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MERGERS AND ACQUISITION A TOOL FOR GROWTH :

A CASE STUDY OF TOTAL PETROLEUM GHANA LIMITED

BY :

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MERGERS AND ACQUISITIONS A TOOL FOR GROWTH: A CASE OF TOTAL PETROLEUM GHANA LIMITED

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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 contains no material previously published by another person nor 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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MR S.Y. AKOMEA .... 14/10/09 ....

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DEDICATION

I dedicate this work to my lovely mother Mary Nyame and my sibilings., also to my cousin

Mr Emmanuel Akwesi Gyamfi. To the loving memory of my late father Mr Samuel Atta Baffour Gyawu.

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ABSTRACT

Mergers and acquisition (M&A) has been a dominant tool for growth for companies worldwide. Merger is joining force of two companies to become one whiles, acquisitions is one company buying another. The purpose of the study is to look at the market share of Total Ghana Limited before and after the acquisition, the motive behind the Total and Mobil acquisition and how the companies go by the integration process. Total Ghana Limited merged with Mobil Oil Ghana Limited in 2005 and later acquired Mobil Oil Ghana in 2006 completely. The study used Total Petroleum Ghana Limited as a case study. Senior managers, employees and dealers were surveyed by the use of questionnaires and unstructured interview. The findings revealed the motive behind the acquisition of Mobil Oil Ghana which was as a result of global crisis that leads to increase in crude oil price on the world market. The combine entities of the two company's leads to an increase in market share on the part of Total Ghana Limited. On the other hand mergers and acquisitions was successfully carried out as a result of proper integration process by experts of the two companies and a thorough due diligence as well.

Though, mergers and acquisitions come with its own challenges, it can be overlooked when the employees are committed to change in all aspect in order to make integration process easier and beneficial to the organization. As a result of the success of Total Ghana Limited, companies should not hide under inefficiency to go in for merger or acquisition but rather identify the problem and find a solution for it.

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INTRODUCTION

1.1 Background of study

Globally, mergers and acquisitions (M&A) have become a reality of life for all kinds of companies. The headlines might be dominated by a few 'mega' deals involving corporate giants, but that is not the whole picture. Privately held businesses (PHBs) have quietly recognized that, in an increasingly competitive, changing and challenging environment, well thought out and carefully executed M&A transactions can boost the value of their businesses. Whether it is ambitious entrepreneurs in fast growing economies seeking to acquire established brands, or mature businesses seeking to expand into low-cost emerging markets offering increasing numbers of skilled workers and consumers, International M&A is now firmly on the agenda of (PHBs) as a key strategic tool to drive growth (Grant Thornton International Business Report (IBR) 2008).

Over the past two decades, the rate of mergers and acquisition activity has steadily increased in United States of America. In 1988 there were $378.9billion of mergers and acquisition a total four thousand and sixty-six (4,066) deals. This has ballooned to $1.63 trillion in 1998, with 12,356 deals, (Rappaport and Sirower, 1999.) and approximately $3trillion and 30,000 deals in 2000. Mergers aren't united to small companies; the past two decades have seen unprecedented mega merger (Lipin and Deogun,2000).

A mergers according to Neo *et al* (2004), is joining the force of two companies to become one. Acquisitions however is one company buying another. While taking the organic growth path, the company incrementally grows its people, customers, infrastructural resources and thus revenues and profits, an inorganic growth would provide growth which will enable the company to skip a few steps on the growth ladder. Mergers and acquisition (M&A) is therefore an organic growth strategy, for example the merger between Mobil Oil Ghana limited and Total Ghana limited which later led to acquisition in November 2006 by the Total Petroleum Ghana limited.(Annual report in 2006).

The combined sales of the two companies led to the increase of the Total Petroleum Ghana limited market share to 28.3% at the end 2006. Some mergers and acquisitions result in consolidation within an industry for example British petroleum recent acquisition of Amoco oil represents a consolidation.

With mergers and acquisition, the core teams of both companies have to be carried along in order to promote smooth integration which consisted employees from various functional areas within the organizations.

It is clear that mergers and acquisition (M&A) have become a fact of life for businesses worldwide. (Cartwright and Cooper, 1996) and are frequent events in organizations today (Marks, 1997). Mergers and acquisition is now a strategy that companies have shown interest in because it improves efficiency, transfer scarce resources to higher value uses, promote synergy and stimulate effective management (President's Council of Economic Advisors, 1985).

Mergers and acquisitions have been one of the favored methods of achieving growth targets and appeasing key stakeholders, vigilant in their goal to increase shareholder value. Lynch and Lind (2002) describe mergers and acquisitions as being one of the central techniques for organizational growth, whilst Hurtt, *et al* (2000) go further and suggest growth as the primary reason for M&A. Perry and Herd (2004) emphasize the critical role of strategic planning when using M&A to grow an organization. They suggest that in the 1990's companies shifted the focus for undertaking M&A from a cost saving perspective to using M&A as a strategic vehicle for corporate growth, which the authors regarded as an inherently more difficult challenge.

Despite their popularity, however, others have argued that, the outcomes generated by these alliances are often disappointing (Shearer, 2001). Given past high failure rates of M&A, it appears timely to identify effective planning practices that enhance the chances of their success.

In 2004, worldwide M&A activity increased by over 40% to $1.95 trillion resulting in the highest M&A activity levels since the year 2000 (Thomson, 2005). Research has shown that, historically, approximately half of all mergers and acquisitions have proven unsuccessful.

1.2 Problem Statement

With mergers and acquisition being adopted by organizations, there are a lot of problems or challenges that such companies may go through, and they include poor strategic rationale, culture differences, delays in communication, poor integration planning and execution, and paying too much for the target company.

These factors had posed a great challenge to managers and hence resulted in the failures of M & A. This notwithstanding, many researches has revealed an increase in M&A over the years. In 2002 alone, 29,585 deals were announced worldwide, accounting for an aggregate deal value of USD 1 trillion in the USA and USD 883 billion in Europe(Gaughan, 2002).

1.3. Objectives of the study

The main objective of the study is to find out how mergers and acquisitions is used as a growth tool.

1.3.1. Specific objectives

a. To assess the market share of Total Ghana Limited before and after acquisition.
b. To examine the motive behind Total and Mobil's acquisition.
c. To explore how Total Ghana Limited managed the integration process.
d. To suggest guidelines on how they can improve upon the combined entities, and get better not just bigger.

1.3.2 Research Questions.

1. What was the motive behind Total Ghana Limited's acquisition of Mobil ?

2. How did Total Ghana Limited managed the integration process?
3. Has M&A contributed positively to the market share of Total Ghana Limited?
4. How can Total Ghana Limited improve upon their combine entities and not just bigger ?

1.4. Significance of the study

Mergers and acquisitions could soon be erupting in the Ghanaian banking sector as plans are afoot by some financial intermediaries to merge or acquire strategic stakes in other banks (Yeboah, 2008). Considering, the required capital by the bank of Ghana from the various banks in the country, for those banks that can not meet the capital the only option may be M&A in order to remain in business.

For example, talks of merger between Merchant Bank and The Trust Bank Ghana Limited had also been in the news for some time now since a statement issued by the two banks in June 2008 noted that the merger was expected to lead to the emergence of a large, strong and dominant Ghanaian-owned bank with the Social Security and National Insurance Trust as the largest shareholder and it will definitely increase their market share.

According to Drucker, (1982), M&A promote the following benefits: the opportunity to add new business lines, promotion of large initial investment which is worthwhile, because it creates long term advantage. It also gives way for the acquiring company to gain more market share and further create more efficient operation out of the combined companies by reducing high cost, and also to broaden base growth.

Perry and Herd (2004) emphasize that M&A is now being used as a strategic vehicle for corporate growth, rather than a cost saving perspective in the1990's. Therefore, many Ghanaian Businessmen and women who are into small scale business venture can get into mergers and acquisition as a tool in order to help them boost their business growth and performance. This study will also serve as a review for further studies for academia.

Also, many private businesses owned by Ghanaians that are experiencing an increasing competitive, changing and challenging environment, may consider the use M&A as a boost to the value of their businesses.

1.5. Scope of study

The study focused on acquisition of Mobil by Total Ghana Limited. It used the branches in Kumasi as a case study. The research was limited to employees, senior managers and distributors/dealers of Total Ghana Limited in Kumasi metropolis. This means that, generalisation of the results could be possible if further studies are conducted in other areas of the country and other M&A that had taken place in the country. The researcher would consider some years before and after the (M&A) took place.

1.6. Research Methodology

This section of the research describes the methods, the scope and procedures which were followed in conducting the research. Data was collected from both the primary and secondary sources.

1.7. Limitation of study

The major constraints to the study have been the unwillingness of respondents to administer the questionnaire. Getting access to information on this topic was also a problem. The time frame within which, I was made to finished the work was not enough.

1.8. Organization of study

This study is divided into five chapters. Chapter one covers the introduction, statement of the problem, research objectives, significance of the research, scope of study, research questions and limitation of study .Chapter two looked at relevant literature on mergers and acquisition as a tool for growth and give understanding to the concept of mergers and acquisition and its impact. The chapter also shows the conceptual framework of how mergers and acquisition has contributed to growth.Chapter three discussed the methods used in the data collection and analysis. It also focuses on the historical background of the place of study, achievements and products. Chapter four focused on the research findings and analysis of the data obtained. Chapter five summarises the findings of the study, and makes some recommendations based on the research findings. It also concludes the research work.

CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

According to Neo *et al* (2004), joining force of two companies to become one is mergers. Acquisitions however is one company buying another. (Denzil and Antony 2007) define merger as a friendly reorganization of assets into a new organization, that is A and B merge to become C, a new company, with agreement of both sets of shareholders.

2.2 Definition of Mergers and Acquisition

Mergers and acquisitions (M&As) are a means of growth for companies. In 2002 alone, twenty nine thousand, five hundred eighty five (29,585) deals were announced worldwide, accounting for an aggregate deal value of USD 1 trillion in the USA and USD 883 billion in Europe. Acquiring a target in a line of business in which the bidding company wants to enlarge is often a faster way to grow, than using internal expansion because the target is an organization already in place, with its own production capacity, distribution network, and clientele and thereby reducing the risk of investing for the growing company.(Trautwein, 1990; Weston et al.,2001; Gaughan, 2002).

2.3 Reasons for Mergers and Acquisition

Lynch and Lind (2002) describe mergers and acquisitions as being one of the central techniques for organizational growth, whilst Hurtt, *et al* (2000) go further and suggest growth is the primary reason for M&As.

One of the most common arguments for mergers and acquisitions is the belief that "synergies" exist, allowing the two companies to work more efficiently together than either would work separately. Such synergies may result from the firms' combined ability to exploit economies of scale, eliminate duplicated functions, share managerial expertise, and raise larger amounts of capital (Ravens craft and Scherer 1987). Carlton and Granada hope to save £55 million annually by combining their operations.

Moreover, Harari (1997) lists several reasons given by CEOs to justify a merger or acquisition. These include: to obtain synergies, economies of scale, cost savings, increased products and rationalization of distribution channels. Selden and Colvin (2003) highlight the way companies focus on the potential return on capital.

They also suggest that the most common reason companies buy one another is to acquire customers. Selden and Colvin (2003) note the pressure on CEOs to use their excess cash and increase earnings by mergers or acquisitions even if that may not be an appropriate strategy for the company. Albizzatti and Sias (2004) identify that the reasoning for an acquisition needs to be more strategic than simply the use of excess cash.

The strategic reasons identify for acquisitions are:

(i) Acquire new products, capabilities and skills;

(ii) Extend their geographical reach;

(iii) Consolidate within a more mature industry;

(iv)Transform the existing industry or create a new industry.

As a means of providing growth, once a company reaches the mature stage of its growth cycle it will find organic growth difficult. Acquisitions provide a quick solution for a company following a growth strategy that finds itself in this position.

Strategy aimed at winning larger market share, even at the expense of short-term earnings.

2.4 Classification of Mergers and Acquisition

Mergers and acquisition can be classified into three broad types, horizontal, vertical, and conglomerate . There are three types of mergers, based on the competitive relationships between the merging parties. In a horizontal merger, one firm acquires another firm that produces and sells an identical or similar product in the same geographic area and thereby eliminates competition between the two firms. In a vertical merger, one firm acquires either a customer or a supplier. Conglomerate mergers encompass all other acquisitions, including pure conglomerate transactions where the merging parties have no evident relationship (a shoe producer buys an appliance manufacturer), geographic extension mergers, where the buyer makes the same product as the target firm but does so in a different geographic market and product extension mergers, where a firm producing one product buys a firm that makes a different product that requires the application of similar manufacturing or marketing techniques (a producer of household detergents buys a producer of liquid bleach) (www.wikipea.org, 2009).

Denzil and Antony (2007) also defines horizontal M&A as the combination of two or more companies operating in the same industry and a similar stage of production, distribution or area of business. Example would be combining of two book publishers or two luggage manufacturing companies to gain dominant market. A typical example is Guinness Ghana limited merging with Kumasi brewery limited now Guinness Ghana Brewery Limited and Total Ghana takeover Mobil Oil Ghana Limited and now bears the name Total Ghana Limited.

Horizontal mergers raise three basic competitive problems. The first is the elimination of competition between the merging firms, which, depending on their size, may be significant. The second is that the unification of the merging firms' operations may create substantial market power and could enable the merged entity to raise prices by reducing output unilaterally. The third problem is that, by increasing concentration in the relevant market, the transaction may strengthen the ability of the market's remaining participants to coordinate their pricing and output decisions. The fear is not that the entities will engage in secret collaboration but that the reduction in the number of industry members will enhance tacit coordination of behavior.

Vertical mergers take two basic forms: forward integration, by which a firm buys a customer, and backward integration, by which a firm acquires a supplier. Replacing market exchanges with internal transfers can offer at least two major benefits. First, the vertical merger internalizes all transactions between manufacturer and its supplier or dealer, thus converting a potentially adversarial relationship into something more like a partnership. Second, internalization can give management more effective ways to monitor and improve performance.

Vertical integration by merger does not reduce the total number of economic entities operating at one level of the market, but it may change patterns of industry behavior. Whether a forward or backward integration, the newly acquired firm may decide to deal only with the acquiring firm, thereby altering competition among the acquiring firm's suppliers, customers, or competitors. Suppliers may lose a market for their goods, retail outlets may be deprived of supplies, or competitors may find that both supplies and outlets are blocked. This raises the concern that vertical integration will foreclose competitors by limiting their access to sources of supply or to customers. Vertical mergers may also be anticompetitive because their entrenched market power may impede new businesses from entering the market.

Conglomerate M&A is the combination of two companies operating in different areas of business (Denzil and Antony, 2007). A typical example is merging of different businesses like manufacturing of cement products, fertilizers products, insurance investment and advertising agencies. Conglomerate transactions take many forms, ranging from short-term joint ventures to complete mergers. Whether a conglomerate merger is pure, geographical, or a product line extension, it involves firms that operate in separate markets. Therefore, a conglomerate transaction ordinarily has no direct effect on competition. There is no reduction or other change in the number of firms in either the acquiring or acquired firm's market.

Conglomerate mergers can supply a market or "demand" for firms, thus giving entrepreneurs liquidity at an open market price and with a key inducement to form new enterprises. The threat of takeover may force existing managers to increase efficiency in competitive markets. Conglomerate mergers also provide opportunities for firms to reduce capital costs and overhead and achieve other efficiencies.

Conglomerate mergers, however, may lessen future competition by eliminating the possibility that the acquiring firm would have entered the acquired firm's market independently. A conglomerate merger also may convert a large firm into a dominant company with a decisive competitive advantage or otherwise make it difficult for other companies to enter the market. This type of merger may also reduce the number of smaller firms and increase the merged firm's political power, thereby impairing the social and political goals of retaining independent decision-making centers, guaranteeing small business opportunities, and preserving democratic processes.

2.5 Benefits of Mergers and Acquisition

In contrast to organic growth, M&As can be (partly) paid for with stock. This may be interesting for firms that do not have enough cash reserves and/or have fully used their debt capacity. Yet, as M&As and internal growth are not mutually exclusive investment decisions, firms may consider them as complements rather than being substitutes.

On the one hand, a growing company could choose to grow through M&As in addition to internal expansion. Firms with many investment opportunities and easy access to financial resources may engage in both internal and external growth in order to take full advantage of their competitive advantage(s) in the fastest possible way.

Besides M&A may be a cheaper alternative than internal expansion, in particular when the replacement cost of assets is higher than the market value of target assets (www.wikipedia.org 2008).

Unlike other methods of expansion, a business combination allows for almost instantaneous growth. Business combinations allow the firm to increase its physical facilities, market trade area, and personnel base. A merger not only avoids the time lag of internal growth, but it also avoids destabilizing the marketplace by having two cooperatives compete for market share over a period of time. When successful, a merger allows both cooperatives a favorable reputation and customer goodwill to be transferred to a leaner organizational form. Most importantly, a business combination between cooperatives is one method of maintaining service to the members and also maintaining the cooperative presence in the marketplace.

Some cooperatives see mergers or other forms of business combinations as a means of acquiring facilities more cheaply than by building. The possibility of acquiring facilities at "bargain" prices does not necessarily imply a bad deal for the other cooperative. The value of a facility to the acquiring firm is determined by the return which the facility will provide under their management. It may be that the acquiring firm can better utilize the capacity, provide superior management, or augment the capacity with other equipment. The value of the facility to the acquiring firm is based on the return they anticipate when the facility is fully consolidated under their management. Thus, the combination can be a positive deal for the memberships of both firms.

2.6 Mergers and Acquisition, a complement to internal growth

In contrast to organic growth, M&As can be (partly) paid for with stock. This may be interesting for firms that do not have enough cash reserves and/or have fully used their debt capacity. Yet, as M&As and internal growth are not mutually exclusive investment decisions, firms may consider them as complements rather than being substitutes.

On the one hand, a growing company could choose to grow through M&As in addition to internal expansion. Firms with many investment opportunities and easy access to financial resources may engage in both internal and external growth in order to take full advantage of their competitive advantage(s) in the fastest possible way.

Consistent with this idea, Hay and Liu (1998) argue that a firm that is seeking to grow aggressively will often view acquisitions and internal growth as complementary strategies.

