and placing priority on areas of economic importance when it came to building telecom networks. It was against this background that the government of Ghana privatized Ghana Telekom (GT) to Telekom Malaysia Berhard in a bid to restructure Ghana's telecommunications industry to make it more vibrant and commercially viable. This first ever mergers in the telecommunications industry in Ghana was a three year Technical Services Agreement (TSA) where G-Com Limited, a consortium led by Telekom Malaysia Berhard acquired 30% shares of Ghana Telecom from the Government of Ghana (GOG) for thirty million US dollar (US$30M) on the 20th February 1997.Exactly three years later when the contract expired GOG did not renew the contract due to failure on the Telekom Malaysia Berhard partners to meet its operating targets agreed upon in the TSA.

Mobitel (now Tigo) owned by Millicom Ghana Limited a subsidiary of Millicom International Cellular S.A. ("MIC"), was the first mobile cellular network in Sub-Saharan Africa. It commenced services in April; 1992.In 2002 Millicom Ghana introduced its GSM service under the brand name Buzz GSM. Buzz GSM with its trendy lifestyle image offered very exciting services to its numerous clientele.

Millicom International Cellular (MIC) changed the brand names of its Ghanaian subsidiary Millicom Ghana to Tigo, in line with its strategy of having a single brand name for all its global operations in March 2006.In 1998, Spacefon launched its prepaid service and christened it SNAP. "What can be described as the GSM evolution in Ghana, started essentially as way back as November 1996 with the launch of the first GSM service by Scancom Limited under the brand name of SpacefonAreeba. In September 2007 the Corporate Service Executive of MTN Ghana, Miss Mawuena Dumor announced the change of brand name because Mobile Telecommunications Network (MTN) has acquired Investcom Limited owned by Scancom (GH) Ltd. the operators of Areeba in Ghana.

While the Areeba brand will change to MTN Ghana, Scancom Ghana still remains the registered owners of the brand, except that Scancom is now owned by the MTN group. Areeba was previously known as Spacefon in Ghana. MTN acquired Investcom in July 2006.Investcom's takeover added five million more customers to MTN and has increased the number of countries where the Group operates mobile networks to 21.

In October 2007 Celtel International, a subsidiary of Zain (formerly named the MTC Group) announced it has signed an agreement to acquire 75% of Western Telesystems Ltd (Westel) from the Government of Ghana for USD 120 million. The Government of Ghana remains a shareholder in Westel with a 25% holding through the Ghana National Petroleum Corporation (GNPC). The transaction is subject to standard approvals and authorizations. Westel was the second national operator in Ghana licensed to also provide fixed and mobile (GSM) telecommunications services. The Zain Group, the leading mobile telecommunications network in the Middle East and Africa, launched the enhanced telecom services nationwide in the first half of 2008 and the acquisition of Benso Oil Palm Plantation by Unilever Ghana Limited.

However, in spite of this new trend, mergers and acquisitions are not well understood in Ghana, because they are relatively new in the country.

The definition of a mergers by Oxford dictionary is *"The combination or amalgamation of a commercial company, institution, etc., with another, or the consolidation of two or more companies, etc., into one; an instance of this."* As the definition states, there are two types of mergers. A mergers can consist of two or more companies merging together to form a new company, which is recognized as a combination. It can also be seen as absorption, where one or more companies merge into a current legal entity. In the latter, the legal entity that remains is seen as the dominant company.

This thesis will focus on absorption mergers when conducted inside organizational structures. The study therefore attempts a review of the financial consequences of mergers and acquisitions in Ghana using Vodafone Ghana as a case study. It assesses the impact of the mergers on the acquiring company's corporate financial performance and reveals whether the mergers resulted in a better corporate financial performance or not.

1.2 Statement of the Problem

Once the business is acquired, a dilemma arises as to whether to merge the newly acquired company and form one legal entity or to keep it as an independent subsidiary. It is common for new challenges to arise when a company reorganizes itself. Therefore, managers need to weigh the positive and negative effects against each other to see if the mergers strategy is sustainable.

Mergers and Acquisitions have been, for at least two decades, the center of management research. They are increasingly seen by companies as an efficient and fast way to expand onto new markets to gain new competences including brand. But, as stated before, the success is by no means assured. From 50 to 75 percent of Mergers and Acquisition fail to achieve the anticipated purpose. Some of the reasons that contribute to this are:

1. Failures in anticipating the impact of the merging brands (both from corporate and product level)

2. Evaluating the candidate's brand profile correlated with the acquirers needs and

3. Creating a successful brand strategy.

Due to the increasing number of mergers that occur and as there are many mergers that are seen as unsuccessful it is interesting to see what effects can be expected from merging Companies? Beside the advantages that arise, there are obviously also pitfalls. This thesis will also research the motives of mergers through absorption within a current corporation. Furthermore the thesis will explore the financial and organizational effects of mergers of this kind. The thesis will also explore whether the normal mergers literature can be applied to mergers between Companies.

It is likely that mergers or acquisitions will also lead to organizational changes. This is something that could make the integration process more difficult since changes often lead to anxiety or even resistance towards the change. How to cope with the existing cultures to avoid cultural clashes and also how to prepare the organization for the coming changes is something that is a problem area concerning mergers and acquisitions.

The creation of shareholder value is a key justification for any mergers or acquisition. According to Bruner (2001), this occurs when the returns on investment exceed the returns required, and the returns bear a positive value; the investor’s wealth grew higher than was required. The motivation of this study therefore is to find out whether the outcome has been 'Value conserved', 'Value created' or 'Value destroyed'.

According to the DuPont model all relevant measures of performance such as Return on assets (ROA) and Leverage are factored into the Return on Equity.

1.3 Objectives of the study

The main aim of this thesis is to assess the impact of the mergers and acquisitions on Vodafone Ghana's corporate financial performance. The specific objectives are to:

1. Compute and compare accounting ratios (efficiency, profitability, operational cost, sales growth, etc.) in the pre and post-mergers periods using the annual reports of the company to ascertain whether there has been an increase or decrease.

2. Analyze and discuss the computed ratios to arrive at conclusions on the impact of the mergers on corporate financial performance of the company and make appropriate recommendations for improvement.

3. Also to use a statistical test to ascertain the impact of the mergers and acquisitions on the performance of the company.

4. To determine whether the benefits to be derived from mergers and acquisitions per financial literature are being experienced by Vodafone Ghana.

5. To identify areas of improvement.

1.4 Research Questions

1. What are the motives for merging Companies?

2. Has there been an improvement in the capital, sales and technology of the company?

3. What is the possible impact of mergers and acquisitions on services, networks, availability of services and prices in Vodafone Ghana?

4. What was the trend of financial performance of the GT prior to the mergers?

5. What was the trend of financial performance of the GT post mergers?

6. What are the areas of improvement?

1.5 Justification of the study

The main importance of the study is to reveal the possible impact of Mergers and Acquisitions on a company corporate performance. Mergers and acquisitions are very important events in corporate finance, both for the firm and the economy. Many research findings have shown that mergers and acquisitions provide benefits to the company. By assessing the impact of mergers and acquisitions on the corporate financial performance of Vodafone Ghana, interested parties such as investors, workers, speculators, analysts and the company itself may find this study useful. Shareholders and investors are normally interested in returns on their investment, which is achieved through capital gain and dividends payout. The analysis in the study will therefore provide a basis for them to make informed decisions. Additionally, the study will augment other research works on Mergers and Acquisitions and thus contribute to knowledge on the topic of Mergers and Acquisitions which would be beneficial to students.

1.7 Limitations of the study

The research area of mergers and acquisitions is immense. A study of mergers and acquisitions can be investigated from the viewpoints of various disciplines such as finance, accounting, management, organizational behavior, corporation law, and social science. The study of mergers and acquisitions in the present dissertation will concentrate on a particular discipline to obtain a focused result, namely to a financial economics aspect only. The financial economics aspect of this research will investigate the shareholder wealth effect, that is, whether mergers and acquisitions significantly generate a wealth effect for the shareholders of target and bidding firms.

1.8 Organization of the study

This thesis is divided into five chapters each with a number of subcategories. The first chapter covers seven subcategories, the first one aims at defining the key concepts and terms, which will be employed throughout the thesis. It also deals with the introduction, which encompasses a short preview of the thesis. Furthermore, chapter one addresses the rationale and motivation which led the author to choose the presented topic and case study. The problem formulation and specifically the core questions intended to be answered throughout the analysis will also be dealt with in the first chapter. Finally, attention will be focused on objective, justification, scope of the study and limitations.

Chapter two is the theoretical approach, discussing and describing the theories employed throughout the thesis, and the rationale for choosing them. The cost of capital and the Economic Value Added will be comprehensively analyzed in this section along with the shareholder value point of view and the definition of mergers and acquisitions.

Chapter three describes the research methodology, how the data was collected, the source of data used and the type of data. It also defines key terms that were used in collecting and analyzing data, and a profile about Vodafone Ghana.

An analysis of the accounting ratios is covered in chapter four. Additionally, the chapter presents the calculation of key financial figures pre and post-mergers. These financial figures will be used for the Economic Value Added analysis of the mergers, and whether the mergers created shareholder value and also identify the areas of improvement.

Chapter five aims at providing perspectives regarding shareholder value after the acquisition of Ghana Telecom by Vodafone. It also talks about the benefits to be derived from the mergers and acquisitions per financial literature of Vodafone Ghana.

The last part is the conclusion of the thesis, and is intended to sum up the analysis undertaken throughout this paper, and its implications.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The area of mergers and acquisitions(M&A) has for a long time created much controversy in the corporate finance world for several reasons among them are the enforcement of law or a body of laws that prohibits anti-competitive behaviour (monopoly) and unfair business practices. Antitrust policies in the United States and across the world continue to be suspicious of large firms and mergers activity. Yet the increasing dynamism of the economy has intensified the forces of market competition. Some fundamental economic factors have changed. International competition has clearly increased, and many of our important industries are now international in scope. Concentration ratios must take into account international markets and will be much lower than when measured on the assumption of purely domestic markets. The pace of technological change has increased, and the pace of industrial change has increased substantially. This requires more frequent adjustments by business firms, including many aspects of restructuring that include acquisitions and divestitures. Deregulation in a number of major industries requires industrial realignment and readjustments and greater flexibility in government policy. New institutions, particularly among financial intermediaries, represent new mechanisms for facilitating the restructuring processes that are likely to continue. Some see mergers and acquisitions activity as a natural expression of strong change forces. These reasons serve as justification in the argument for mergers and acquisitions as opposed to internal growth and expansion. The reasons for mergers and acquisitions activities espoused by various authors during the 1980s and 1990s were associated with extraordinary growth in employment and in gross domestic product. Through mergers and restructuring, firms all over the world have become more efficient. In light of the increased dynamism of their environments and the greater intensity of competitive forces, firms should not be restricted by antitrust policies from making required adjustments to economic turbulence.Whether mergers create or destroy value for shareholders is also another raging debate. Determining whether mergers lead to improved performance is also another area of contention. One of the main difficulties in measuring acquisition performance lies in the assessment methods used. These methods include stock market reaction, valuing the whole entity after acquisition, abnormal returns, synergies and economies of scale, economies of scope, efficiency gain to name just the most common (Metais and Meschi, 2008).

This chapter therefore reviews relevant literature with respect to the theoretical approach, discussing and describing the theories employed throughout the thesis, and the rationale for choosing them. The cost of capital and the Economic Value Added will be comprehensively analyzed in this section along with the shareholder value point of view and the definition of mergers and acquisitions, types of M&A and measurement of profitability.

2.1 Theories and Reasons for Mergers and Acquisition

Many writers express the view that about 70 percent of mergers fail in the sense that they do not earn the cost of capital for acquiring firms. This estimate is somewhat misleading since it includes many small transactions where the level of sophistication is not high. Our own studies of the largest mergers suggest that the probability of success is closer to 50 percent than 30 percentage. In this chapter we begin with a review of the theories and reasons for mergers. This is followed by a summary of empirical studies on mergers.

The theories of mergers can be summarized into three major explanations, as summarized in Table 2.1. The first category is synergy or efficiency, in which total value from the combination is greater than the sum of the values of the component firms operating independently.

Hubris (the second category) is the result of the winner's curse, causing bidders to overpay; it postulates that value is unchanged. Of course, in synergistic mergers, it would be possible for the bidder to overpay as well.

The third class of mergers comprises those in which total value is decreased because of mistakes or managers who put their own preferences above the well-being of the firm, the agency problem.

agency problem.

<u>Table 2.1; Pattern of Gains Related to three Takeover Theories discussed above.</u>

Type	(1) Total Value	(2) Gains to Target	(3) Gains to Acquirer
Efficiency or synergy	+	+	+
Hubris (winner's curse, overpay)	0	+	–
Agency problems or mistakes	–	+	–

Source: Berkovitch and Narayanan, 1993.

Column 2 in Table 2.1 above indicates gains to targets are always positive. The acquired firm is usually paid a premium, so there are pluses under each type of takeover theory.

Next we consider gains to acquirers, shown in column 3. With synergy or efficiency, total value can be increased sufficiently to provide gains to acquirers. With hubris, by definition, total value is not increased, so acquirers lose.

For the mistakes or agency problems, total value is decreased, so that the gains to targets imply severe loses in value for acquirers. Therefore, within this framework, the main source of value increases is efficiency gains. Detailed within the broad category of synergy or efficiency gains are many individual items which include: Sources of Gains in M&A's;

2.1.1 Strategy

1. Develop a new strategic vision
2. Achieve long-run strategic goals
3. Acquire capabilities in new industry
4. Obtain talent for fast-moving industries
5. Add capabilities to expand role in a technologically advancing industry
6. Quickly move into new products and markets
7. Apply a broad range of capabilities and managerial skills in new areas.