Alternatively, external and internal growth could be substitutes if companies are financially constrained, for example. Companies may specialize in either internal or external growth and these growth strategies, as a result, may be unrelated.

Empirical research on the relation between external and organic growth is limited and has found conflicting results. Hay and Liu (1998), for example, examine (M&As) in the UK during the period 1971–1989 and conclude that M&As and internal expansion are complements.

By contrast, Dickerson *et al.* (2003), using data on UK quoted firms in manufacturing during 1948–1970 and 1975–1990, realized that the relation between internal growth and the likelihood of engaging in M&As is significantly negative, indicating that these growth strategies are substitutes.

2.7 The Concept of Growth strategy.

Growth is something for which most companies strive, regardless of their size. Small firms want to get big, big firms want to get bigger. Indeed, companies have to grow at least a bit every year in order to accommodate the increased expenses that develop over time. With the passage of time, salaries increase and the costs of employment benefits rise as well. Even if no other company expenses rise, these two cost areas almost always increase over time. It is not always possible to pass along these increased costs to customers and clients in the form of higher prices. Consequently, growth must occur if the business wishes to keep up.

Organizational growth has the potential to provide small businesses with a myriad of benefits, including things like greater efficiencies from economies of scale, increased market power/share, a greater ability to withstand market fluctuations, an increased survival rate, greater profits, and increased prestige for organizational members. Many small firms desire growth because it is seen generally as a sign of success, progress. Organizational growth is, in fact, used as one indicator of effectiveness for small businesses and is a fundamental concern of many practicing managers.

According to Caplow,(1983) organizational growth, however, means different things to different organizations. There are many parameters a company may use to measure its growth. Since the ultimate goal of most companies is profitability, most companies will measure their growth in terms of net profit, revenue, and other financial data. Other business owners may use one of the following criteria for assessing their growth: sales, number of employees, physical expansion, success of a product line, or increased market share. Ultimately, success and growth will be gauged by how well a firm does relative to the goals it has set for itself.

For the purpose of this research, organizational growth is looked at as increase in market share, profitability, revenue and product range.

2.7.1 Ways in which organizations achieve growth

Many academic models have been created that depict possible growth stages/directions of a company. Some of the commonly used methods for creating organizational growth within a small business are discussed below.

New Markets—Some businesses are able to secure significant organizational growth by tapping into new markets. Creating additional demand for a firm's product or service, especially in a market where competition has yet to fully develop, can spur phenomenal growth for a small company, although the competitive vacuum will generally close very quickly in these instances. In the last ten years, many small firms have turned to an online marketing presence as a tool for reaching beyond their traditional markets. For those who do not yet market and sell online, this is one area that may be explored.

New Product Development—Creation of new products or services is a primary method by which companies grow. Indeed, new product development is the linchpin/key player of most organizations' growth strategies. Crosby, (1990.)

Four broad growth strategies are diversification, product development, market penetration, and market development. The Ansoff Growth matrix is a tool that helps businesses decides their product and market growth strategy.

Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. (Kotler and Keller,2006).

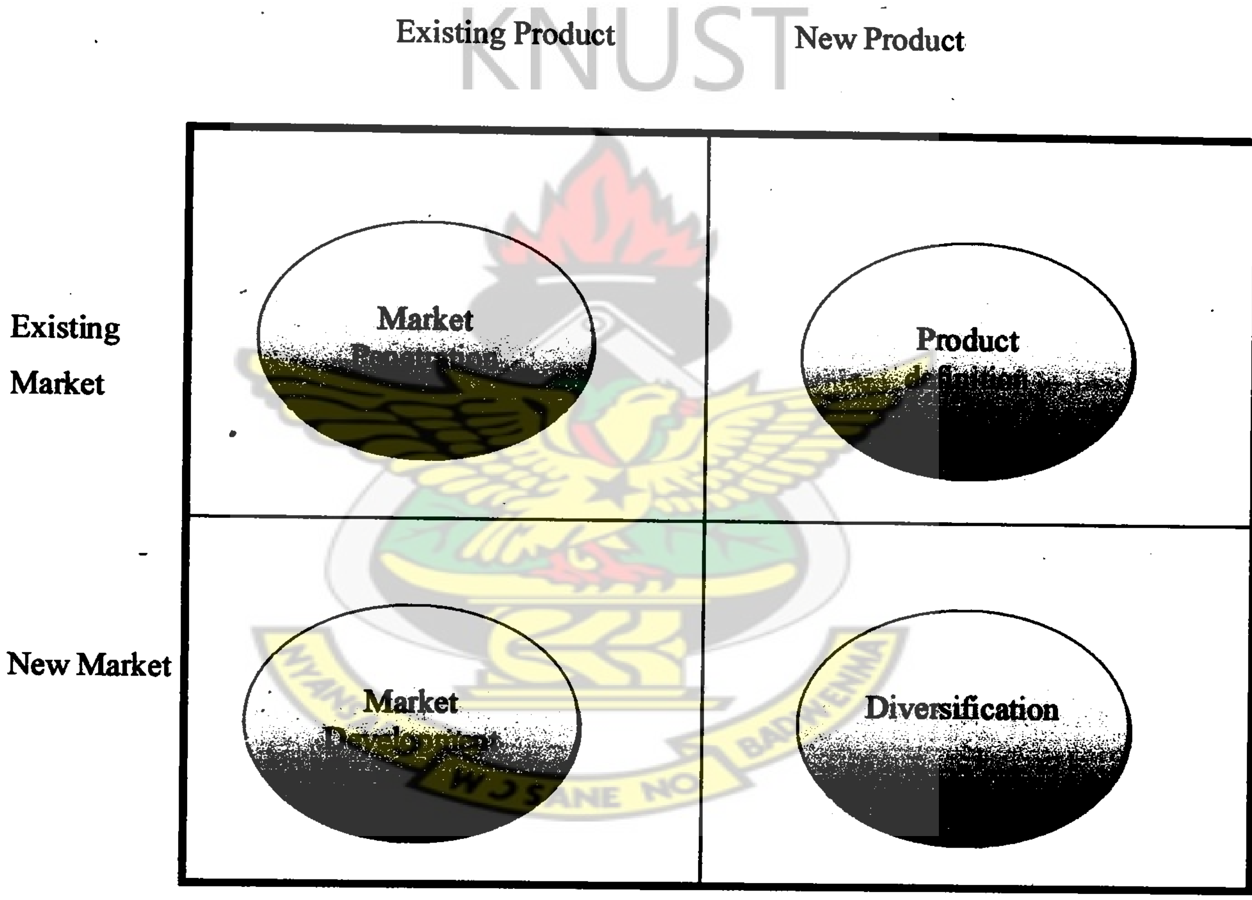


Figure 2.1

The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are described below:

Market penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets.

Market penetration seeks to achieve four main objectives:

• Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling

• Secure dominance of growth markets

• Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors

• Increase usage by existing customers – for example by introducing loyalty schemes

A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

Market development

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

There are many possible ways of approaching this strategy, including:

• New geographical markets; for example exporting the product to a new country is typically found where the investor faces mature markets in their own country or territory, an example is, most Nigerian banks like United Bank for Africa(UBA) after merging entered the Ghanaian market as their newly found market.

• New product dimensions or packaging, which may create an opportunity to realize synergies (hall et al, 1990; lehto and lehtoranta, 2004).

• New distribution channels

• Different pricing policies to attract different customers or create new market segments an example is United Bank for Africa (UBA) a Nigerian bank into the Ghanaian market opens an account with no money be it savings or current which they call zero account and Mobile Telecommunication Network (MTN) as they have the MTN zone and the post paid.

Product development

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets; an example is the introduction of internet banking by united bank for Africa, etc.

Diversification

Diversification is the name given to the growth strategy where a business markets new products in new markets.

This is an inherently more risky strategy because the business is moving into markets in which it has little or no experience.

For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

The use of Ansoff's matrix helps a lot, when the market becomes saturated, companies that are into mergers and acquisition sought other market opportunities that might utilize technological knowhow and expertise gained from the acquirers. One avenue that seemed particularly attractive was to increase development of incontinent products (similar products and new ones} for customers. With the improvement in product performance, sales and market penetration can exploded.

On the other hand, with this mergers and acquisition among organization they will be able to expand their market at home and overseas, that is when they have unlimited investment capital and a typical example is most Nigerian banks trooping into the Ghanaian market. Also, could lead to new product dimension and this is what Guinness Ghana breweries limited has done thus, after merging and later acquiring Kumasi Brewery ltd. has come up with lots of new products and with old ones with different packages like Guinness with different package by way of changing the bottle, new drink like Smirnoff ice all into the market.

Furthermore, corporations may pursue mergers and acquisitions as part of a deliberate strategy of diversification, allowing the company to exploit new markets and spread its risks. AOL's merge with media giant Time Warner, for example, saved it from being affected quite so disastrously as many of AOL's Internet competitors by the 'dot com crash' (Henry 2002).

More so, it also contribute by way of widen their distribution channel to especially countries they do not have their branches. However with diversification, these new banks entering into the Ghanaian markets for instance expect to gain from the business and at the same time entitle to a lots of risk, as setting up every business the entrepreneur is entitle to risk factors and it clearly known that the higher the risk, the higher the reward and the lower the risk, the lower the reward, therefore in practice investors can reduce the company related risk.