Firms usually adopt M & A as a strategic means to achieve synergies especially in a competitive environment. Synergistic benefits are realised if the value of the merged company exceeds the value of the two companies taken separately (Brigham and Ehrhardt, 2005). If the value of the merged firm is represented by V_{xy}, the acquisition is said to generate synergy if $V_{xy} > V_x + V_y$, where V_x and V_y are the separate values. A successful merger thus requires that the value of the whole exceeds the sum of the parts (Ross et al, 2003).

For instance, the mergers between Trust Bank and Ecobank in June 2012 was considered by the managing director of Ecobank Ghana, Mr Samuel Ashitey Adjei as the highest single obligor in the banking industry in Ghana (Daily Graphic 1st June, 2012) and also Daimler and Chrysler in 1988 was considered by analysts as one with a very high potential for achieving product, geographical and operational synergies. Mercedes-Benz passenger cars are synonymous with luxury and sterling engineering whiles Chrysler is renowned for its low cost production of trucks, minivans and sport-utility vehicles. Chrysler is almost wholly domestic, and Mercedes is increasing global sales albeit within the confines of the luxury car market.

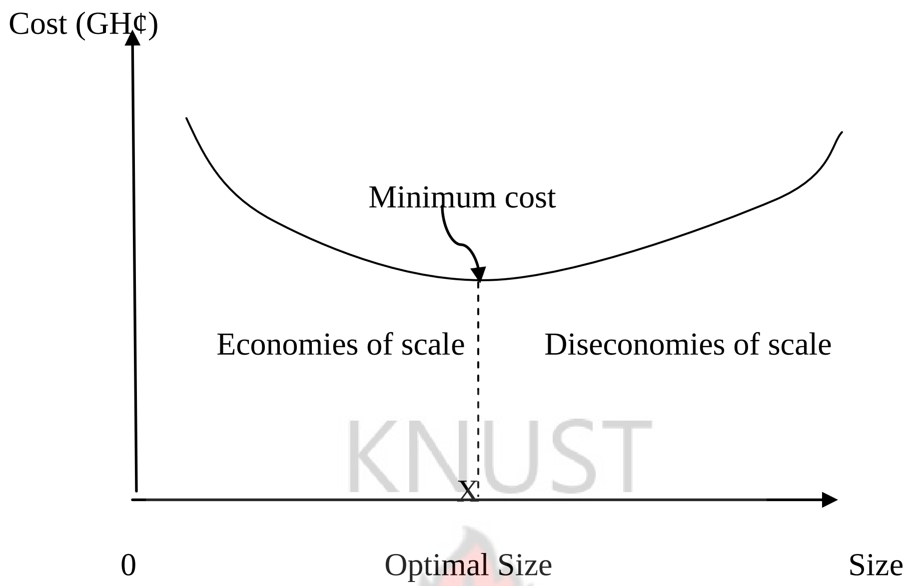
Analysts indicated that by spreading Chrysler's production expertise to Daimler operations and merging both product-development forces, the new company could cut costs by up to $3 billion annually (Pearce & Robinson, 2000).

2.1.2 Economies of scale

Cut production costs due to large volume; Combine R&D operations. Increased R&D at controlled risk Increased sales force; Cut overhead costs; Strengthen distributions systems.

Ross et al; (2003) postulate that one of the most basic reasons to merge is that a combined firm may operate more efficiently than two separate firms. One of the means through which a firm may obtain greater operating efficiency is through economies of scale. Economies of scale are achieved when there is a reduction in the average per unit cost of production as the level of production rises. This is realised as the firm increases its plant size until it reaches the optimal size. This is depicted in figure 2.2 below.

Figure 2.2 Illustrations of Economies of Scale



Source: Ross et al (2003).

From the figure above we see that as the firm expands in size through mergers and acquisitions from point 0 to point X, per unit average cost incurred by the firm continues to decline. This phenomenon is what is known as economies of scale. Point X represents the optimal size of the firm. At that point the firm incurs the lowest possible cost.

When Chase and Chemical announced plans to merge to form the largest bank in the United States in 1995, the chief executive officer Walter V. Shipley forecasted that the mergers would reduce costs by 16% a year or $1.5 billion a year. The savings was expected to come from the elimination of redundant costs and the consolidation of jobs. Specifically Shipley said his first assignment was to cut 12,000 jobs from the merged company’s total workforce of 75,000 (The Tech Newspaper, August 1995). Similarly Vodafone Ghana had to cut GT jobs by over 3,000 from 4,500 to 1,400 jobs.

2.1.3 Economies of scope

Broaden product line; Provide one-stop shopping for all services; Obtain complementary products.Economies of Vertical Integration**.** Vertical mergers involves the a firm trying to gain control over the production process by expanding back toward the output of the raw material; or forward to the ultimate consumer. Vertical mergers seek economies in vertical integration (Brealey and Myers, 2003). One way to achieve this is to merge with a supplier or a customer. Vertical integration according to Brealey and Myers (2003) facilitates coordination and administration. They provide as an illustration the case of an airline that does not own any planes. If it schedules a flight from Accra to Kumasi, It sells tickets and then rents a plane for that flight from a separate company. This strategy might work on small scale, but it would be an administrative nightmare for a major carrier that would have to coordinate hundreds of rental agreements daily. In view of these difficulties, almost all major airlines have integrated backward away from the consumer by buying and flying planes rather than patronizing rent-a-plane companies. Benefits from vertical integration are probably the reason that most forest product firms that cut timber also own sawmills and hauling equipment. Technology transfers are another reason for vertical integration (Ross et al, 2003). Very frequently, a company will decide that the cheapest and fastest way to acquire another firm's technological skills is to simply buy the firm. This is particularly common in high tech industries. An example is the acquisition of Vermeer by Microsoft in 1996.

2.1.4 Complementary Resources

Some mergers take place so one firm can provide what the other firm needs in order to record success in its operations. Many small firms are acquired by large ones to provide the missing ingredients necessary for efficient operations. Sometimes mergers also take place because the acquiring firm can better use the resources that are available to the firm being acquired. The small firm may have a unique product but lack the engineering and sales organisation required to produce and market it on a large scale. The firm could develop engineering and sales talent from the scratch but it may be quicker and cheaper to merge with a firm that already has ample talent (Brealey and Myers, 2003). The two firms have complementary resources, each has what the other needs and so it makes sense for them to merge. The two firms are worth more together than apart because each acquires something it does not have and gets it cheaper than it would by acting on its own. It is also possible that the mergers can open up opportunities that neither firm would pursue otherwise.

2.1.5 Tax Considerations

Taxation more often than not serves as a burden for most firms. Tax gains have therefore served as a powerful incentive for some mergers. A profitable firm in a high tax bracket could acquire a firm with large accumulated tax losses. These losses could then be turned into immediate tax savings rather than carried forward and used in the future.

What do firms do with excess cash? In other words if a firm has shortage of internal investment opportunities compared with its free cash flow what should it do? Brigham and Ehrhardt (2005) postulate that the firm could (1) pay extra dividend, (2) invest in marketable securities, (3) repurchase its own stock, or (4) purchase another firm. If it pays extra dividend, its stockholders would have to pay immediate taxes on the distribution. Marketable securities may earn a rate of return less than required by the stockholders and a stock repurchase might result in a capital gain for the remaining stockholders. However using surplus cash to acquire another firm would avoid all these problems and this has motivated a number of mergers. This method of disposal of excess cash can however lead to a reduction in the acquiring shareholders wealth. This happens when the tax savings are less than the premium paid in the acquisition.

2.1.6 Diversification

Managers of firms often give diversification as a reason for entering into mergers and acquisitions. It is often explained that the risk of earnings volatility is minimised when the activities of a firm are diversified. Thus when one aspect of operations is on the downside the loss can be compensated for or offset by increased or continued earnings in another aspect. This is designed to smooth the earnings result of a company, which over the long term smooth's the stock price of a company giving investors more confidence in investing in the company. This is also seen as a risk reduction function of mergers. This reason though has been described as dubious reason for mergers (Brealey and Myers, 2003). This is so because though diversification in itself is a good thing there is need to analyse the cost associated with the venture as opposed to other options.

According to Brealey and Myers (2003), diversification is easier and cheaper to the individual shareholder than for the corporation. In other words while diversification may hedge a company against a downturn in an individual industry it fails to deliver value since, it is possible for individual shareholders to achieve the same hedge by diversifying their portfolios at a much lower cost than those associated with a mergers. Indeed research suggests that in most cases diversification does not increase the firm's value. In fact many studies find that diversified firms are worth significantly less than the sum of their individual parts.

2.1.7 Management's Personal Agenda

This can be linked to the age old issue of the agency problem, where managers of firms pursue a different agenda from that of the owners who are the shareholders. They often pursue agenda in their own interest.

Managers may see mergers as a way for them to have large companies to manage and hence more power. Again in the past certain executive management teams had their pay-out based on total amount of profit of the company, instead of the profit per share. This gave these management teams the incentive to buy companies and increase the total profit while decreasing the profit per share (which hurts the owners of the company, the shareholders).

Managers' personal considerations also deter as well as motivate mergers (Brigham and Ehrhardt, 2005). After most takeovers, some managers of the acquired companies lose their jobs (as in the case of Vodafone GT merger about 99.9% of the managers have lost their roles or jobs in the past three years and the rest that left have lost their autonomy. Therefore managers who own less than 51 percentage of their firms' stock look to devices that will lessen the chances of a takeover. Mergers can serve as such a device. Brigham and Ehrhardt (2005) give an example of Time Inc.'s mangers rejected a takeover bid by Paramount by entering a heavily debt-financed mergers with Warner Brothers to enable them retain power. Such defensive mergers are hard to defend on economic grounds.

2.1.8 Extend advantages in differentiated products.

Advantages of size- Large size can afford high-tech equipment; Spread the investments in the use of expensive equipment over more units; Ability to get quantity discounts; Better terms in deals.

Best practices- Operating efficiencies (improve management of receivables, inventories, fixed assets, etc.); Faster tactical implementation; Incentives for workers—rewards; Better utilization of resources.

Market expansion- Increased market shares; Obtain access to new markets.

New capabilities, managerial skills- Apply a broad range of capabilities and managerial skills in new areas; Acquire capabilities in new industry; Obtain talent for fast-moving industries.

Competition- Achieve critical mass early before rivals; Preempt acquisitions by competitor; Compete on EBIT growth for high valuations.

Customers - Develop new key customer relationships; Follow clients; Combined Company can meet customers' demand for a wide range of services.

Technology-Enter technologically dynamic industries; Seize opportunities in industries with developing technologies; Exploit technological advantage ;Add new R&D capabilities; Add key complementary technological capabilities ;Add key technological capabilities ;Add new key patent or technology ;Acquire technology for lagging areas.

Shift in industry organization- Adjust to deregulation—relaxing of government barriers to geographic and product market extensions; Change in strategic scientific industry segment).**Increased market power:** Some firms may also engage in mergers activity to increase their market power. Daimler-Benz spent billions of dollars on acquisitions in the early 90s to try and transform itself from an auto maker into high-tech conglomerate excelling at everything from telecommunications to jet planes and become a global heavy weight in microelectronics to stay competitive with the US and Japan(Pearce and Robinson, 2000).

When Vodafone announced its acquisition of majority shares in Ghana Telecom it was in a bid to consolidate its position as one of the major players in the telecommunication industry in Africa (Vodafone site). A member of the interim management team and the CEO of Ghana Telecom (GT) indicated that, GT hoped to improve on its market share of about 18% to about 35% through the selling of 70% Government stake in Ghana Telecommunication Company Limited (GT) to Global Giant Vodafone.

2.2 Definition of Mergers and Acquisition

The Main Idea

One plus one makes three: this equation is the special alchemy of a mergers or an acquisition. The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies. Two companies together are more valuable than two separate companies - at least, that's the reasoning behind M&A. This rationale is particularly alluring to companies when times are tough. Strong companies will act to buy other companies to create a more competitive, cost-efficient company. The companies will come together hoping to gain a greater market share or to achieve greater efficiency. Because of these potential benefits, target companies will often agree to be purchased when they know they cannot survive alone.

2.2.1 Distinction between Mergers and Acquisitions

Although they are often uttered in the same breath and used as though they were synonymous, the terms mergers and acquisition mean slightly different things. When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition. From a legal point of view, the target company ceases to exist, the buyer "swallows" the business and the buyer's stock continues to be traded. In the pure sense of the term, a mergers happens when two firms, often of about the same size, agree to go forward as a single new company rather than remain separately owned and operated. This kind of action is more precisely referred to as a "mergers of equals." Both companies' stocks are surrendered and new company stock is issued in its place. For example, both Daimler-Benz and Chrysler ceased to exist when the two firms merged, and a new company, DaimlerChrysler, was created. In practice, however, actual mergers of equals don't happen very often. Usually, one company will buy another and, as part of the deal's terms, simply allow the acquired firm to proclaim that the action is a merger of equals, even if it's technically an acquisition. Being bought out often carries negative connotations, therefore, by describing the deal as a merger, deal makers and top managers try to make the takeover more palatable. (Investopedia.com-the resource for investing and personal finance education. http://www.investopedia.com/university/mergers (Page 3 of 15).

A purchase deal will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies. But when the deal is unfriendly - that is, when the target company does not want to be purchased - it is always regarded as an acquisition. Whether a purchase is considered a mergers or an acquisition really depends on whether the purchase is friendly or hostile and how it is announced. In other words, the real difference lies in how the purchase is communicated to and received by the target company's board of directors, employees and shareholders.

Garbage (2007) in his thesis paper on ‘International Mergers & Acquisitions, Cooperation and Networks in the e-business’ defines a mergers as the combination of two or more companies in which the assets and liabilities of the selling firms are absorbed by the buying firm. According to Gaughan (2002) a mergers is a combination of two companies in which only one company survives and the merged company ceases to exist, whereby the acquiring company assumes the assets and liabilities of the merged company. An acquisition also known as a “takeover” is the buying of a company, the “target” by another or the purchase of an asset such as plant or a division of a company. In the case of Vodafone acquisition of GT the acquired company Ghana Telecommunication Company limited still remains the legal name and Vodafone Ghana (VFGH) as the brand name.

Rosenbaum and Pearl (2009) describe another form of acquisition known as a consolidation. According to them the terms mergers and consolidation are sometimes used interchangeably. As a general rule of thumb, a merger describes the acquisition of a smaller company by a larger one. If the union is between two corporations of more or less equal size, then the term consolidation is probably applicable.

For the purpose of this study, the definition of Rosenbaum will be adopted as the working definition of a merger.

2.3 Types of Mergers

From the perspective of business structures, there are different kinds of mergers. According to Brigham and Ehrhardt (2005), economists generally classify mergers into four types: (1) horizontal, (2) vertical, (3) congeneric and (4) conglomerate.

2.3.1 Horizontal mergers

This type of mergers takes place when two firms in the same line of business i.e. they are in direct competition or they share the same product lines and markets combine. A typical example is the 1999 Exxon Mobil mergers. The merger between Vodafone and Ghana Telecom which is the focus of our study is also a horizontal merger.

2.3.2 Vertical mergers

A vertical merger involves firms at different stages of the production process, a customer and a company or a supplier and a company. For instance a cone supplier merging with an ice cream maker is a vertical merger. Another example is the acquisition of ABC television network by Walt Disney to enable Walt Disney air its recent movies to huge audiences.

2.3.3 Conglomerate mergers

This kind of mergers takes place when two firms in unrelated lines of business combine. A merger between a bank and a media house will be an example of a conglomerate merger. One example of a conglomerate merger was the merger between the Walt Disney Company and the American Broadcasting Company (http://www.ask.com/wiki/Conglomerate_merger)

2.3.4 Congeneric mergers

A congeneric merger takes place when firms involved in related enterprises but not producers of the same product (horizontal) or in a producer – supplier relationship (vertical) combine. The AOL and Time Warner merger is an example.

2.4 Challenges of Mergers and Acquisitions

According to Asamoah (2008), Negotiators sometimes play down the importance of certain key issues and sweep them under the carpet just to maintain the deal's momentum and speed up the negotiation process. Like most marriages which end up unhappy and costly, many often ending in divorce. Mergers and acquisitions sometimes do not deliver the added value that is expected due to errors which become increasingly visible as time passes. Most acquirers have realised that the anticipated synergies just don't exist, that the expanded market just isn't there or that the acquirer's and target's technologies simply were not complementary. In this section some of the challenges that face mergers and acquisitions and which sometimes make the deal go bad are discussed.

2.4.1 Cultural Compatibility

Combining divergent corporate cultures has remained a key challenge to the successful achievement of expected benefits of mergers and acquisitions. Prima facie cultural compatibility between combined organisations would imply cultural similarity. In this case achieving a successful merger hinges on the ability of decision makers to identify a potential merger partner which represents both a good strategic and cultural match, that its values and organisational practices are approximately similar in type. The assumption that organisations with similar types of culture automatically or exclusively make ideal and unproblematic marriages has not been verified by any empirical evidence (Cartwright and Cooper, 1996).

The overriding problem with mergers lies in the ability to integrate the new company into the activities of the old. This often centres on problems of cultural fit. Where the mergers is being used to acquire new competencies, this 'clash of cultures' may simply arise because the organisational routines are so different in each organisation. When the mergers between Daimler and Chrysler was announced, industry watchers questioned whether the enormously divergent cultures of then CEOs Auburn Hills and Stuttgart won't get in the way of the expected synergy. Some speculations were that Daimler's methodical decision making could squelch Chrysler's famed creativity whiles Mercedes reputation for luxury and quality could be tarnished by Chrysler's downmarket image. Cultural conflicts have created a disaster for some big cross-border mergers. For instance BMW's mergers with Rover floundered because BMW lacked a clear strategy and the companies' models cannibalised each other.

2.4.2 Integration Problems or Management Difficulties

Lack of attention to management issues may thwart efforts at achieving the expected benefits in mergers and acquisitions. Management difficulties range from failure to provide management continuity or clear guidelines of authority after the mergers to inappropriate incentives that cause management to steer the company in the wrong direction. Sony Corporation's acquisition of both CBS Records Inc. and Columbia Pictures saw Sony start off mistakenly thinking that it could oversee its American Companies from afar and with a light touch. It failed to put its own strong management structure in the US. It neglected to build links between Sony's American Companies on the two coasts. It lost control of expenses and by 1994 Sony was forced to take a $2.4 billion write-off (Pearce and Robinson, 2000).

2.4.3 Target Evaluation.

Scenario analysis can be used when a firm wants to confirm its strategy for example concerning its growth. Scenario analysis can help the firm to decide whether or not to go with mergers and acquisitions. It also helps the firm to identify its competitive position compared to its competitors and gives a prospect to future development of the entire industry (Mannermaa 1999, Meriso 1991).

Selection of the target company is crucial to any investigation. The objective of the selection phase is to recognise most potential alternative targets and the strategic objective of the acquirer determine the alternative targets. Detailed analysis of the target may include, profitability, - and financial analysis, product/market analysis, SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), production machinery analysis, research and development (R & D) activity analysis, target strategy analysis and control systems and organisational culture analysis. (Koivistoinen, 1989)

When the target company has been chosen, the next step is to evaluate it. In a due diligence – study, the point usually is whether the target firm's business serves the expectations that the buyer has concerning the acquisition. The objectives of a due diligence – study is to find out deal breakers, pricing issues, structuring issues and acquisition agreement issues. (Blomqvisty and all 1997).

When making decisions concerning mergers and acquisitions, it is valuable to identify the sources of synergy. Campbell& al. (2000, p.139) introduces a practical tool which allows managers to be more structured and analytical when making decisions about how to manage synergies. The process is a decision aid that harnesses four mental disciplines, size the prize, pinpoint the parenting opportunity, build on parenting skills and look for downsides, into a flow chart with three possible outcomes – choose an 'implementation' intervention; choose an 'exploratory' intervention; do nothing (Campbell & al. 2000, p.139).

2.5 Advantages and disadvantages of mergers and acquisitions (M&A)

Advantages and disadvantages of mergers and acquisitions (M&A) are determined by the short-term and long-term company strategic outlook of the new and acquiring companies.

This is due to a host of factors including market conditions, differences in business culture, acquisition cost and changes to financial strength surrounding the corporate takeover.

A well-known example of mergers gone badly was the September 15, 2008 mergers between Bank of America and Merrill Lynch. This mergers was surrounded by complications ranging from employee bonuses, added debt and forced hands as evident in the April 13, 2009 U.S. Senate Committee on Banking investigation of the mergers.

In the case where short-term financial benefits are not realized, long-term advantages may be seen as a valid and probable reason for the mergers or acquisition. This section will discuss advantages and disadvantages of mergers and acquisitions in four parts consisting of pros and cons of M&A decision making, operational and financial advantages, costs, and consumer benefits and drawbacks

2.6 Pros and cons of mergers and acquisitions

A number of reasons provide sanction for a corporate mergers and acquisition, not all of which are necessarily financial in nature. Moreover, M&A is within the scope of the Board of Directors to pursue and the company executives to initiate and execute. Since board members may also be subject to political, social, and personal interests, decisions seemingly in favor of the shareholders may also become quagmire with additional factors. According to Investopedia.com, an estimated 66% of mergers and acquisitions are not successful because of M&A intent. Of the 33% that are considered successful, the mergers and acquisitions achieved a net gain from the M&A with or without bad M&A intent. A number of reasons for the majority of failures exist in addition to the failures themselves indicating a potential disadvantage of M&A activity is a relatively high risk of failure. This is further illustrated in an article from a 2005 the Journal of Global Business on M&A preparation.

2.7 M&A failures

M&A failures include:

1. Bad basis for decision making on the part of the company leadership,
2. failure to consider and/or incorporate the new company,
3. bad management and
4. Overestimating the valuation of the acquired corporation.

Despite the reasons some M&A's fail, mergers and acquisitions regulations of such and their circumstances may harness the characteristics of the decision makers for the net economic advantage despite possible conflicts of interest, short-term financial and consumer disadvantages. In other words, in theory, mergers and acquisitions may be economically beneficial in terms of reducing complexity of regulatory oversight, increasing global corporate competitiveness, and adding to shareholders net worth. This is verified by the M &A activity that is successful through increases in equity valuations, larger market share, improved operational efficiency, higher industrial capacity etc.

2.8 Costs of mergers and acquisitions

Mergers and acquisitions can be costly due to the high legal expenses, and the cost of acquiring a new company that may not be profitable in the short run. This is why mergers or acquisitions may be more of strategic corporate decision than a tactical maneuver. Moreover, if a poison pill

(a strategy that tries to create a shield against a takeover bid by another company by triggering a new, prohibitive cost that must be paid after the takeover) unknowingly emerges after a sudden acquisition of another company's shares, this could render the acquisition approach very expensive and/or redundant. Legal expenses; Short-term opportunity cost; Cost of takeover; Potential devaluation of equity; Intangible costs of M&A activity can also be exacerbated by the short-term cost of opportunity or opportunity cost. This is the cost incurred when the same amount of investment could be placed elsewhere for a higher financial return. Sometimes this cost does not prevent or deter the mergers or acquisition because projected long-term financial benefits outweigh that of the short-term cost.

Consumer and shareholder draw backs; in some cases, mergers and acquisitions may not only disadvantage the shareholders but consumers as well. In both cases, this may happen when the newly formed company becomes a large oligopoly or monopoly. Moreover, when higher pricing power emerges from reduced competition, consumers may be financially disadvantaged.

2.9 Disadvantages facing consumers in regard to Mergers

Some of the potential disadvantages facing consumers in regard to mergers are the following;

1. Increase in cost to consumers;

2. Decreased corporate performance and/or service;

3. Potentially lowered industry innovation; Suppression of competing businesses;

4. Decline in equity pricing and investment value;

Shareholders may also be disadvantaged by corporate leadership if it becomes too content or complacent with its market positioning. In other words, when M&A activity reduces industry competition and produces a powerful and influential corporate entity, that company may suffer from non-competitive stimulus and lowered share prices. Lower share prices and equity valuations may also arise from the mergers itself being a short-term disadvantage to the company.

2.10 Measurement of M&A Profitability.

The ability to say anything meaningful about profitability of mergers depends critically on confidence in the methods and measures from which insights are examined. Bruner F. (2004) in his study 'Does M&A Pay, A Survey of Evidence for the Decision – Maker' provided four approaches to measure M & A profitability as follows;

2.10.1 Event Studies

These examine the abnormal returns to Shareholders in the period surrounding the announcement of the transaction. The raw return for one day is simply the change in share price and any dividend paid divided by the closing share price the day before. The 'abnormal return' is simply the raw return less a benchmark of what investors required that day – typically the benchmark is the return dictated by the capital asset pricing model (CAPM) or quite simply return on a large market index.

These studies are regarded to be forward looking on the assumption that share prices are simply the present value of expected future cash flows to shareholders. Since the 1970s these studies have arguably dominated the field. In a memorable comment Caves (1989) wrote "This technique was a genuine innovation – theoretically well grounded, cheap to execute and able to evade problem of holding constant other factors that plaque ex-post of mergers effects" (page 151).

2.10.2 Accounting Studies

Bruner (2001) further explains that these studies examine reported financial results (i.e. accounting statements) of acquirers before and after acquisitions to see how financial performance changed. The focus of these studies range across; net income, return on equity or assets, EPS, leverage and liquidity of the firm. The best studies are structured as matched sample comparisons, matching acquirers with non-acquirers based on inventory and size of firm. In these studies the question is whether the acquirers outperformed their non-acquirer peers.

2.10.3 Surveys of Executives

Simply asking Managers whether an acquisition created value, seems like, an obvious course. These present a sample of executives with a standardise questionnaire and aggregate across the results to yield generalisations from sample.

2.10.4 Clinical Studies.

These focus on one transaction or a small sample in great depth, usually deriving insights from field interviews with executives and knowledgeable observers. This is inductive research. By drilling down into the detail and factual background of a deal, the researches often induce new insights. The table below summarises the approach, strength, and weaknesses of each research method. Plainly no research method is fault – free, though some command more respect of scientific researchers than others. The task must be to look for patterns of confirmation across approaches and studies much like one sees an image in a mosaic stone.

2.11 Earlier M & A Studies.

An important stream of research on M&A returns is found in 15 studies of profit margins, growth rates, and returns on assets, capital, and equity, yields the observation that four studies report significantly negative performance post – acquisition, three report significantly negative performance, and the rest are in the non-significant middle ground.