2.7.2 Increased market power and share

Horizontal acquisitions increase market share and hence increase a company's ability to earn monopoly profit, whereas vertical acquisitions increase a company's power in raw material or distribution markets. Denzil and Antony (2007)

A merger can increase the market share of the merged firm. The increased concentration or market share improves the profitability of the firm due to economies of scale. The bargaining power of the firms' vis-à-vis labor, suppliers and buyers is also enhanced. The merged firm can also exploit technological breakthroughs against obsolescence and price wars. Thus, by limiting competition, the merged firm can earn super-normal profit and strategically employ the surplus funds to further consolidate its position and improve its market power.

Merger is not the only route to obtain market power. A firm can increase its market share through internal growth or joint ventures or strategic alliances. Also, it is not necessary that the increased market power of the merged firm will lead to efficiency and optimum allocation of resources. Market power means undue concentration which could limit the choice of buyers as well as exploit suppliers and labor.

2.7.3 The Concept of Synergism

Synergism occurs when the earnings of the combined cooperatives can be made greater than the earnings of the uncombined firms without sacrificing any member services.

In this case, the "merger math" comes out 2 + 2 = 5. Sources of synergism include:

- Combining duplicate functions
- Better utilizing excess capacity in one or both organizations
- Achieving economies of scale
- Risk-spreading
- Reducing the cost of capital
- Better cash and inventory management
- Increased market power.

Specific examples of synergism include reduced personnel costs, reduced accounting costs, and reduced auditor and consultant fees. Most merged cooperatives operate with a smaller staff than the total of the pre-merged firms. Obviously, one manager position is often eliminated. The merger may also allow two bulk fuel routes to be combined or for the book keeping responsibilities to be combined with net personnel savings. Auditing and consulting fees may also be reduced since it is easier to provide these services to one large firm than to two smaller entities. In some cases, a merger has made it feasible to dedicate an employee to functions previously filled by consultants (such as regulatory compliance). The replacement of consulting fees within house expertise can represent another source of savings.

Some cooperatives have improved their cash management, inventory management, and marketing operations subsequent to a merger since they became large enough to utilize more sophisticated management techniques.

Unfortunately, mergers and other combinations also have many negative aspects. In some cases, the merger math comes out 2 + 2 = 3. If not handled properly, a merger can lead to bad feelings and a loss of membership identity with the cooperative. The combination can also lead to internal conflicts as the manager attempts to blend two different firm cultures into a single unit. At times, a manager who has done an excellent job with a smaller cooperative is unable to effectively manage a larger firm. Not only does the merger put new stresses on management.

Conversely, research shows that the predicted efficiency gains often fail to materialize following a merger (Hughes 1989). 'Horizontal' mergers (between companies operating at the same level of production in the same industry) may also be motivated by a desire for greater market power.

Talks of a merger between Merchant Bank and Trust Bank Ghana Limited had also been in the news for some time now since a statement issued by the two banks in June 2007 noted that the merger was expected to lead to the emergence of a large, strong and dominant Ghanaian-owned bank with the Social Security and National Insurance Trust as the largest shareholder.

Though a consortium of financial advisors led by KPMG, a renowned accounting and management professionals had been appointed to serve as an advisor to the fusion, workers of Merchant Bank were bent on disrupting the process.(Yeboah, 2007).

Information also gathered by CITY & BUSINESS GUIDE indicated that more banks could follow suit soon. This was due to the apprehensions that less than 10 of the 24 banks currently operating in the country could readily meet the new capital requirement announced by the Bank of Ghana within a year.

According to an analysis of the 2007 financial statements of the 22 banks by Price Water Price Water House Coopers, Merchant Bank, Agriculture Development Bank and Ghana Commercial Bank were the only three banks that might not require additional capital to meet the minimum capital requirement for 2009 (www.bog.gh.com).

Two indigenous banks, CAL and First Atlantic Merchant banks could also be considering any merger or acquisition looking at the new capital requirement as well as the oil discovery where banks would require larger capital base to execute projects. Other international banks such as Zenith Bank, United Bank for Africa (UBA) and International Commercial Bank could be seeking recapitalization from their parent organizations.

The Nigerians had a similar experience, when the Central Bank of Nigeria (CBN) increased the minimum requirement of banks from two billion Naira (US$14.5 million) to 25 billion Naira (about $ 181million), reflecting an increment of 1150 percent in 2004 was still fresh in the players' minds. The move caused ripples in the industry with several mergers and acquisitions occurring thereby reducing the number of banks from over 70 to about 24 (www.myjoy online.com,2007).

Takeovers and mergers have been used interchangeably and especially regarding the acquisition by GGBL of KBL, the general population may still be unclear as to what has actually taken place and whether the transaction was a merger or a takeover.

The acquisition of Kumasi Brewery Limited (KBL) by Guinness Ghana Limited (GGL) in 2004 (which changed its name to Guinness Ghana Breweries Limited, GGBL) has thrown up very interesting legal questions that necessarily must be answered to guide the entire market in future M& As.

Total Outré Mer S.A. of France is in the process of a takeover offer to shareholders of Mobil Oil Ghana Limited. It is noteworthy that the Total acquisition is by way of a tender offer, having expressly disclosed in the circular that it will only acquire shares up to a defined percentage. The tender offer technique is a means of buying a substantial portion of the outstanding shares or stocks of a company by making an offer to purchase all shares, up to a specified number, tendered by shareholders within a specified period at a fixed price, usually at a premium above the market price. A tender offer is often the first step in acquiring a company, since the company making the tender offer may follow the tender offer with a merger proposal. The Total Offer is a good example. It is therefore important that the ground rules are made clear to avoid the controversy that has accompanied the acquisition of KBL by GGBL.(Think Ghana, March ,2007)

A company may seek an acquisition because it believes its target to be undervalued, and thus "bargain" - a good investment capable of generating a high return for the parent company's shareholders. Recently, that was the idea behind the acquisition of Agricultural Development Bank (A.D.B) by Stanbic Bank Ghana Ltd. Instead of opening up of branches like Barclays Bank of Ghana Ltd. they rather, prefer a takeover (Adenrian, 2007).

Often, such acquisitions are also motivated by the "empire-building desire" of the parent company's managers (Ravenscraft and Scherer 1987).

2.8 Why Mergers and Acquisitions Fail

Sometimes, the failure of an acquisition to generate good returns for the parent company may be explained by the simple fact that they paid too much for it. Having bid over-enthusiastically, the buyer may find that the premium they paid for the acquired company's shares (the so-called "winner's curse") wipes out any gains made from the acquisition (Henry 2002).

However, even a deal that is financially sound may ultimately prove to be a disaster, if it is implemented in a way that does not deal sensitively with the companies' people and their different corporate cultures. There may be acute contrasts between the attitudes and values of the two companies, especially if the new partnership crosses national boundaries (in which case there may also be language barriers to contend with).

A merger or acquisition is an extremely stressful process for those involved: job losses, restructuring, and the imposition of a new corporate culture and identity can create uncertainty, anxiety and resentment among a company's employees (Appelbaum *et al.*, 2000). Research shows that a firm's productivity can drop by between 25 and 50 percent while undergoing such a large-scale change; demoralization of the workforce is a major reason for this (Tetenbaum 1999). Companies often pay undue attention to the short-term legal and financial considerations involved in a merger or acquisition, and neglect the implications for corporate identity and communication, factors that may prove equally important in the long run because of their impact on workers' morale and productivity (Balmer and Dinnie 1999).

On the other hand, Harari (1997) questions why so many M&As fail after CEOs extol their strategic rationale. This author suggests the reason for failure is the lack of vision by short sighted executives, who take the safe route and buy current competitors to gain market share. Harari (1997) recommends that instead, companies should boldly redefine themselves and their market place.

Again, Balmer and Dinnie (1999) identify a number of reasons for the failure of M&As. They found that there was an over-emphasis on short term financial and legal issues, at the neglect of the strategic direction of the company. This neglect included failure to clarify leadership issues and a general lack of communication with key stakeholders during the merger or acquisition process.

Some studies have focused on identifying the specific reasons for the failure of mergers or acquisitions. For example Gadiesh and Ormiston (2002) suggest five major causes of merger failure:

- Poor strategic rationale.
- Mismatch of cultures.
- Difficulties in communicating and leading the organization.
- Poor integration planning and execution.
- Paying too much for the target company.

Of these five causes of merger failure Gadiesh and Ormiston (2002) believe that having a clear strategic rationale for the merger is the most important problem to overcome, as this rationale will guide both pre and post merger behavior.

They emphasize that this issue alone may result in the other four causes of merger failure occurring. Lynch and Lind (2002) list other reasons for merger failure such as: slow post merger integration, culture clashes and lack of appropriate risk management strategies.

More so, managers, suddenly deprived of authority and promotion opportunities, can be particularly bitter: one survey found that "nearly 50% of executives in acquired firms seek other jobs within one year". Sometimes there may be specific personality clashes between executives in the two companies. This may prove a problem in the case of Carlton and Granada: Carlton's chief executive Charles Allen and Granada's chairman Michael Green, who will have joint responsibility for running the merged company, have been likened to "ferret in a sack".