There is a richer story embedded in these findings, which four studies illuminate. Meeks (1977) explores the gains from mergers from a sample of transactions in the United Kingdom between 1964 and 1971. This study draws upon a relatively large sample (233 observations) and tests the change in profitability following the mergers. Meeks (1977) looks at the change in return on assets (ROA) compared to the change in ROA for the buyer's industry. His chief findings reveal a decline in ROA for acquirers following the transaction, with performance reaching the nadir five years. For nearly two-thirds of acquirers, performance is below the standard of the industry. He concludes that the mergers in his sample suffered a "mild decline in profitability" (p.25)

Mueller (1980) edits a collection of studies of M&A profitability across seven nations (Belgium, German, France, Netherlands, Sweden, UK, and US). All the studies apply standard tests and data criteria and, therefore, afford an unusually rich cross-border comparison of results across part of Europe and the US. The research tests theories about changes in size, risk, leverage, and profitability. Profitability is measured three ways: a) profit divided by equity; b) profit divided by assets, and c) profit divided by sales. The changes in profitability for an acquirer (measured as the difference between the post-acquisition performance and the average profitability for the five years before the transaction) are compared to similar measures for two benchmark groups: i) firms matched on the bases of size and industry and who made no acquisitions and ii) a general sample of firms that neither made acquisitions, nor were acquired during the observation period.

Consistent with Meeks (1977) findings, Mueller's work finds that acquirers are significantly larger than targets; acquirers have been growing faster than their peers and then their targets; and are more highly leveraged than targets and peers. Regarding profitability, acquirers show no significant differences-the specific data for the US are generally representative of the findings across many nations.

The main observation from Mueller's findings is that acquirers reported worse returns in the years after than their non –acquiring counterparts – but not significantly so.

Commenting on the results from all seven countries, Mueller (1980) wrote, "No consistent pattern of either improved or deteriorated profitability can therefore be claimed across the seven countries. Mergers would appear to result in a slight improvement here, a slight worsening of performance there. If a generalisation is to be drawn, it would have to be that mergers have but modest effects up or down on the profitability of merging firms in the three to five year following the mergers. Any economic efficiency gain from the mergers would appear to be small judging from these statistics, as would any market power increases put up a current argument or contrary view.

Healey, Palepu, and Ruback (1992) studied the post-acquisition accounting data for the 50 largest US mergers between 1979 and mid-1984 and use industry performance as a benchmark against which acquirers' performance may be tested. Asset productivity improves significantly for these firms following acquisition, which contributes to higher operating cash flow returns relative to their rates of capital expenditure and R&D relative to their industries, suggesting that the improved performance is not at the expense of fundamental investment in the business. Most importantly, the announcement returns on stock for the merging firms is significantly associated with the improvement in post- mergers operating performance, suggesting that the anticipated gains drive the share prices at announcement.

CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANISATIONAL PROFILE

3.0 Introduction

This chapter outlines the research design and methodology adopted in this study. The chapter begins with a brief review of the research design method available and the method used. The chapter also includes the sample selection criteria and the collection of relevant information. The final part of the chapter examines the selection of variables, methods of measurement and the statistical procedures used in examining the research objectives.

3.1 Research Working Definitions

3.1.1 Profitability Ratios

Profitability Ratios is a class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well. Some examples of profitability ratios are profit margin, return on assets and return on equity, etc.

3.1.1.1 **Profit Margin**

Profit Margin is a ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every Ghana cedi of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. Profit margin is displayed as a percentage; a 20% profit margin, for example, means the company has a net income of Ghc 0.20 for each dollar of sales. It is also known as Net Profit Margin.

3.1.1.2 **Return on Assets - ROA**

Return on Assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

3.1.1.3 **Return on Equity - ROE**

Return on Equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

3.1.2 **Expense Ratio**

Expense Ratio is a measure of what it costs an investment company to operate a mutual fund. An expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average Ghana cedi value of its assets under management. Operating expenses are taken out of a fund's assets and lower the return to a fund's investors.

3.1.3 Liquidity Ratios

Liquidity Ratios is a class of financial metrics that is used to determine a company's ability to pay off its short-terms debts obligations. Generally the higher the value of the ratio the larger the margin of safety that the company possesses to cover short-term debts. Common liquidity ratios include the current ratio, the quick ratio and the acid test ratio.

3.1.3.1 **Current Ratio**

Current Ratio is a liquidity ratio that measures a company's ability to pay short-term obligations.

3.1.3.2 **Quick Ratio**

Quick Ratio is an indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. The higher the Quick Ratio the better the position of the company.

3.1.3.3 **Acid-Test Ratio**

Acid-Test Ratio a stringent indicator that determines whether a firm has enough short-term assets to cover its immediate liabilities without selling inventory. The acid-test ratio is far more strenuous than the working capital ratio, primarily because the working capital ratio allows for the inclusion of inventory assets.

3.1.4 Leverage Ratio

1. Any ratio used to calculate the financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligations. There are several different ratios, but the main factors looked at include debt, equity, assets and interest-expenses.
2. A ratio used to measure a company's mix of operating costs, giving an idea of how changes in output will affect operating income. Fixed and variable costs are the two types of operating costs; depending on the company and the industry, the mix will differ.

3.1.4.1 Debt Equity Ratio

Is a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders equity.. It indicates what proportion of equity and debt the company is using to finance its assets.

3.1.5 Earnings per Share - EPS

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

3.1.5 Dividend per Share - DPS

Is the the sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

3.2 Sample Size and Techniques

The sampling technique used in gathering data from the population is the random sampling method. The population is all customers and staff of the Vodafone Ghana. But the study focused on staff and customers of Vodafone in Accra and Kumasi. A Sample Size of two hundred twenty two (222) staff and customers where interviewed by administering questionnaires. However, the people who constitute the Sample Size were selected based on availability and accessibility of the respondents on the day the survey was carried out and hence the sampling technique is unbiased.

3.3 Method of Data Collection

The source of the data used in the research is both primary and secondary. The instruments used in collecting the primary data for the study were questionnaires designed for the customers and staff of Vodafone Ghana in Accra.

The questionnaire was designed to include brief personal information about the person filling it and for how long the customer has been doing business with Vodafone Ghana. It also include questions which are to be answered with a numeric value between 1 to 5 which indicate the level of agreement of the customer, with 1 being strongly disagree and 5 being strongly agree with the statements. Most of the questions were on network coverage of Vodafone, prices and availability of SIM cards and recharge cards, customer care etc. The unit of the data collected is either the level of agreement or the number of years.

The secondary data was obtained from Vodafone Ghana by Author through a series of process and interviews. It involves the financial statement and profit and loss account of the company from 2004 to 2011. The unit of the secondary data collected is in millions of cedis.

3.4 Method of Data Analysis/Statistical Procedure

The primary data collected was grouped and sorted using Microsoft excel. It was then coded and analyzed by using Statistical Package for the Social Sciences (SPSS). Statistical analysis, such as frequency table, charts and graph were used to make relative comparison. Also measures of central tendency such as mean, median, mode, etc. and measures of dispersion such as variance and standard deviation would be carried out on the data. Furthermore, an inferential statistics would be made on the data. A two sample Wilcoxon rank test would be carried out to ascertain the validity of the results.

The secondary data obtained are analyzed and discussed, with the aid of selected financial ratios and corresponding graphs computed using the data. The selected financial ratios were computed for the three years immediately before and three years immediately after the Takeover. The calculation of the ratios and their corresponding graphs for periods surrounding the acquisition date helped in identifying and comparing the trends in corporate financial performance of the acquired company before the mergers and of the merged company after the merger and acquisition. Performance indicators (classes of ratios) were computed to measure the company's profitability, growth, liquidity, financial leverage, efficiency and expense ratios.

These indicators were calculated as follows:

Profitability

Gross Operating Margin (GOM) = Gross Profit/Turnover

Net operating Margin (NOM) = Profit before tax/Turnover

Return on Assets (ROA) = Profit before tax /Total Assets

Return On equity (ROE) = Profit before tax/Net worth

Expenses Ratios

Operating Expense Ratio (OER) = Operating Expense/Turnover ×100%

General, Selling & Admin Expense Ratio (GSDER) = GSDER/Turnover ×100%

Net Interest Charge Ratio (NICR) = Net Interest Charge/Turnover ×100%

Liquidity

Current Ratio (CR) = Current Assets/Current Liabilities

Quick Ratio (QR) = (current assets-inventories)/current Liabilities

Acid Test Ratio (ATR) = Cash and Bank + Cash equivalent/Current liabilities

Financial Leverage

Long Term Liabilities to Total Assets (LLTA) = long term liabilities/total assets

Debt Equity Ratio (DE) = Total liabilities/Equity.

Growth

Sales Growth (SG) = (Sales of current year/sales of previous year) -1

Total Assets Growth = (Total Assets of current year/Total Assets of Previous year) -1

3.5 Organizational Profile

The backgrounds of the two companies have been compiled as follows;

3.5.1 Ghana Telecom Company Ltd (GT)

According to Ghana Telecom and Vodafone Ghana archives (1997 and 2010), the history of Ghana's telecommunication services date back to the 19th century (precisely1881) when the first telegraph line was established between Cape Coast and Elmina, for the use of the then colonial governor. This facility was later extended to the Christiansburg Castle, Osu under the supervision of the Public Works Department (PWD). After the extension to Christian Borg

Castle, the growth of direct exchange lines increased steadily and by 1963, when trunk routes between Accra – Takoradi, Accra – Kumasi, and Accra – Tamale were built the country could then boast of about 16,000 telephone subscribers nationwide. Since then, the country's telecommunication landscape has seen several transformations aimed at enhancing telecommunication services for progress in the socio-economic development of the country.

3.5.1.1 The First Telecommunications Project (FTP)

In pursuance of accelerating the socio-economic development of the country, a major telecom project was launched in 1975 to rehabilitate, modernize and expand the existing network to provide the following:

1. New digital telephone exchanges
2. Microwave transmission systems from southern to northern Ghana with television transmission and reception capabilities.
3. Earth Satellite Station project with international telephone and telex gateway switches.
4. Terrestrial microwave transmission link to facilitate communication within member countries of ECOWAS among others.

With the above services in place, communication across the length and breadth of the country became more efficient and less of a luxury. News broadcast via the television network could reach more viewers nationwide than before and relatives and business acquaintances seemed nearer because one could get in touch with a phone and not necessarily having to travel.

A second major telecommunication project which was embarked upon in 1987, addressed other areas that could not be covered under the First Telecommunication Project. According to the

Ministry of Communications (1999), Ghana Telecom has enjoyed monopoly in the provision of telecom services in the country. This came to an end when the industry was liberalized in line with Government of Ghana's telecommunication sector reform Programme.

The liberalization of telecom services, once the virtual preserve of a snobbish and elite few, became accessible to Ghanaians irrespective of their socio-economic status. This brought about the advent of cellular phone companies such as Mobitel, Spacefon and Celltell. The fixed line providers also increased by one. The newcomer in this sub sector was WESTEL who entered the Ghanaian market in December 1996 and have provided about 3% of the sectors services. A limited liability company was borne out of the Ghana Post & Telecommunications Corporation (P&T) which was established in 1974, under the then Ministry of Transport and Communications to provide postal and telecommunication services in Ghana. Ghana Telecom was privatized in 16th June 1995 as part of efforts to restructure the nation's communications sector to make it more vibrant and commercially viable. After its privatization, Ghana Telecom charted a new course with its new vision and mission to reflect the new orientation of the company. The vision of the company was: "To be a regional model, as a viable business entity and caring organization in meeting the telecommunication needs through total customer care".

To enable GT attain its vision, it spelt out its mission as: "To provide reliable, efficient and flexible telecommunication services to our customers with emphasis on innovation, technology and manpower development and meet stakeholders' expectation in attaining regional excellence".

Its main focus was on extending voice services to different parts of the country and placing priority on areas of economic importance when it came to building telecom networks. It was against this background that the Government of Ghana (GOG) privatized Ghana Telekom (GT) to Telekom Malaysia Berhard in a bid to restructure Ghana's telecommunications industry to make it more vibrant and commercially viable.

This first ever mergers in the telecommunications industry in Ghana was a three year Technical Services Agreement (TSA) where G-Com Limited, a consortium led by Telekom Malaysia Berhard acquired 30% shares of Ghana Telecom from the Government of Ghana (GOG) for thirty million US dollar (US$30M) on the 20th February 1997. Exactly three years later when the contract expired GOG did not renew the contract due to failure on the Telekom Malaysia Berhard partners to meet its operating targets agreed upon in the TSA. GOG contract abrogation with the G-Com Limited is an example of a mergers gone badly due to political and operational issues and litigations that ensured resulted in GOG paying huge international arbitration cost awarded in favour of the G-Com.

Not long after the ligation challenges were over GOG entered into a management partnership. Telenor Management Partners (TMP), a Norwegian consortium was subsequently assigned in July, 2002 to develop a Business Plan for Ghana Telecom covering the period 2003 – 2007. Following the acceptance of the Business Plan, the Government of Ghana entered into a Management Contract Agreement with TMP in February 2003 to implement the proposals in the Business Plan (mandate to help improve the sector by providing additional telephone lines, extending telephone services to every corner of the country as well as developing the existing quality of service to position the company in the global market. By introducing different services and products like FCT, Alvarion, Easyfone, Easytalk, Ecare and Broadband4U etc...). It needs to be mentioned that from a meagre seventy-eight thousand (78,000) Fixed lines nationwide in 1997, Ghana Telecom grow its fixed lines to about three hundred and twenty-eight thousand, four hundred and thirty-nine (328,439) as at December 2005. Also, Payphones services increased from four hundred and eighty (480) to eleven thousand, three hundred and sixty-four (11,364) as at December 2005.

Again, in October 2002, Ghana Telecom introduced a Cellular Mobile Service 'ONEtouch' and by December 2005 'ONEtouch' had reached all the ten (10) regions in the country and has about seven hundred thousand (700,000) customer base. These results have come about because of a number of interventions or changes under pinned by strategic changes introduced by the Malaysian. These interventions no doubts brought these results. In 2007, GOG sold 70 per cent shares in the enlarged GT to Vodafone; on a cash free, debt free basis for 900 million dollars. The Enlarged GT comprised of GT fixed line operations, cellular operations (OneTouch), Broadband operations, GT call centre (Exzeed), SAT-3 submarine Fibre optics landing station and National Fibre Optics Backbone. The deal has since generated huge controversies and public debate across the country, with some calling for a renegotiation of the agreement The Chief Executive Officer (CEO) of the company then, Mr Dickson Oduro-Nyaning, described the proposed sale of 70 per cent of GT shares to Vodafone as an opportunity to make the company more viable and strengthen its capacity to compete effectively on the market. Stating the management's take on the transaction, which is now before Parliament, Mr Oduro-Nyaning said the sale would inject $500 million into the company by Vodafone and that would help GT to properly roll out the network and improve the national fibre optic backbone But in a sharp contrast the Communication Workers Union(CWU)expressed its opposition to the sale and rather called on the government to recapitalise the company, saying the current management has the capacity to effectively manage it, given the needed resources.

3.5.2 Vodafone Ghana

According to Vodafone Ghana archive (2010) Vodafone Ghana is one of the latest additions to **Vodafone Group Plc.**, the world's leading mobile telecommunications company. This follows the successful acquisition of 70% shares in Ghana Telecommunications Company (GT) for $900million dollars by Vodafone International Plc. on July 23, 2008.

Vodafone Group Plc. is making significant in-roads in Africa and currently operates in Kenya, South Africa, Tanzania and Mozambique. It has significant presence in Europe, the Middle East, Asia Pacific and the United States through the company's subsidiary undertakings, joint ventures, associated undertakings and investments.

Vodafone Group Plc. has more than 315 million customers, excluding paging customers, calculated on a proportionate basis in accordance with its percentage interest in these ventures. Operational in 31 countries, the company is ranked among the top 10 global companies by market capitalisation. Vodafone has a unique portfolio of products and services. They provide you with high speed access to the internet, mobile services and fixed lines.

The company applies the latest industry technology and is keen on building the most versatile network .Going the extra mile to ensure that services on your mobile handset enable you to go out and conduct your business or have fun in the most enjoyable and relating manner. Vodafone indeed add value to your lifestyle. They are the market leader in providing broadband services which are among the most competitive in the market. The company has a deep sense of social responsibility. They do this through responsible employee volunteerism, providing access to communication in deprived communities and investing hundreds of thousands of cedis through the Vodafone Ghana Foundation in social causes. Excellent customer care is one of their strengths. And also pride their selves as being the only telecommunications company in Ghana with as many customer service points – situated to meet you at your point of need. Their promise to Ghana is to offer quality service on their network and ensure that their cherished customers have value for your money.Vodafone Group Plc. provides mobile telecommunication services. The company provides voice services, such as mobile voice communications and voice roaming, messaging services, including text picture and video messaging on mobile devices, data services, such as email, mobile connectivity, Internet on mobile, data roaming and fixed broadband services, fixed voice and data solutions, mobile advertising and business managed services. It also provides various devices, such as handsets, mobile data cards and mobile USB modems. The company offers a range of products and services including voice, messaging, data and fixed-line solutions and devices to assist customers in meeting their total communications needs. It provides business solutions, personal solutions and branded phones and devices. The business solution provides integrated communications, mobile solutions, productivity services, voice and messaging, roaming and machine-to-machine solutions. The integrated communications offers fixed and mobile communications both voice and data into one simple solution. The mobile solutions offer mobile broadband, secure mobile working and mobile email. The productivity services include unified communications, application services, hosted services and office 365 days' services. The branded phones and devices offers Vodafone 355, Vodafone 555 Blue, Vodafone Smart, Webbox, Vodafone handsets and Vodafone mobile broadband devices. The company was founded in 1984 and is headquartered in Newbury, the United Kingdom**.**

3.5.2.1 The Acquisition and Mergers

Vodafone has snapped up a controlling stake in Ghana's third-largest mobile phone company for $900m (£450m) as the world's largest mobile phone operator continues to hunt for growth in emerging markets (Richard Wray; The Guardian, Friday 4 July 2008).

Vodafone acquired 70% stake in Ghana Telecommunications, also the country's largest fixed-line operator, from the government as part of the company's privatisation. The government is retaining the rest but said previously that it would be floated on the local stock market.

The move is the latest by Vodafone to buy operations in fast-growing emerging markets as its traditional operations in Western Europe face intense competition and regulatory pressure over pricing. Over the past three years it has bought businesses in Turkey and India, and last month offered £1.2bn to seize control of its South African joint venture, Vodafone, the country's largest mobile phone player. Vodafone already has operations in Kenya and Egypt; Vodafone is also present in Tanzania, central Africa, Lesotho and Mozambique.

Ghana, the sixth-largest economy in sub-Saharan Africa, is one of the continent's fastest growing telecoms markets. About half the population of 24 million live in urban areas and more than half are under the age of 25. The numbers of mobile phone users increased by more than 50% last year but still only about a third of people have a phone. That is compared to a market penetration of more than 100% in Western Europe i.e. there are more phones than people.

At the end of last year Ghana Telecom had 1.3 million customers, giving it 17% of the local mobile phone market. The market is dominated by MTN, which has just over half of Ghana's mobile phone users. Tigo, owned by the Luxembourg-based Millicom, has 28%. The recent entrant Kasapa, owned by India's Hutchison, has just 3%.

Ghana Telecom has been losing out to its rivals over the past year and its market share has slipped slightly. Vodafone reckons the business can do better and is targeting a 25% market share by 2013.

The confusion over MTN's future may help Ghana Telecom. Africa's largest mobile phone operator has become a pawn in a game of sibling rivalry: the company was close to being taken over by Reliance Communications, run by Anil Ambani, the second-richest man in India. Last month, however, his brother Mukesh Ambani, who controls the rest of the family business, Reliance Industries, moved to thwart the $50bn deal. Mukesh reckons he has the right of first refusal to buy back Reliance Communications because the deal with MTN would technically be a reverse takeover. Vodafone came close to making an offer for MTN but decided that the price tag was too high and it would rather buy businesses across Africa and create its own empire.

Ghana Telecom, meanwhile, is also the country's number-one fixed-line and broadband provider, owning almost all the phone lines and 90% of the broadband market. The government has transferred its own fibre network into the business and Vodafone plans invest $500m over the next five years in the business and network. Last year Ghana Telecom made profits before financial charges of $42m, on sales of $290m.

"Ghana is one of the most attractive markets in Africa," said Vodafone's Group chief executive Officer, Arun Sarin, who will step down this month, to be replaced by Vittorio Colao. "I expect that our investment will generate substantial benefits for Vodafone Ghana and for the Ghanaian economy and we are delighted that we will be working in partnership with the Government of Ghana."

CHAPTER FOUR

PRESENTATION OF FINDINGS AND ANALYSIS

4.0 Introduction

This chapter presents findings and analysis on both the primary and secondary data obtained. First accounting ratios would be computed and analysis for before and after the mergers. Also line graphs would be used in checking if there had been a trend both in pre and post-mergers. Furthermore, a hypothetical test would be carried out on the views of both customers and staff of VFGH using Wilcoxon sign rank test.

4.1 Findings and Analysis

In order to examine the medium-to long term effect of mergers and acquisitions, the acquired firm's financial data include three years before the acquisition is completed (year-3, year -2, and year -1), and three years after the acquisition (year+1, year+2 and year+ 3). The year in which the mergers was consummated, 2008 (year zero), is not included in the data because varying accounting practices may bias the financial measurements in the year of consolidation. Exclusion of data for year zero can minimize the effect of such 'noise'. Comparing the post-mergers performance with pre-mergers performance provides a measure of the change in corporate performance.

The table below shows the financial data for each performance indicator for each of the three years immediately before and the three years immediately after the mergers. Below the table are graphical presentations of the data (ratios) and the discussions.

Table 4.1: Summary of financial data for each performance indicators (2005-2011)

		Ghana Telecom Limited			Vodafone Ghana		
Indicator	**Ratio**	**2005**	**2006**	**2007**	**2009**	**2010**	**2011**
		Year -3	**Year -2**	**Year -1**	**Year +1**	**Year +2**	**Year +3**
Profitability	**GOM**	40.97	39.58	33.82	62.29	59.8	45.22
Rate	**NOM**	-1.54	7.3	-6.72	-109.09	-94.47	-95.89
(%)	**ROA**	-0.97	3.66	-3.42	-54.26	-43.24	-35.19
	ROE	-0.03	1.38	0.64	5.85	0.89	1.13
Expenses	**OER**	59.03	60.42	66.18	37.71	40.2	54.78
Ratio (%)	**GSAER**	48.98	35.15	39.84	153.03	131.8	96.81
Liquidity	**CR**	0.38	0.33	0.45	0.66	0.5	0.79
Ratios	**QR**	0.33	0.3	0.38	0.42	0.46	0.75
	ATR	0.33	0.3	0.38	0.41	0.46	0.67
Financial	**LLTA**	0.13	0.28	0.41	0.81	1.02	0.89
Leverage	**DE**	2.36	36.54	10.47	11.77	3.07	4.19

Growth	**Turnover**	0.04	0.14	-0.89		0.66	-0.03
Rates (%)	**Assets**	0.09	0.43	-0.89		0.8	0.21

Sources: Annual Report of Ghana Telecom Limited", (2005 -2011).

Discussion of results

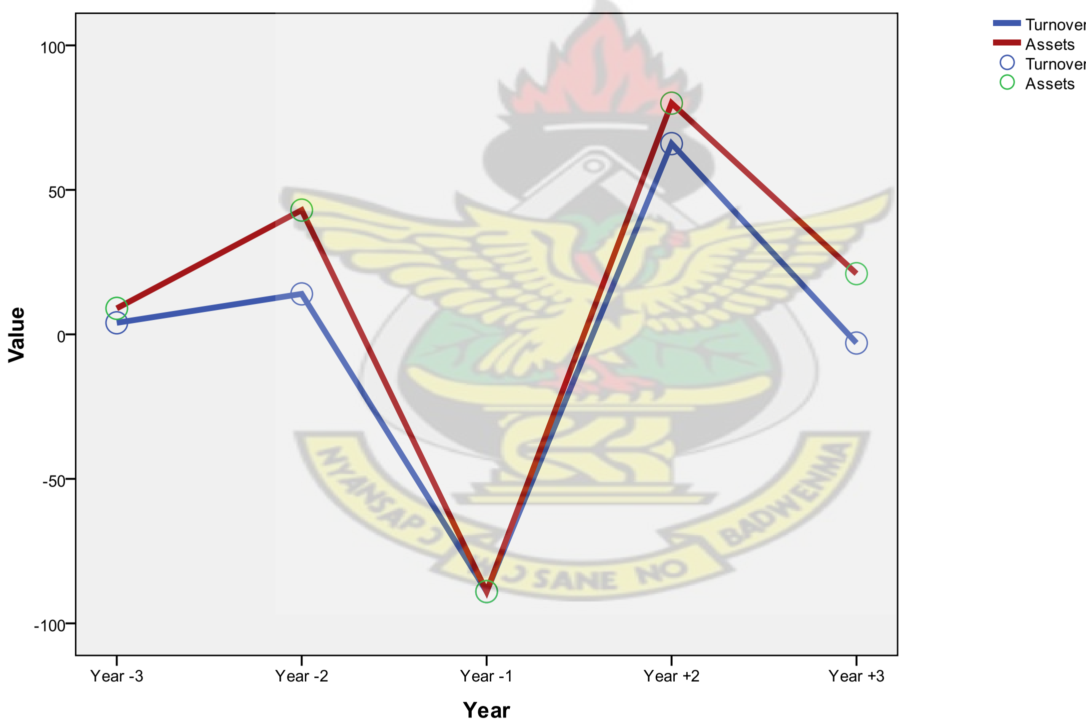
Growth

Figure 4.1.1 depicts growth rates of turnover and total assets. There was a sharp increase in GT's total assets growth rates from the third pre- mergers year to the second pre- mergers year before decreasing continuously till the year of the mergers. A similar sharp increase occurred in the first two post-mergers years. This was however followed by a continuous steep drop in the growth rates during the last post-mergers year. From the third pre-mergers year the turnover growth rate, though with higher values till the third post-mergers year, generally changes along with changes of the total assets growth rate.

As can be seen from figure 4.1.1 the post-mergers turnover growth rate for VFGH has out-performed the pre-mergers growth rate of GT, although they had the same trend of rising and falling, the post-mergers turnover growth rate of VFGH had significantly much larger values than the pre-mergers turnover growth rate of GT. The increasing post-mergers turnover growth rate means the acquisition has brought about some superior market performance, because it has resulted in some monopolistic or superior market power for the acquired firm.

The continuous sharp increases in total assets growth rate from -89% value in the first pre-mergers year (year-1) to 80% in the second post-mergers year (year +2), resulted from huge assets acquisition through both internal investments and the acquisition. A lot of assets were lost to the Government and individuals during the acquisition resulting in the low assets growth surrounding the acquisition. These result in the sharp increase post-mergers total asset growth rate. This is an indication that the pre-mergers assets growth rate is generally lower than that of the post-mergers assets growth rate which could lead to low stock returns (Michael Cooper, Huseyin Gulen and Michael Schill, 2009) thereby reducing shareholder's value.