2.9 Strategies for a successful acquisition

A merger or major acquisition is often a unique, one-off event in the lifetime of a firm; companies therefore have no opportunity to learn from their experience and develop tried-and-tested methods to ensure that the process is carried out smoothly.

One notable exception to this is the financial-services conglomerate GE Capital Services, which has made over 100 acquisitions during a five-year period (Ashkenas et al 1998).

Through this extensive experience, GE Capital has learnt four basic lessons:

The integration of acquired companies is an ongoing process that should be initiated before the deal is actually closed.

During the period in which the acquisition is being negotiated and subjected to regulatory review, the management of the two companies can liaise with each other and draw up a clear integration strategy.

Starting earlier not only allows the integration to proceed faster and more efficiently, but also gives GE Capital the opportunity to identify potential problems (such as drastic differences in management style and culture) at a stage when it is not too late to abandon the deal if the difficulties encountered seem so severe that the acquisition is likely to fail.

Unfortunately, however, even if a very thorough investigation is done prior to the acquisition, there are often potential problems that will not manifest themselves until long after the deal has been done (Ravenscraft and Scherer 1987). It is also impossible to take early steps towards integration in the case of a hostile takeover bid (where the managers of the company being acquired refuse to co-operate with their potential buyers).

Integration management needs to be recognized as a "distinct business function", with an experienced manager appointed specifically to oversee the process. The 'integration managers' that GE Capital selects to oversee its acquisitions can come from a wide variety of backgrounds, but all must have the interpersonal skills and cultural sensitivity necessary to foster good relationships between the management and staff of the parent company and its new subsidiary.

If uncomfortable changes (such as layoffs and restructuring) have to be made at the acquired company, it is important that these are announced and implemented as soon as possible - ideally within days of the acquisition. This helps to avoid the uncertainties and anxieties that can demoralize the workforce of a newly-acquired company, allowing employees to move on and to focus on the future.

Perhaps, the most important lesson is that, it is important to integrate not just the practical aspects of the business, but also the firms' workforces and their cultures. A good way to achieve this is to create groups comprising people from both companies, and get them to work together at solving problems.

2.9.1 The Role of Culture

Other authors, however, question whether aiming for total integration of two contrasting company cultures is necessarily the best approach. There are, in fact, four different options for reconciling cultural differences: complete integration of the two cultures, assimilation of one culture by another, separation of the two cultures (so that, they are maintained side by side), or deculturation (eventual loss of both cultures). The optimal strategy may depend upon the degree of cultural difference that exists between the organizations, and the extent to which each values its own culture and identity (Appelbaum et al 2000).

Tetenbaum (1999) suggests an alternative set of "seven key practices" to assist with a successful merger or acquisition:

Close involvement of Human Resources managers in the acquisition process; they should have a say in whether or not the deal goes ahead. "Building organizational capacity", by ensuring that, close attention is paid to the retention and recruitment of employees during the acquisition. Ensuring that the integration is focused on achieving the desired effect (for example, cost savings), while at the same time ensuring that the core strengths and competences of the two companies are not damaged by the transition.

Carefully, managing, the integration of the organizations' cultures as it happens to constitutes a key factor in M&As success and should be given the necessary attention at all stages. A good pre–merger planning with culture placed at the heart of integration strategies and implementation and the creation of a positive atmosphere for the change, therefore before initiating any actual consolidation of human and physical assets are likely to contribute to acquisition success and value creation.

Completing the acquisition process quickly, since productivity is harmed by the disorganization and demoralization that inevitably occur while the change is underway.

2.9.2 The Role of Communication

Communicating effectively, with everyone, who will be affected by the change?

Communication is a crucial strategic tool in the integration process that follows a merger or an acquisition. M&A differ from other changes as virtually everything is at stake both practical issues as well as the corporate identity (Balle, 2008).

Role of communication in the processes of major organizational change such as mergers and acquisitions, therefore during the M&A stage, appropriate communications, in addition to other requirements such as training, will equip employees with knowledge and tool to help them deal productively with the concept of constant change, to develop new relationships, and to engender the support of new managers (sherer, 1994; Appelbaum *et al., 2000*).to that end, true business transformation means equipping employees with actionable knowledge and skills to achieve business results (Henry, 2002). However, all forms of communication do not have the same effect and true communication is difficult to achieve since the communication process faces numerous potential obstacles (Appelbaum *et al., 2000*) and may lead to 'confusion or distortion" (Cartwright and Cooper, 1996) ',misunderstanding or different interpretations" (Noerreklit and Schoenfeld,2000).

Furthermore, appropriate communication is necessary for change in behaviors and operations required for the successful execution of strategy (Henry, 2002).The literature of organizational change has mentioned various forms of communication and information flow such as: memos and written statements, email, posters, video, face-to –face contact or meetings (Appelbaum *et al* .,2000; Cartwright and Cooper, 1996).

Other authors agree that "being truthful, open and forthright" during an acquisition is vital in helping employees to cope with the transition (Appelbaum 2000). Like what the Ghana government recently did, by opening a public forum in order to address the views of the workers of Ghana Telecom, and Ghanaians as a whole concerning the sale of 70% of it shares to Vodafone United Kingdom(U.K). Developing a clear, standardized integration plan, Tetenbaum (1999) cites the example of Cisco Systems, like GE Capital, makes large numbers of acquisitions and has been able to learn from its experiences and build up tried-and-tested processes for carrying them out successfully.

Given the importance of aligning strategic planning policy to M&A strategy it is crucial to identify and utilize an effective tool to ensure there is alignment between an organizations strategic plan and M&A plan. This tool is generally referred to as the due diligence process which must also be considered when it come to mergers and acquisition being used as a company strategy.

2.9.3 Due Diligence: Screening of Potential Merger or Acquisition Targets

Due diligence is a generally accepted method in undertaking an assessment of potential M&A targets. Sinickas (2004) defines due diligence as '…where each party tries to learn all it can about the other party to eliminate misunderstanding and ensure the price is appropriate'. Angwin (2001) identifies due diligence as critical in the M&A process and points out that effective due diligence should be a comprehensive analysis of the target company's entire business, not just an analysis of their cash flow and financial stability has traditionally been the case.

Perry and Herd (2004) noted that as the complexity of mergers and acquisitions has increased, the scope and effectiveness of due diligence are now key issues. This view is supported by Jensen (1982) who notes that the majority of acquisitions in the 1960s came from referrals through investment and commercial bankers, whereas in the 1970s a more proactive screening process was utilized to identify candidates. Jensen (1982) suggests that potential candidates have become well exposed to many potential suitors and it can be difficult to determine if they are the best candidates available for M&As.

To overcome the danger of entering a bidding war amongst suitors, Carey (2000) advises that a potential buyer of a company needs to set clear criteria when considering a potential merger or acquisition.

Targeted companies Jensen (1982), states that it is essential to test the business case by examining operational and management strengths and weaknesses. Carey (2000) also recommends that this examination should include full financial information, about the company's operating performance and problems, its corporate culture plus an honest assessment of management talent. Carey suggests this can be achieved by building relationships with targeted companies.

The literature suggests that due diligence process is essential for M&A success. However, the scope and complexity of due diligence has increased as businesses continue their international expansion. Therefore it is important that past M&A experience be explored to identify whether an organization can learn from past mistakes and improve its M&A performance.

2.9.4 Learning from past Mergers and Acquisition experience

Hayward (2002) states that while people undertaking mergers and acquisitions have a great opportunity to learn from their experience, they seldom do. This author found that firms who have small losses in prior acquisitions are stimulated to learn from their performance and outperform on subsequent acquisitions.

On the other hand, firms that have had great success or great failure find it difficult to learn from that experience. Rovit and Lemire (2003) established that frequent buyers, regardless of economic cycles, were 1.7 times more successful than those firms who were not as frequent, (i.e. between 1 - 4 deals). They suggest consistent purchasing will increase the chances of success, as is being prepared to walk away from deals that are considered too risky.

By contrast, Hayward (2002) finds that acquisition experience is not enough to generate superior acquisition performance; however, firms are more successful when they acquire companies that are in a moderately similar business and also find that acquirers, who make acquisitions one after another in quick succession, do not outperform companies that acquire infrequently.

According to Hayward (2002) the best results come from those organizations who take a modest break in their acquisition process to allow the lessons learnt from acquisitions to be processed, i.e. a break long enough for management to consolidate key lessons, but not so long that those lessons are forgotten.

Guest et al. (2004) suggest that having a successful first merger is a predictor of declining performance in subsequent acquisitions. This is in contrast to Hayward (2002), who found that acquirers who have an unsuccessful first merger learn from their mistakes and improve their subsequent performance.