Figure 4.1.1: Post-mergers turnover growth rate(2005 – 2011)



Source: Author's Result from Questionnaires

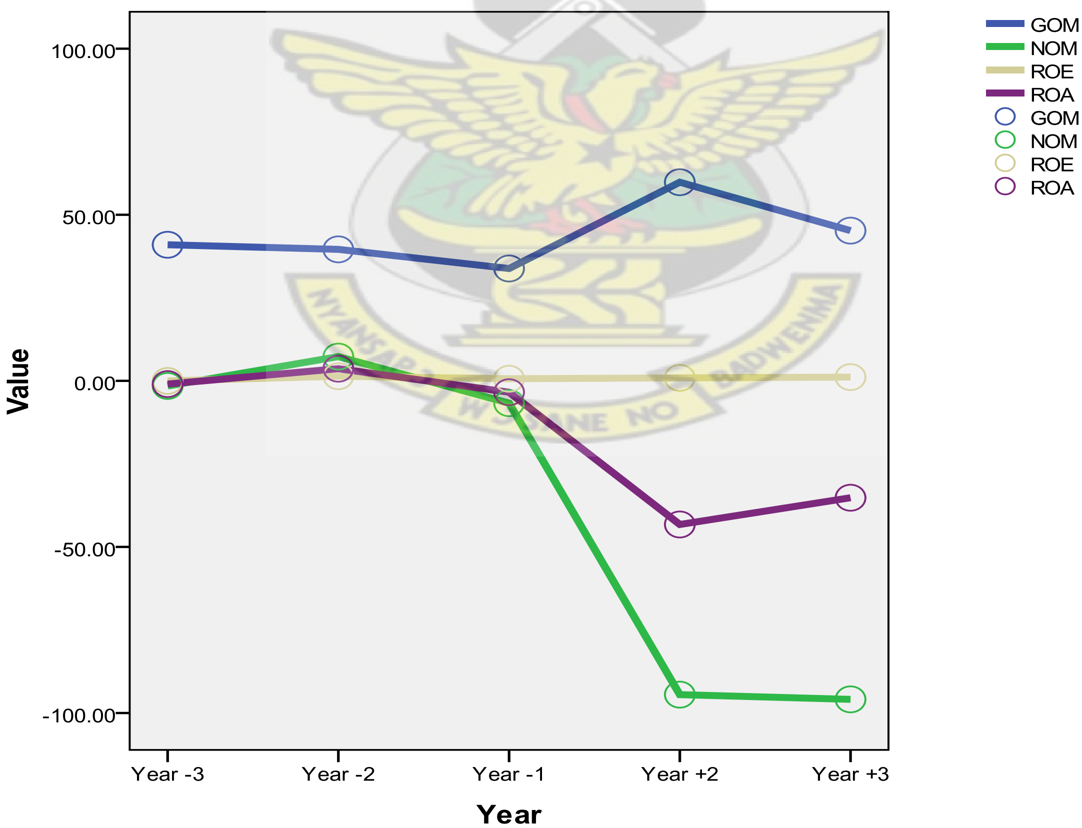
Profitability

In order to evaluate the impact of the acquisition on the profitability of GT, four ratios: ROA, ROE, GOM and NOM were used. From figure 4.1.2 below it can be seen that there is a steep decrease in NOM and ROA in the post-mergers period relative to pre-mergers period. The decline in ROA and NOM both started in the second year prior to the acquisition and deteriorated further in the first and second post-mergers year, but ROA deterioration was lower compared to NOM. Also there was an improvement in ROA from the second post-mergers year, even though not significantly. NOM had a slightly increasing trend throughout the period which makes it assumes a straight line with a positive gradient. Furthermore, there is continuous decrease in GOM throughout the pre-mergers period and then it start to rise till the second post-mergers year. This is followed by a slight decrease in GOM in the third post-mergers year which is still higher than the ones in the pre-mergers period. The decrease in NOM and ROA after the mergers is an indication that the degree of effectiveness of management of the combined company has decreased relative to the pre-mergers situation of the acquirer. Managements were finding it difficult integrating and coordinating operations of the acquired firms. The lower values of GOM and ROE in the post-mergers period means the firm's overall performance is increasing relative to the pre-mergers performance of GT.

Generally, the merger has brought about no improvement in corporate profitability, three years after the mergers, despite the strong performances at turnover. The payment of high interests on overdrafts and loans used to finance the mergers and to fund working capital, and the high general operating expenses are contributory factors for the decreasing post-mergers profitability. In absolute terms however, post- mergers profits are lower, as these ratios and turnover growth rates are mostly in negative values.

Figure 4.1.2: The impact of the acquisition on the profitability of GT(2005-2001)

Source: Author's Result from Questionnaires



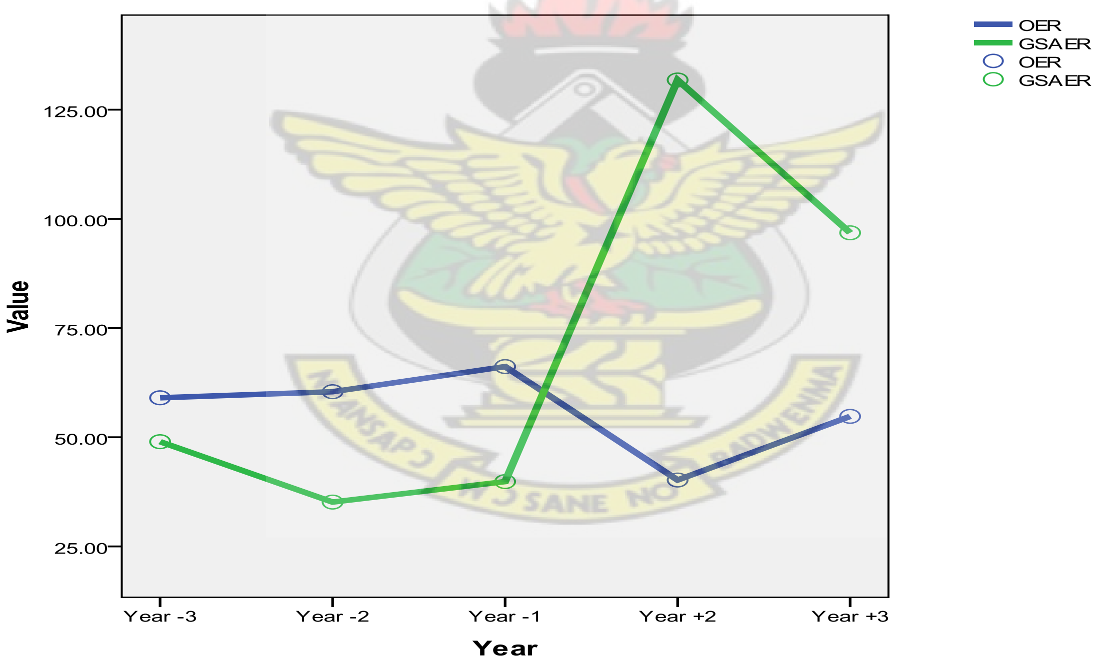
Source: Author's Result from Questionnaires

Expenses

As can be seen in figure 4.1.3 below, there has been a continuous rise in General, Selling and Administrative Expenditure from the second pre-mergers year to the second post-mergers year but the rise is highly significant in the second post-mergers year. This is followed by a significant decline in the last post-mergers year. This may means that the acquired company has not started to achieve operational and strategic synergies, as explained by Weston and Copeland (1989), an indication that the objective of achieving reduction in operational cost, through the acquisition, could not be achieved.

Generally, the overall operating expense ratio (OER) has been declining after the acquisition, though a marginal increase occurred in the third post-mergers year. The increase was more pronounced in the third post- mergers year. As shown in figure 4.1.3, there was a significant increase in the OER before the mergers was completed (in year-1). This trend may reflect a low level of efficiency of GT, following heavy internal investment in modern equipment and technology, before the acquisition and conversely, an increasing level of overall efficiency after the mergers. This in turn contributes to the decreasing profitability of the acquired firm, after the mergers.

Figure 4.1.3: Overall operating expense ratios(2005-2011



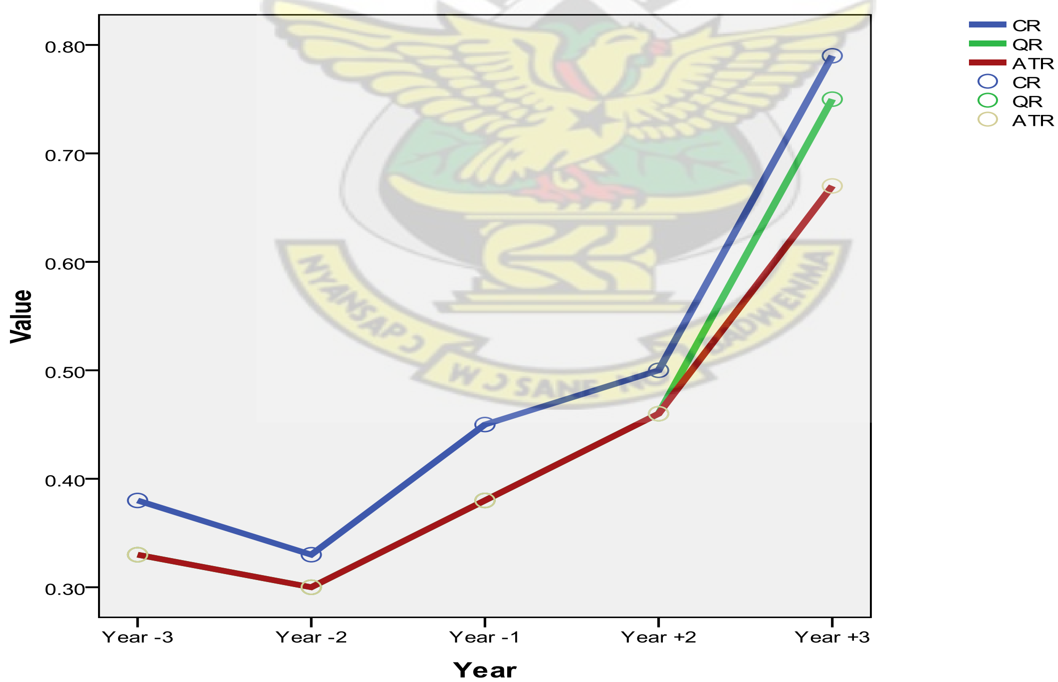
Source: Author's Result from Questionnaires.

Liquidity Indicators

There was significant ascendency in liquidity, beginning from the second year of the pre-mergers period under study, as CR, QR and ATR all continuously rise deeply into the post-mergers period, reaching highest levels in the third post-mergers year. As can be seen in table 4.1 above, this is accounted for by the increase in current assets and a significant decrease in current liabilities, all in third post- mergers year. Net assets figures over the study period attest further to this trend of liquidity.

This is an indication that VFGH is able to pay off its short-term debt with the money it got from selling its assets than GT. Also, VFGH is able to pay off bills as they come due even without selling inventories since QR is also increasing.

Figure 4.1.4: Liquidity Indicators(2005-2011)



Source: Author's Result from Questionnaires.

Financial Leverage

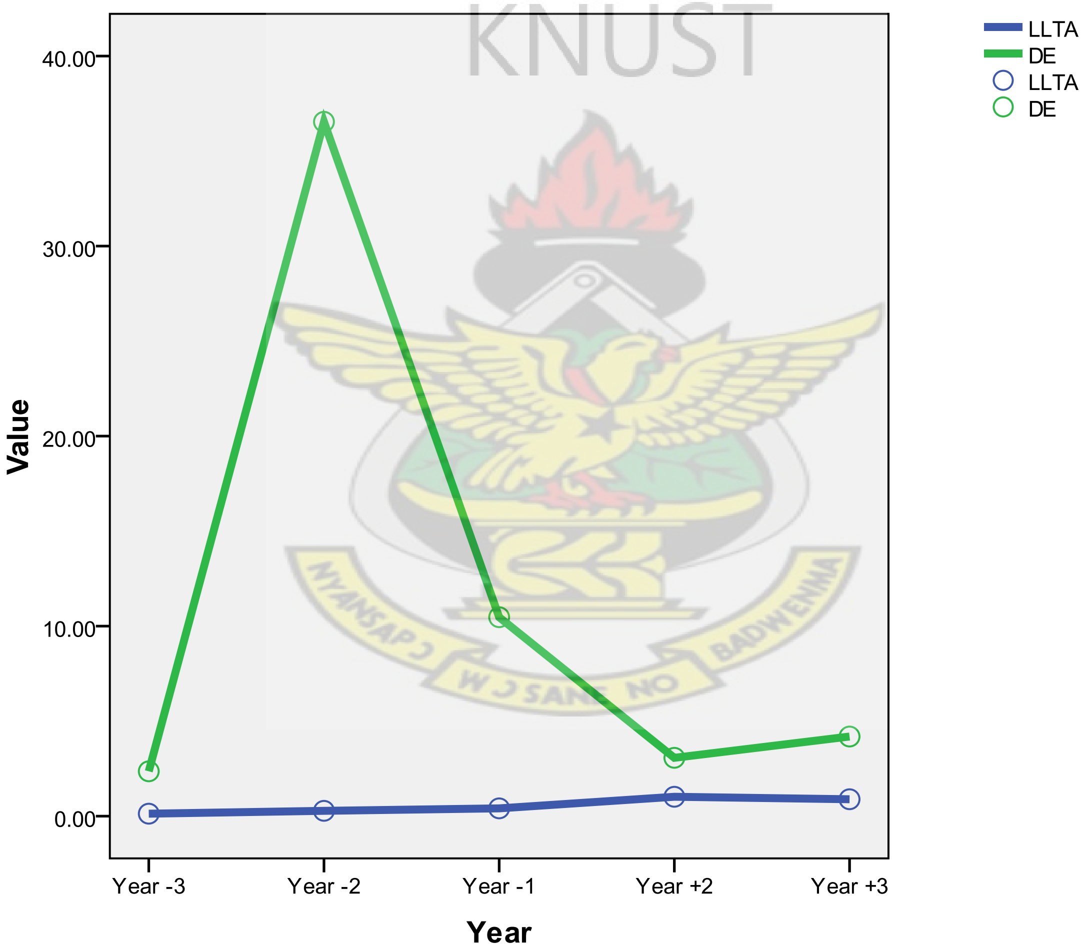
Figure 4.1.5 shows the financial leverage measures, LLTA and DE. LLTA was slightly higher in the post-mergers period relative to the pre-mergers period. It reaches its highest level in the second post-mergers year. This was due to sharp increases in total assets after the mergers. It is worthy of note that during these years there were zero medium term liabilities and short term loans while overdrafts were relatively minimal.

As depicted in the figure below, LLTA increased and decreased slightly in the second and third post-mergers years respectively. The values remained higher, relative to the pre-mergers period. These changes resulted from the increases in debt funding and in assets acquisition through the mergers as well as the subsequent disposal of some of the assets. The high LLTA levels mean that VFGH needs to have a good cash inflow to meet all the expenses.

The DE has being in continuous decrease from the second year of the pre-mergers period under study to the second year of the post-mergers period but the values of the pre-mergers period have been higher relative to those of the post-mergers period. This confirms that the merger was not debt financed. The result is that share holders' wealth has been diluted by the mergers. The post-mergers decreasing trend of the DE corresponds with the decreasing loans, overdrafts and other liabilities that follow the mergers.

Hence there has been a general decrease in DE during the post-mergers period as compared to the pre-mergers period which means VFGH has not been aggressive in financing its growth with debt. While this may decrease ROE, it could also decrease risk.

Figure 4.1.5: Financial Leverage (2005-2011)



Source: Author’s Result from Questionnaires.

4.2 Demographic Characteristics of Respondents

Gender of Respondents

Table 4.2.1 Gender of Respondents

	Gender	Frequency	Percent
Valid	Female	80	36.0
	Male	142	64.0
	Total	222	100.0

Source: Author's Result from Questionnaires

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From Table 4.2.1 above 222 customers and staff of Vodafone Ghana were interviewed by administering the questionnaires randomly as and when they are accessible. Out of that number, 80 were females, which represent about 36 percent of the customers, and staff of Vodafone Ghana and 142 were males, which represent about 64 percent of customers and staff of Vodafone Ghana. Male customers and staff of Vodafone Ghana had a higher response to the questionnaire than females, from this survey.

From the Table 4.2.2 below, 162 customers and 60 staff were interviewed with most of them having worked or do business with VFGH for more than 3 years and a few being less than that.

Table 4.2.2: Working Relation with GT/ Vodafone Ghana

Working Relation With Vodafone	How long have you been doing business or working with Vodafone?	Frequency	percent
Customers	Less than 3 years	60	37.0%
	3 to 10 years	80	49.4%
	More than 10 years	22	13.6%
Staff of Vodafone			
	3 to 10 years	34	56.7%
	More than 10 years	26	43.3%

Source: Author's Result from Questionnaires

Table 4.2a: Assessment of Performance of VFGH(2008-20011)

Questions		Frequency	Percent
The acquisition of Ghana Telecom by Vodafone has had a good impact on the company (Management)	Worse improvement	0	.0%
	Bad improvement	0	.0%
	No improvement	8	13.3%
	Improvement	49	81.7%
	Great improvement	3	5.0%
The acquisition of Ghana Telecom by Vodafone has had a good impact on the company (Performance)	Worse improvement	0	.0%
	Bad improvement	3	5.0%
	No improvement	7	11.7%
	Improvement	38	63.3%
	Great improvement	12	20.0%
The acquisition of Ghana Telecom by Vodafone has had a good impact on the company (Salary)	Worse improvement	0	.0%
	Bad improvement	2	3.3%
	No improvement	11	18.3%
	Improvement	40	66.7%
	Great improvement	7	11.7%
The acquisition of Ghana Telecom	Worse improvement	5	8.3%

by Vodafone has had a good impact on the company (Working hours)	Bad improvement	6	10.0%
	No improvement	24	40.0%
	Improvement	25	41.7%
	Great improvement	0	.0%

Source: Author's Result from Questionnaires

From the Table 4.2a above, about 87 percent of staff of VGL believe there have been an **improvement in management** of the company after the acquisition and the rest believe it has remained the same from the pre-merger period to the post-merger period. Also about 84 percent believe that there have been improvements in the performance of the of the company after the acquisition, about 12 percent believe there has been no change in performance and exactly 5 percent think the performance of the company has gone from good to bad.

On **salary paid** to workers of VFGH, about 79 percent of staff believe that it has improved after the acquisition, a little more than 18 percent believe it has not improved and a little more than3 percent think it has gotten bad after the acquisition by Vodafone.

Furthermore on **working hours**, only about 42 percent think it has improved with the rest either believing that it has not changed or gotten bad after the acquisition. From the above analysis, a hierarchy could be made for the improvement seen after the acquisition.

According to staff of VFGH, management of the company has improved a lot after the acquisition, followed by the performance of the company. After the performance comes salary of the workers which has also seen good improvement after the acquisition with working hours of the company being the least improved.

4.3 Wilcoxon Sign Rank Tests on Views of Respondents

Table 4.3 a : Networks Descriptive Statistics

	N	Percentiles		
		25th	50th (Median)	75th
(Pre- Merger)				
Ghana Telecom had nationwide coverage	222	2.75	4.00	5.00
High voice quality	222	3.00	4.00	5.00
All SMS were delivered as soon as they were sent	222	3.00	4.00	5.00
There was high internet bandwidth	222	2.00	3.00	4.00
Transfer of credit was very fast	222	3.00	3.00	4.00
(Post- Merger)				
Vodafone has nationwide coverage	222	3.00	4.00	5.00
High voice quality	222	3.00	4.00	5.00
All SMS are delivered as soon as they are sent	222	3.00	4.00	5.00
There is high internet bandwidth	222	3.00	4.00	5.00

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All SMS are delivered as soon as they are sent	222	3.00	4.00	5.00
There is high internet bandwidth	222	3.00	4.00	5.00
Transfer of credit is very fast	222	3.00	4.00	4.00

Source: Author's Result from Questionnaires.

Table 4.3 b : Networks Test Statistics[c]

	Vodafone has nationwide coverage - Ghana Telecom had nationwide coverage	High voice quality - High voice quality	All SMS are delivered as soon as they are sent - All SMS were delivered as soon as they were sent	There is high internet bandwidth - There was high internet bandwidth	Transfer of credit is very fast - Transfer of credit was very fast
Z	-1.431[a]	-1.497[b]	-3.134[a]	-4.967[a]	-3.060[a]
Asymp. Sig. (2-tailed)	.152	.134	.002	.000	.002

Source: Author's Result from SPSS.

a. Based on negative ranks.

b. Based on positive ranks.

c. Wilcoxon Signed Ranks Test

Null Hypothesis: The values for GT and VFGH are the same.

Alternative Hypothesis: The values for GT and VFGH are not the same.

From the Table above, there have not been any changes in the median of nationwide coverage, the voice quality and fastness in delivering SMS. The median remain the same at 4 (Agree) which indicate that both GT and VFGH has a good nationwide network coverage, a good voice quality and a good SMS delivery system which has not seen any significant change after the acquisition. However, there have been changes in the median of the internet bandwidth and credit transfer. The median change from 3 (neutral) to 4 showing that in terms of the internet fastness and how fast credit are received after making credit transfer, there have been an improvement, when comparing GT to VFGH.

Also from the p-values above, the null hypothesis would be accepted for nationwide coverage and high voice quality since the p-values (0.152 and 0.134 respectively) are greater than 0.05 thereby showing that there have been no significant improvements in nationwide network coverage and the voice quality during call conversations. This confirms our initial assessment that both GT and VFGH have good nationwide network coverage and voice quality which has not seen any significant change after the acquisition.

Furthermore, the null hypothesis would be rejected for high internet bandwidth and fast credit transfer since the p-values (0 and 0.002 respectively) are less than 0.05. Consequently showing that in terms of internet fastness and fast credit transfer, there have been significant improvements after the acquisition of GT by VFGH.

From the above analysis, it could be seen that there have been a slight improvements in things pertaining to Network of VFGH.

Table 4.3 c : PricesDescriptive Statistics

	N	Percentiles		
		25th	50th (Median)	75th
(Pre- Merger)				
The SIM Card cost less	222	1.00	3.00	4.00
The call charges were cheaper	222	2.00	3.00	4.00
The internet charges were cheaper	222	2.00	3.00	4.00
SMS cost less	222	2.00	3.00	4.00
Buying of internet connection equipment's like modem cost less	222	2.00	3.00	4.00
(Post- Merger)				
The SIM Card cost less	222	4.00	4.00	5.00
The call charges are cheaper	222	3.00	4.00	4.00
The internet charges are cheaper	222	3.00	4.00	4.00
SMS cost less	222	3.00	4.00	5.00
Buying of internet connection equipment's like modem cost less	222	3.00	4.00	4.00

Source: Author’s Result from SPSS.

Table 4.3 d : PricesTest Statistics[b]

	The SIM Card cost less - The SIM Card cost less	The call charges are cheaper - The call charges were cheaper	The internet charges are cheaper - The internet charges were cheaper	SMS cost less - SMS cost less	Buying of internet connection equipment's like modem cost less - Buying of internet connection equipment's like modem cost less
Z	-9.168[a]	-7.024[a]	-6.802[a]	-6.917[a]	-7.347[a]
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000

Source: Author's Result from SPSS.

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

Null Hypothesis: The values for GT and VFGH are the same.

Alternative Hypothesis: The values for GT and VFGH are not the same.

From the Table above, there have been changes in the median of the cost of SIM card, call rates, internet charges, SMS rates and the cost of buying internet gadgets. In all cases the median change from 3 to 4 showing that in terms of the cost of SIM card, call rates, internet charges, SMS rates and the cost of buying internet gadgets, there have been a significant improvement, when comparing GT to VFGH.

Also from the p-values above, the null hypothesis would be rejected for cost of SIM card, call rates, internet charges, SMS rates and the cost of buying internet gadgets since the p-values (0 for all) are less than 0.05. Therefore showing that in terms of cost of SIM card, call rates, internet charges, SMS rates and the cost of buying internet gadgets, there have been significant improvements after the acquisition of GT by VFGH.

From the above analysis, it is clear that things are cheaper during the VFGH era than when GT was in control.

Null Hypothesis: The values for GT and VFGH are the same.

Alternative Hypothesis: The values for GT and VFGH are not the same.

From the Table below, there have not been any changes in the median of availability of credit cards, SIM card, good network and constant internet. The median remain the same at 4 (Agree) with the exception of constant internet which remain the same at 3 (Neutral). These indicate that both GT and VFGH have good credit card availability, good SIM card availability good network availability and somewhat good constant internet which have not seen any significant change after the acquisition. However, there has been a change in the median of the availability of credit transfer. The median changed from 3 to 4 showing that in terms of availability of credit for transfer, there has been an improvement, when comparing GT to VFGH.

Also from the p-values below, the null hypothesis would be rejected for availability of credit cards, SIM cards, good network, constant internet and credit for transfer since the p-values are less than 0.05, thereby showing that in terms of availability there have been significant change after the acquisition of GT by VFGH which could either be positive or negative. Looking further on the Table and considering the first and third quartiles, a conclusion could be drawn. There is a slight improvement in availability of credit cards, SIM cards, good network and constant internet, and a great deal of improvements in availability of credit for transfer.

From the above analysis, it could be seen that there have been an improvements in availability of network and products offer by VFGH.

Table 4.3 e : Service Availability Descriptive Statistics

	N	Percentiles		
		25th	50th (Median)	75th
(Pre-Merger)				
You would always get credit cards to buy	222	2.00	4.00	5.00
You would always get SIM Card to buy	222	2.00	4.00	4.00
High network availability	222	2.00	4.00	4.00
Constant internet availability	222	2.00	3.00	4.00
Availability for credit transfer	222	3.00	3.00	4.00
(Post- Merger)				
You can always get credit cards to buy	222	4.00	4.00	5.00
You can always get SIM Card to buy	222	4.00	4.00	5.00
High network availability	222	3.00	4.00	4.00
Constant internet availability	222	3.00	3.00	4.00
Availability for credit transfer	222	3.00	4.00	4.00

Source: Author's Result from SPSS.

Table 4.3 f: Services Availability Test Statistics[b]

	You can always get credit cards to buy - You would always get credit cards to buy	You can always get SIM Card to buy - You would always get SIM Card to buy	High network availability - High network availability	Constant internet availability - Constant internet availability	Availability for credit transfer - Availability for credit transfer
Z	-6.549[a]	-6.729[a]	-2.121[a]	-3.861[a]	-2.870[a]
Asymp. Sig. (2-tailed)	.000	.000	.034	.000	.004

Source: Author's Result from SPSS.

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

Table 4.3 g: Customer Care Descriptive Statistics

	N	Percentiles		
		25th	50th (Median)	75th
(Pre-Merger)				
Good customer care	222	2.00	4.00	4.00
Short queues at retail shops (GT)	222	2.00	3.00	4.00
Complains were dealt with as fast as they could	222	2.00	3.00	4.00
No over crowdedness in the retail shops	222	2.00	3.00	4.00
Working hours convenient to customers	222	2.75	3.00	4.00
(Post- Merger)				
Good customer care	222	3.00	4.00	4.00
Short queues at retail shops (VFGH)	222	2.00	3.00	4.00
Complains are dealt with as quickly as possible	222	2.00	3.00	4.00
No over crowdedness in the retail shops	222	3.00	3.00	4.00
Working hours convenient to customers	222	3.00	4.00	5.00

Source: Author's Result from SPSS.