Even though, these acquirers do learn from their mistakes, they never quite catch up with the organizations success in their first acquisition. Guest et al. (2004) concluded that if your first merger does not succeed, it is not worthwhile pursuing future mergers. Overall, the body of literature on the usefulness of prior experience in undertaking M&As has shown mixed results

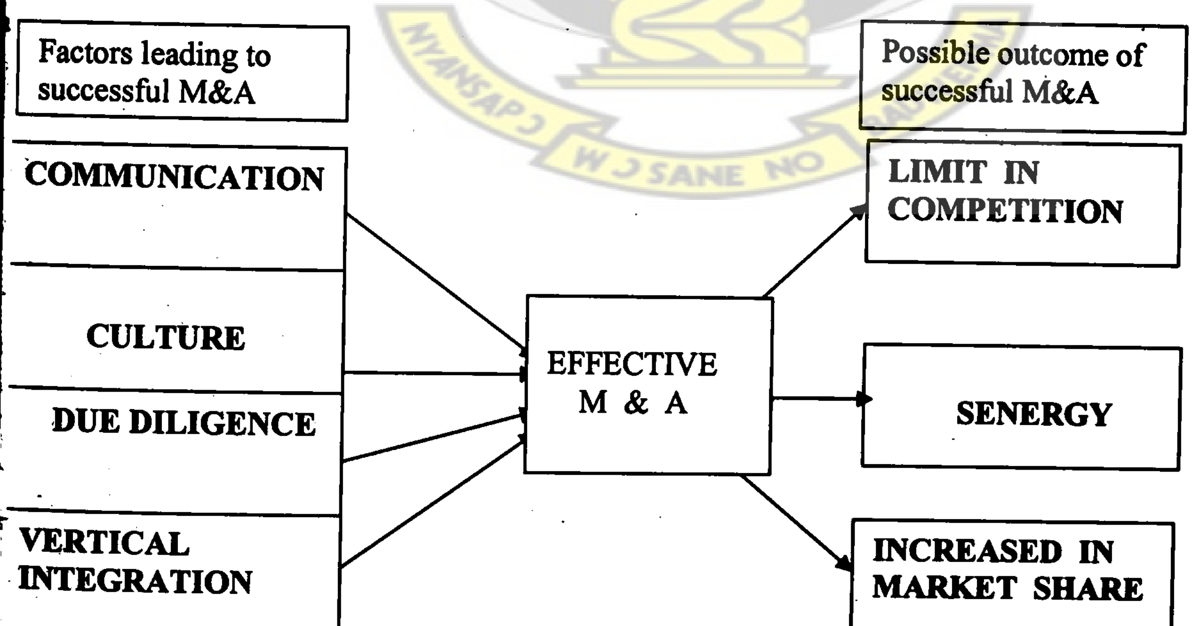
This study focuses on three key planning requirements necessary to achieve M&A success: diminish the importance aligning corporate strategy; due diligence; and learning from past M&As. This does not offer other factors such as post M&A integration; however these are outside the scope of this study.

According to Jensen (1982), states that it is essential to test the business case by examining operational and management strengths and weaknesses, whiles Carey (2000) also recommends that for successful (M&A) there must be examination of full financial information, study the company's operating performance and problems, its corporate culture plus an honest assessment of management talent. Carey suggests this can be achieved by building relationships with targeted companies.

On the other hand, the researcher also, suggest that for (M&A) to be successful communication must be effective, both companies culture must be respected, due diligence must be considered and vertical integration should be looked at, with all this putting together, there is going be an effective integration and a successful (M&A) which will definitely promote growth.

Figure 2.2

2.10. THE CONCEPTUAL FRAMEWORK FOR THE RESEARCH



Source: Adopted from Gadiesh and Ormiston, 2002

The diagram,above is what to consider to make mergers and acquisition effective; Communication, Culture, Due diligence, Vertical integration when integrated effectively, the end result will be the following; Limited in competition, Synergy, Increased in market power or market share.

Also, to see to the success of mergers and acquisition, there is the need to promote open and honest communication with employees and adjusting to the culture of the new organization that is, into merger or acquisition in order to make work environment condusive for the entire staff, let a lone promote successful and effective integration.

With due dilligence, the organization that is into mergers and acquisiton see to it that real or thorough investigation has taken place before the deal between the two companies is signed.

Effective M & A is likely to lead to limit in competition, synergy and increased in market share and power

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the methodology used for the study and the profile of Total Ghana Limited. The essence of this chapter is to present analytical framework to explore factors that will promote mergers and acquisition as a tool for growth and reason for the chosen methods.

3.1 Research Design

The researcher used survey technique in the study. The survey technique helps to collect information from sampled respondents through questionnaire.

The researcher used structured questionnaires and unstructured interview to extract qualitative responses from management, employees and dealers/distributors in the conduct of this study.

3.2 Population

Webb (2000) defined population as all the people, the factors and variables which have a role to play in the situation under study. This study was restricted to Total Petroleum Ghana Limited within Kumasi Metropolis.

The population of the study comprises management, employees, and distributors/dealers of Total Petroleum Ghana limited within Kumasi metropolis.

In choosing the sample size, the number of distribution outlets in the Kumasi Metropolis was considered. The company has forty-one distribution outlets within the metropolis. Thirty of the distribution outlets were chosen for the study. Staff at regional office and dealers/distributors within the selected distribution outlets were sampled. Purposive sampling was used for selecting the respondents at the head office because of the small sample size and the expert knowledge of the situation under investigation. In all, thirty dealers out of forty-one were sampled for the research work.

The population involve seven senior managers, twenty-five employees and forty one distributors.

3.3 Source of data

The study used primary data and secondary data sources. Two sets of data were used for the study. Secondary and primary data were collected for the study. Primary data is data which is collected specifically to answer the question(s) posed by the current research objectives and secondary data is data that has already been collected for some purpose other than the one under consideration. (Webb 2000)

3.3.1 Secondary data sources

Secondary data source includes already existing information on mergers and acquisition from the internet. The company's website was the major source of the data used. Documents like annual report were also used for the study.

3.3.2 Primary data

Primary data was collected through unstructured interviews and the use of structured questionnaires. Two set of questionnaires were used in collecting the primary data.

Some managements personnel at the head office were interviewed using unstructured interview for information about the company. This form of interview is an informal one in which there is no already listed questions to be asked, although the researcher has clear idea about an aspects of the item in question (Webb, 2000).

One set of questionnaires was developed for the employees/staff of the company and another for the dealers/distributors of the company.

3.4 Sampling and data collection techniques.

3.4.1 Sample size

The study covered employees from the Regional Office within the region. It was made up of twenty employees from the Regional Office and thirty dealers or distributors within the Kumasi Metropolis.

3.4.2 Sampling Techniques

Simple random sampling was used by the researcher due to the large number of dealers of Total Ghana Limited. Purposive sampling technique was used on the part of management that is, at the company's head office in Accra. the basis of this sampling technique is that the sample members should meet certain conditions which are thought appropriate to the successful completion of the investigation (Webb, 2000).

3.5. Data collection.

The study was of descriptive in form, in order to provide an accurate and valid depiction of variables, and also to investigate respondent's beliefs, attitudes in a way which may not be possible, if they were to be asked to respond to direct questioning, qualitative method were chosen for the data collection (Webb,2000).

Structured questionnaires were given to the employees at the regional office and dealers/distributors of the selected branches to be administered to collect primary data. Unstructured interview was used on the part of some management personnel at the head office in Accra.

The responds gathered from the staff and management of the company together with information gathered from literature were used to develop questionnaires that were given to dealers to answer.

Dealers were also surveyed through the use of questionnaires. Dealers respondents were selected from different areas within the Kumasi Metroplis.

3.6 Data analysis

Data analysis was done using Statistical Package for Social Sciences (SPPS). The relevant information was obtained in a standard form using tables,charts and percentages to analyze and interpret the information.

3.7 Profile of Total Petroleum Ghana Limited

Mobil Oil Ghana Limited was established in Ghana in 1951 primarily to market and distribute petroleum products in the oil gas sub-sector of the Ghanaian economy. It was a public limited liability company and a subsidiary of Mobil Holdings (UK) Limited (with 60% equity); a company incorporated in the state of Delaware in the United States of America and was listed on the Ghana stock exchange (GSE). On December 1,1999, Mobil Corporation, the holding company of Mobil Holdings (UK) Limited merge with Exxon Corporation to form Exxon Mobil Corporation, the world's largest Oil Company (Mobil Annual Report,1999). Mobil's marketing efforts in Ghana are driven on two fronts; the retail and the industrial business.

On the other hand,Total Petroleum Ghana Limited, an Oil Marketing Company, merge with Mobil Oil Ghana Limited and later on acquire Mobil Oil Ghana Limited which came into existence in November, 2006. The strong historical heritage of Total Petroleum Ghana Limited dates as far back as 1964 when the subsidiary was inherited from BP Ghana, which was followed by a series of transitions from Elf Oil to TotalfinaElf. This coupled with a great respect for quality, standards, achievements and safety, has propelled the subsidiary to the forefront of the industry.

With Total Petroleum's leadership position, came a huge recognition of the Total brand amongst the Ghanaian investing and consuming public. The company is more visible and very well represented across the ten regions of Ghana, having inherited some of the best locations in major cities and towns.

Total Petroleum remains at the forefront of several innovations. For six years running, the Company has remained the only Oil Marketing Company with an electronic card payment system in Ghana. To further ensure that its processes guarantee top quality customer service, Total Petroleum remains the only company in Ghana with an ISO quality management certification (ISO 9000:2001) www.total.gh.com.