Table 4.3 h: Customer Care Test Statistics[b]

	Good customer care - Good customer care	Short queues at retail shops - Short queues at retail shops	Complains are dealt with as quickly as possible - Complains were dealt with as fast as they could	No over crowdedness in the retail shops - No over crowdedness in the retail shops	Working hours convenient to customers - Working hours convenient to customers
Z	-4.382[a]	-1.382[a]	-1.296[a]	-2.314[a]	-7.307[a]
Asymp. Sig. (2-tailed)	.000	.167	.195	.021	.000

Source: Author's Result from SPSS.

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

Null Hypothesis: The values for GT and VFGH are the same.

Alternative Hypothesis: The values for GT and VFGH are not the same.

From the Table above, there have not been any changes in the median of good customer care, short queues in retail shops, fastness in dealing with complains of customers and over crowdedness in retail shops. The median remain the same at 3 with the exception of good customer care which remains at 4. These show that both GT and VFGH has a bearable short queues in retail shops, a somehow fastness in dealing with complains of customers, a not so bad over crowdedness in retail shops and a good customer care which has not seen any significant change after the acquisition. However, there has been change in the median of the working hours convenient to customers. The median change from 3 to 4 showing that in terms of working hours convenient to customers, there has been an improvement, after the acquisition by VFGH.

Also, from the p-values above, the null hypothesis would be accepted for short queues in retail shops and fastness in dealing with complains of customers since the p-values (0.167 and 0.195 respectively) are greater than 0.05 thereby showing that there have been no significant improvements in queues in retail shops and fastness in dealing with complains of customers. Furthermore, the null hypothesis would be rejected for good customer care, over crowdedness in retail shops and working hours convenient to customers since the p-values (0, 0.021, and 0 respectively) are less than 0.05. Consequently showing that in terms of good customer care, over crowdedness in retail shops and working hours convenient to customers, there have been significant improvements after the acquisition of GT by VFGH by looking at the first and second quartiles of over crowdedness and working hours convenient to customers. From the analysis above, it could be seen that VFGH has a much better customer care as compared to GT.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

In this chapter the author brings to bear the summary of the findings made in preceding chapter, followed by the conclusions and possible factors causing it and recommendations for improvements in the accounting ratios and companies performance.

5.1 Summary of findings

In this study, the impact of mergers and acquisitions on corporate financial performance and a hypothetical test on the views of customers have been examined using VFGH as a case study. In investigating these issues the pre-mergers and post-mergers behavior of GT/VFGH is examined using performance measures based on the annual reports of the company for2004 to 2011 and a questionnaire filled out by customers and staff of VFGH. The three consecutive years immediately before and the three consecutive years immediately after the mergers are considered in the study as the pre-mergers period and post-mergers period respectively. Performance measures examined were: growth rates, profitability ratios, expense ratios, liquidity ratios and financial leverage while views on network performance, prices of product, availability and customer care were considered.

The following were the outcome derived from the study:

6. The post-mergers turnover and assets growth rate for VFGH has out-performed the pre-mergers growth rate of GT, although they had the same trend of rising and falling, the

post-mergers turnovers and asset growth rate of VFGH had significantly much larger values than the pre-mergers turnover growth rate of GT.

7. There has been a downward fall in the acquiring firm's profitability performance in the post-mergers periods as compared to the pre-mergers period.

8. Generally, selling and administrative expenditure has experienced a significant upward rise after the acquisition before starting to fall significantly in the third post-mergers year, operating expense has decreased significantly after acquisition before starting to increase in the third post-mergers year.

9. There have been general rises in the liquidity indicators throughout the mergers period which started in the second pre-mergers year but was more significant during the post-mergers period.

10. The company's long term liabilities to total assets has increase slightly whiles the company's debt to equity ratio has decreased after the acquisition.

11. The null hypothesis was accepted for nationwide coverage and high voice quality whiles the null hypothesis for high internet bandwidth and fast credit transfer was rejected for things pertaining to Network of GT/VFGH.

12. In terms of prices of products and services of GT/VFGH, the null hypothesis was rejected for cost of SIM card, call rates, internet charges, SMS rates and the cost of buying internet gadgets.

13. Also in terms of availability of products and services of GT/VFGH, the null hypothesis was rejected for availability of credit cards, SIM cards, good network, constant internet and credit for transfer.

14. The null hypothesis was accepted for short queues in retail shops and fastness in dealing with complains of customers whiles the null hypothesis was rejected for good customer care, over crowdedness in retail shops and working hours convenient to customers for things pertaining to customer care offered by GT/VFGH.

5.2 Conclusions

Generally, the acquisition has brought about an increase in the growth rate which has led to superior market performance and low stock returns thereby reducing shareholder's value. Also the merger has brought about no improvement in corporate profitability, three years after the mergers, despite the strong performances at turnover. The payment of high interests on overdrafts and loans used to finance the mergers and to fund working capital, and the high general operating expenses are contributory factors for the decreasing post-mergers profitability. The acquisition has not resulted in VFGH achieving its objective of reduction in operational cost. Moreover it has resulted in an increasing level of overall efficiency which also contributes to the decreasing profitability of the acquired firm after the mergers. Furthermore, VFGH is able to pay off its short-term debt with the money it got from selling its assets and pay off bills as they come due even without selling inventories after the acquisition. Finally, the acquisition has brought about an increase in LLTA and a decrease in DE thereby reducing risk and VFGH having a responsibility of maintaining a good cash flow in order to finance its expenses.

Considering the area of improvements, VFGH has improved the prices of products and services the most followed by the availability of products and services. Customer care has also seen a good improvement with network showing only slight improvements.

The testimony of Vodafone Ghana CEO below carried by Business News of Friday, 3 August 2012 sourced on Joy Online kind of sum it that Vodafone acquisition of GT was Value created.

Vodafone Ghana CEO, Kyle Whitehill had said the company inherited Ghana Telecom at a time when it had been unprofitable for 26 years, but in just three years Vodafone Ghana is now recording impressive operational profits, otherwise known as EBITDA (earnings before interest, taxation, depreciation and amortization).He said even though Vodafone is yet to record real cash profits after tax "we are excited that at least we have reversed the 26 years of non-profitability of GT in just three years," he said.

Kyle Whitehill was speaking in an exclusive interview with Adom News Editor Nii Narku Dowuona. Vodafone acquired 70% shares in Ghana Telecom at US$900M in 2008 and laid off more than 3,000 workers and hired fresh skilled staff in their place, with a promise to turn the fortunes of the company round in two years. He said that he recall that in a circular that went round within the company in 2008, the new management under David Venn stated that mass retrenchment was necessary because it wanted to do things the 'Vodafone Way' and make the company 'productive and profitable in two years' .It has been three years since Vodafone actually started operations in Ghana, and Kyle Whitehill said 4,500 GT staff then ran the company into 26 years of non-productivity and unprofitability, but the current 1,400 staff at Vodafone Ghana has achieved three times the revenue GT achieved then. "For the first time in the 26 years history of Ghana Telecom/Vodafone Ghana we've gone positive at the EBITDA level and we are delighted about that" Vodafone Ghana CEO said.

He said, as a result of the impressive operational profits, Vodafone has become one of the biggest taxpayers in the country, and it recently won an award from the Ghana Revenue Authority for being second most prompt taxpayer. Vodafone Ghana CEO also noted that Vodafone inherited GT as the third largest telecom operator in Ghana with just about 1.6million mobile subscribers and about 140,000 fixed line subscribers, but within a matter of three it has more than doubled mobile subscriber base to 4.7 million and almost doubled fixed line subscriber base to over 270,000 as at May 2012.Within the same period, Vodafone has almost moved from third largest operator to second based on subscribers, beating long time second place Tigo to third. Vodafone is yet to go positive on profit after tax, but sources at the company hinted that it is likely to make profit after tax by the end of year 2012.

5.2 Recommendations

Vodafone Ghana should strengthen its business processes to enhance productivity and turnover, reduce cost and improve efficiency of operations. The company should restructure its capital base and improve its cash operation cycle to help improve cash flow, reduce the level of short-term borrowing and yet meet working capital requirements. Specifically, it should:

15. Issues more shares and possibly long term debt securities, to improve cash flow, eliminate or reduce overdrafts and medium term loans so as to reduce interest and loans payments (at least in the short term). These will lead to operation cost reduction and improvement in profitability.

16. Improve debts collection and sales and distribution to improve cash flow and reduce borrowing and level of interest payment.

17. Ensure more effective integration of acquired firms to improve operational efficiency and productivity.

18. Review business and production processes to identify and rectify possible bottle-necks.

19. Further research should be made by using annual reports with more years and compute and analyze more accounting ratios.

The above recommendations should be implemented with the aim of putting the company in a stronger position to meet future competitive challenges, reduce operational cost, improve liquidity, profitability and general business performance and at least sustain shareholder earnings and value.

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APPENDIX

MERGERS AND ACQUISITION: A CASE STUDY OF GHANA TELECOM AND VODAFONE

QUESTIONNAIRE FOR CUSTOMERS OF VODAFONE

The purpose of this questionnaire is to gather data for the "MERGERS AND ACQUISITION: GHANA TELECOM (GT) AND VODAFONECASE". Data collected would be used solely for academic purpose and respondents are assured of confidentiality of information provided.

A. Personal Information

1. Gender:

Male ( ) Female ( )

2. How long have you been doing business with Vodafone?

Less than 3 years ( ) 3 to 10 years ( ) More than 10 years ( )

B. **Assessment of Vodafone Ghana before the Mergers and Acquisition**

Here we are interested in knowing your views of Vodafone before the acquisition that is your views of Ghana Telecom before 2008.

Scale: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

	DETAILS	SCORE
NETWORK	1. GT had a nationwide coverage	1 2 3 4 5
	2. During conversation, the voices were clear	1 2 3 4 5
	3. All SMS were delivered as soon as they were sent	1 2 3 4 5
	4. The internet ran very fast	1 2 3 4 5
	5. Transfer of credit was very fast	1 2 3 4 5
PRICES	1. The SIM Card cost less	1 2 3 4 5
	2. The call charges were cheaper	1 2 3 4 5
	3. The internet charges were cheaper	1 2 3 4 5
	4. SMS cost less	1 2 3 4 5

	5. Internet connection equipment like modems cost less	**1 2 3 4 5**
AVAILABILITY	1. You could always get credit cards to buy	**1 2 3 4 5**
	2. You could always get SIM cards to buy	**1 2 3 4 5**
	3. The network was always available	**1 2 3 4 5**
	4. The internet was always available	**1 2 3 4 5**
	5. Credit transfer was always available	**1 2 3 4 5**
CUSTOMER CARE	1. Customers always received good treatment whenever they came to the office	**1 2 3 4 5**
	2. There was no unnecessary queue on the customer care line	**1 2 3 4 5**
	3. Customers complaints were dealt with as quickly as possible	**1 2 3 4 5**
	4. There was no over crowdedness in the offices	**1 2 3 4 5**
	5. The working hours were convenient to customers	**1 2 3 4 5**

C. Assessment of Vodafone after the Mergers and Acquisition

Here we are interested in knowing your views of Vodafone after the acquisition that is your views of Vodafone Ghana (Vodafone) in the last 3 years to present.

Scale: 1-Strongly Disagree 2-Disagree 3-Neutral 4-Agree 5-Strongly Agree

	DETAILS	SCORE
NETWORK	1. Vodafone has a nationwide coverage	**1 2 3 4 5**
	2. During conversation, the voices are clear	**1 2 3 4 5**
	3. All SMS are delivered as soon as they are sent	**1 2 3 4 5**
	4. The internet runs very fast	**1 2 3 4 5**
	5. Transfer of credit is very fast	**1 2 3 4 5**
PRICES	1. The SIM Card costs less	**1 2 3 4 5**
	2. The call charges are cheaper	**1 2 3 4 5**
	3. The internet charges are cheaper	**1 2 3 4 5**
	4. SMS costs less	**1 2 3 4 5**

	5. Internet connection equipment like modems costs less	**1 2 3 4 5**
AVAILABILITY	1. You can always get credit cards to buy	**1 2 3 4 5**
	2. You can always get SIM cards to buy	**1 2 3 4 5**
	3. The network is always available	**1 2 3 4 5**
	4. The internet is always available	**1 2 3 4 5**
	5. Credit transfer is always available	**1 2 3 4 5**
CUSTOMER CARE	1. Customers always receive good treatment whenever they come to the office	**1 2 3 4 5**
	2. There is no unnecessary queue on the customer care line	**1 2 3 4 5**
	3. Customers complaints are dealt with as quickly as possible	**1 2 3 4 5**
	4. There is no over crowdedness in the offices	**1 2 3 4 5**
	5. The working hours are convenient to customers	**1 2 3 4 5**

D. **The acquisition of Ghana Telecom by Vodafone has had a good impact on the company. Your opinion?**

( ) strongly disagree ( ) disagree ( ) neutral ( ) agree ( ) strongly agree

E. **In your opinion, the acquisition of Ghana Telecom by Vodafone has had a good impact on the company.**

1. Management

   ( ) worse ( ) bad ( ) no improvement ( ) improved ( ) great improvement

2. Performance

   ( ) worse ( ) bad ( ) no improvement ( ) improved ( ) great improvement

3. Salary

   ( ) worse ( ) bad ( ) no improvement ( ) improved ( ) great improvement

4. Working hours

   ( ) worse ( ) bad ( ) no improvement ( ) improved ( ) great improvement