To further enhance customer satisfaction, the Company has embarked on a couple of investments. These include modernizing and upgrading its Takoradi depot to receive direct imports of gas oil and super in order to satisfy the needs of its mining customers and growing fleet of high performance cars in Ghana. In partnership with private businessmen, Total Petroleum has embarked on the development of service stations to bring its services to the doorsteps of customers.

3.7.1 Computerization

Total Ghana has computerize all of its branches Accra, Kumasi, Tamale, Takoradi, and Tema they are on a wider area network and are advanced as well.

3.7.2 Corporate social responsibilities.

Total Petroleum Ghana Ltd. has been assisting Korle Bu heart foundation, promoting road safety awareness, promoting aids awareness and also contributing to the Otumfuo educational fund.

3.7.3 International recognition

The company is a multinational company with lots of branches outside and within the West Africa sub region including Ghana.

3.7.4 Organizational structure of Total Ghana Limited.

Total Ghana limited employs an effective organizational structure with clearly defined lines of authority from top management levels downwards. On top of the hierarchy is the board of directors BOD followed by the managing director and the line management.

3.7.5 Board of directors

The board of directors is responsible for the formulation of the company's overall strategy and the monitoring of operational activities of management. The BOD is made up of professionals, highly intellectuals and renowned businessmen who have accomplished significantly in their various fields of endeavor.

3.7.6 Managing director

The managing director sees to the operations and monitoring of all the activities of other managers who are assigning to different task.

3.7.7 Marketing manager

The marketing manager is responsible for the development of strategic and operational plans design to achieve the objectives. It is responsible for projecting the image of the industry and co-ordinates the affairs of all branches to improve standards of operations.

3.7.8 Logistics manager

The logistics manager takes care of the stock and the distribution of the company's products.

3.7.9 Internal audit

Set up the internal control and see to the monitoring and evaluation of the internal control.

3.7.10 Legal officer

The legal officers see to the legal and corporate affairs of the company.

3.7.11 Network manager

The network manager is responsible for the computerization of all branches and the interconnectivity of their operation. It is also responsible for the network of the branches into the wider area network, and meeting the technological needs of the company.

3.7.12 Human resource manager

The human resource manager is in charge of the recruitment and appraisal of all manner of people in the organization.

3.7.13 Finance and accounting manager

The finance department is responsible for the efficient management of the funds of the company and the accounts department is responsible for preparation of management accounts.

3.7.14 Area manager

The area managers are in charge of the zones, and they see to the monitoring and operations of branches assign to them.

3.7.15 The swot analysis of Total Ghana Limited

The strength, weakness, opportunities and threats (SWOT) of Total Petroleum Ghana Limited are assessed. The strength and weakness of the organization are assessed to ascertain the internal capabilities of the organization. These internal issues falls on management, staff, operational activities, finance, and portfolio indicators.

On the other hand, opportunities and threats are the external issues that influence the firm's operational capabilities. These are concerned with factors such as macroeconomic indicators, political situation, competition and the general level of people understanding in the petroleum industry.

Below is the industry SWOT analysis

Strength

Their customers are the big mining companies in the country and the construction industry

- They have two hundred and twenty five retail outlets in the country.
- Product range
- Well qualified and dedicated staff.
- Large customers
- Goodwill/good reputation
- Potential market for products

Weakness

- There is competition from other companies.
- Information systems and management
- High labor turnover

Opportunities

- Political stability
- There is macroeconomic stabilities

Threats

- There is keener competition with other independent companies
- New entrants of other petroleum companies in the industry

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter consists of data analysis relating to the views of management, employees, and dealers/distributors of Total Petroleum Ghana Limited after acquiring Mobil Ghana Limited in 2006. Fifty questionnaires were sent out to employees and dealers of Total Petroleum Ghana Limited within the Metropolis to be administered, out of the fifty, the employees answered twenty and the dealers responded to all the thirty questionnaires. However, the analysis is base on management, employees and dealers of Total Petroleum Ghana Limited within the region. An unstructured interview was used to find out views of some senior managers.

4.2 Analysis of unstructured interview with some senior managers of the company.

The researcher was informed that senior managers played a critical role in the Total and Mobil merger right from the beginning till acquisition took place.

The merger came as a result of global crisis on the part of Mobil Oil UK, that is the parent company of Mobil Oil Ghana Limited. The researcher was told that the two companies created a clean team of employees of both organizations who shared confidential information about the two firms.

Senior leaders were literally taken out of their (daily) jobs and assigned to the clean team to plan the new company.

4.3 Market share of Total Ghana Limited before and after acquisition

Total Ghana Limited was the market leader in retail business with 17.4% (Total Annual Report,2000) before the acquisition of Mobil Ghana Limited with 12.8% in the petroleum industry from (Mobil Annual Report,1998-2000) in 2006.

Total Petroleum Ghana Limited has increased their market share from 17.4% in 2005 to 28.3% in 2006, from Total petroleum Ghana Annual Report 2006. The company has widened their area of distribution and network to 225 service stations across the country and also increased the breadth and depth of product line. Also, at the head office, from a senior manager, cost benefit analysis was positive, that is, where cost per unit produced is lower due to the large scale production or economies of scale. This has boost the companies profit margins, from 1,223 billion old cedi in 2005, right after the deal to 1,778 billion old cedi which is an increase of 45%. Profit after tax for the company at end of 2006 was 38.325 billion old cedis compared to 13.673 billion old cedis at the end of 2005 representing an increased of 180% . This enable the company to compete among the over 36 registered oil marketing companies more effectively in the country. Combining the two companies has made Total Petroleum Ghana Limited the market leader according to their

Annual Report in 2006, with an increase in the number of shares from 4,725,000 to 13,984,259.

Furthermore, Total Petroleum Ghana Limited continued to record an increase in turnover according to the company's Annual Report in 2007, 404 million Ghana cedis was realised compared to 178 million Ghana cedis in 2006 which represents an increased of 127%. Profit after tax recorded was 8.16million Ghana cedis in 2007 compared to 3.83million Ghana cedis in 2006 which represents an increased of 113%. The profit after tax was boosted by gains of 1.56million Ghana cedis from sales of surplus assets after the acquisition.

Also, shareholders dividend in 2007 increased to 49.64 Ghana pesewas per share before tax as compared to 27.41 Ghana pesewa per share in 2006. Total dividend for 2007 was amounted to 6,941,786.17 Ghana cedis which represents a dividend payout of 85% of after tax profits. As at 2008 the company's market share has reduced a bit with a percentage of 26.8 but still remains the market leader (Annual Report 2008).

4.4 The integration process of Total Ghana Limited and Mobil Oil Ghana Limited

According to the managment of Total Ghana Limited, a cross functional team was formed comprising of experts from different fields and a thorough due diligence was done along side all the departments before a smooth integration was carried out between the two companies.

4.4.1 Culture differences

There is culture difference among the companies, in the United kingdom(where Mobil came from) there is nothing like power distance but in France,(where Total is coming from) there exist power distance, therefore, it was a bit difficult on the part of Mobil employees to call their bosses by their first name at the initial stages when the deal was effected.

4.4.2 Communication

According to management, Mobil Oil Ghana Limited (a British multinational company) had an open door policy among which allowed employees to communicate directly to their superiors including top management. However, with Total Oil company (which is a French company) there are lots of secrets, communication does not flow as it used to be with Mobil Oil Ghana Limited.

4.4.3 Redundancy of employees

Touching on redundancies, a senior manager revealed that 46 employees were affected because of the rationalization of assets and operations of the two companies nation wide due to the acquisition.

An interview with Management and representatives of staff of both companies revealed that, the two company's amicably negotiated redundancy packages for the affected employees, a package which had received the approval of the Labour Department of the Ministry of Manpower, Youth and Employment for implementation.

Another concern of employees emanating from the acquisition was condition of service. The research revealed that condition of service used to be very attractive with Mobil Oil Ghana Limited employees. After the acquisition, condition of services has improved to a certain standard from Total's workers point of view but rather been a blow to former employees of Mobil Oil Ghana Limited as there has been a cut down of most benefits.

Figure 4.1 shows that, 55% of the employees respondents said that the condition of services of employees had really been improved meaning their condition of service has been better off after the acquisition. The remaining 45% of the employees were of the views that the condition of services used to be good than before, the acquisition of Mobil Oil Ghana Limited by Total Ghana limited.

However, when the companies used to be single entities employees of Moil Oil Ghana Limited responded that conditions were good but not like that of Total Petroleum Ghana Limited now. Therefore, since majority of the employees were of the views that condition of service are better than before, it confirms that Total Petroleum Ghana Limited have really done well especially on the companies condition of service.

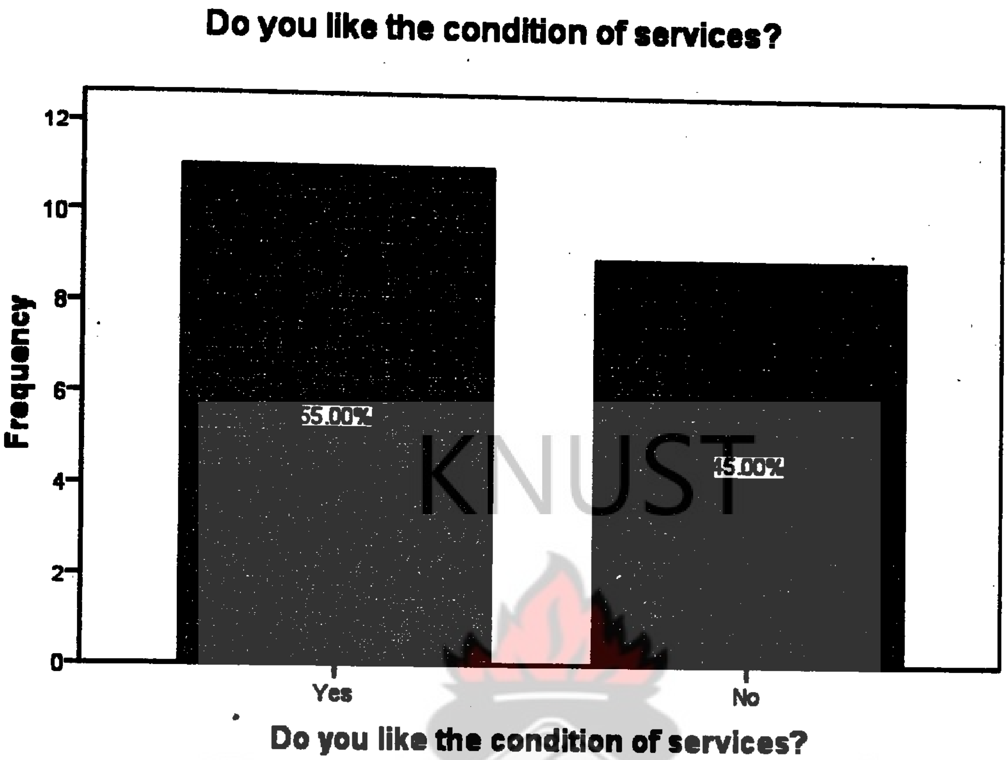


Figure 4.1 Condition of services

4.5 Efficiency of staff

According to an interview with management, Mobil Oil Ghana Limited used to organize consistent training for their employees and that has contributed immensely to the staff of Total Ghana Limited, as the company continue to invest in the training and development of their employees both locally and abroad to ensure quality. The company has really benefited when it comes to technical know how, especially on the use of computers. It has also benefited from the existing networks of Mobil Oil company throughout the country has reduced its operational cost in terms of distance and easy assess to information thereby promoting growth of the company.

4.6 Motive behind Total Ghana Limited acquisition of Mobil Oil Ghana Limited

Mobil Oil Ghana Limited and Total Ghana Limited experienced global crisis as a result of continued increases in crude oil prices on the world market and power rationing arising from low water level at Akosombo, deregulation /adjusted retail pump prices in line with increasing world crude oil prices throughout the year (Annual Report of Total Ghana Limited, 2006). These led to an increase in cost of operation. It also generated a price war and stiff competition amongst the over 36 registered Oil Marketing Companies in the country.

4.7 Views of employees and distributors

4.7.1 Employees who were employed by either Total/ Mobil .

Table 1 depict the number of employees who were employed by Total Ghana Limited and Mobil Ghana Limited. 60% of the respondents were formally employed by Mobil Ghana and 40% by Total Ghana Limited. This signifies there is two different entities working under one management.

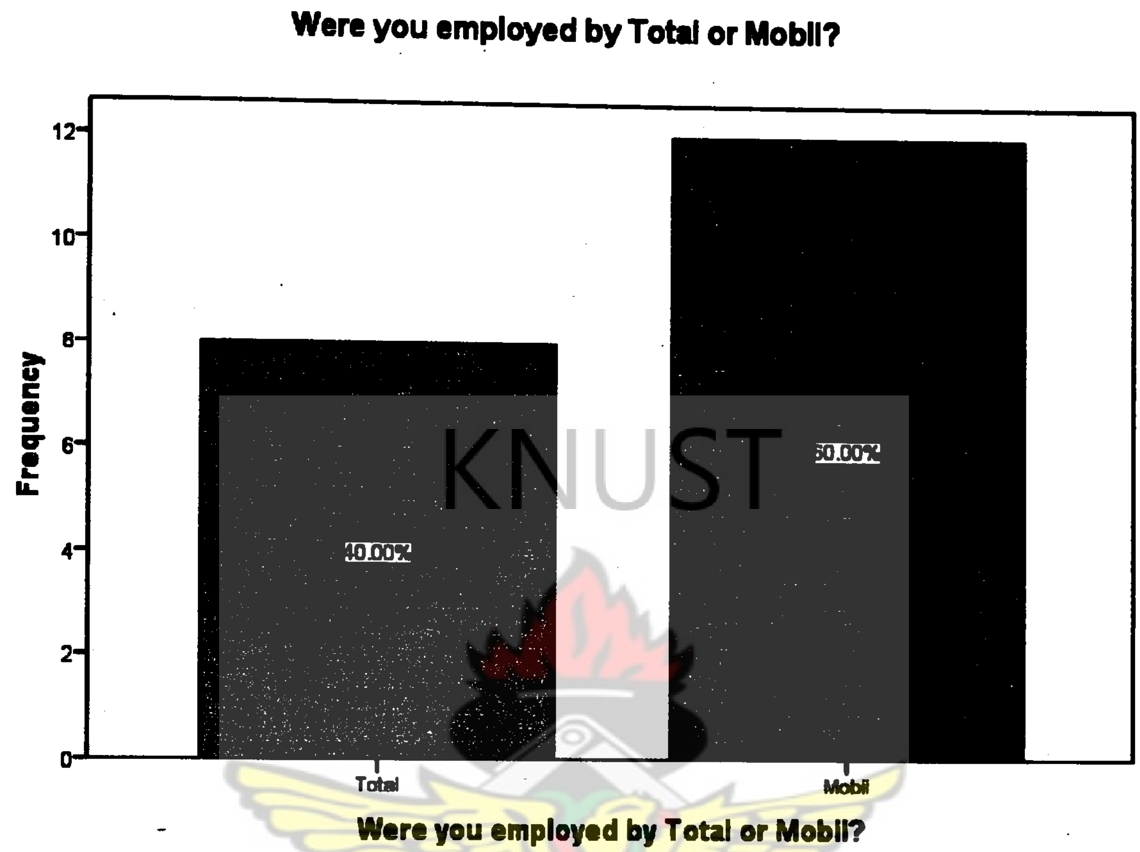


Figure 4.2 Workers employed by Total or Mobil

Performance or growth after the acquisition.

Table 4.1

Have you noticed any changes in terms of performance after the acquisition?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Remarkable change	20	100.0	100.0	100.0

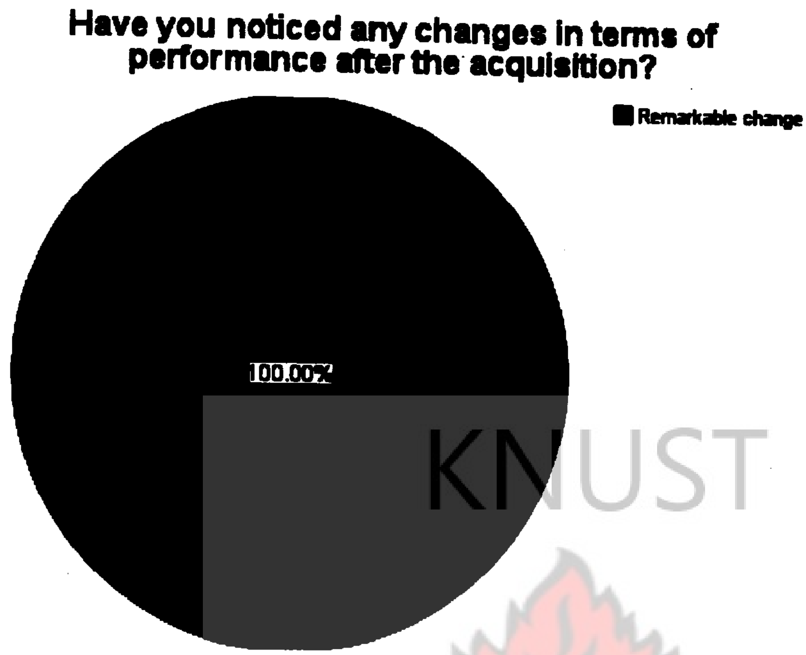


Figure 4.3 Changes interms of growth/performance after acquisition

The study explain the remarkable change which has taken place in terms of growth as well as performance in the company. With the high crude oil prices at the world market and power rationing affecting the economy since September 2007, the company is still doing well, The company has introduce high octane and high performance fuel with a brand name Total Super Plus which has been well accepted by their valued customers judging from the increasing demand and remarks they have received, the company has also re-launched TOMCARD, the only electronic card in the country for fuel and fleet management.

This happens to be a great success and the number of users have increased tremendously, from the companies Annual Report in 2007, among the petroleum industry.

Again, the company has widened its distribution outlet to 225 and there has been an increased in their base growth. Total shops have grown from 20 before the acquisition to about 65 nationwide (Annual report 2007). There has also been an expansion in interms of operation and there is a brighter future for the company in the years ahead (Annual Report 2008).

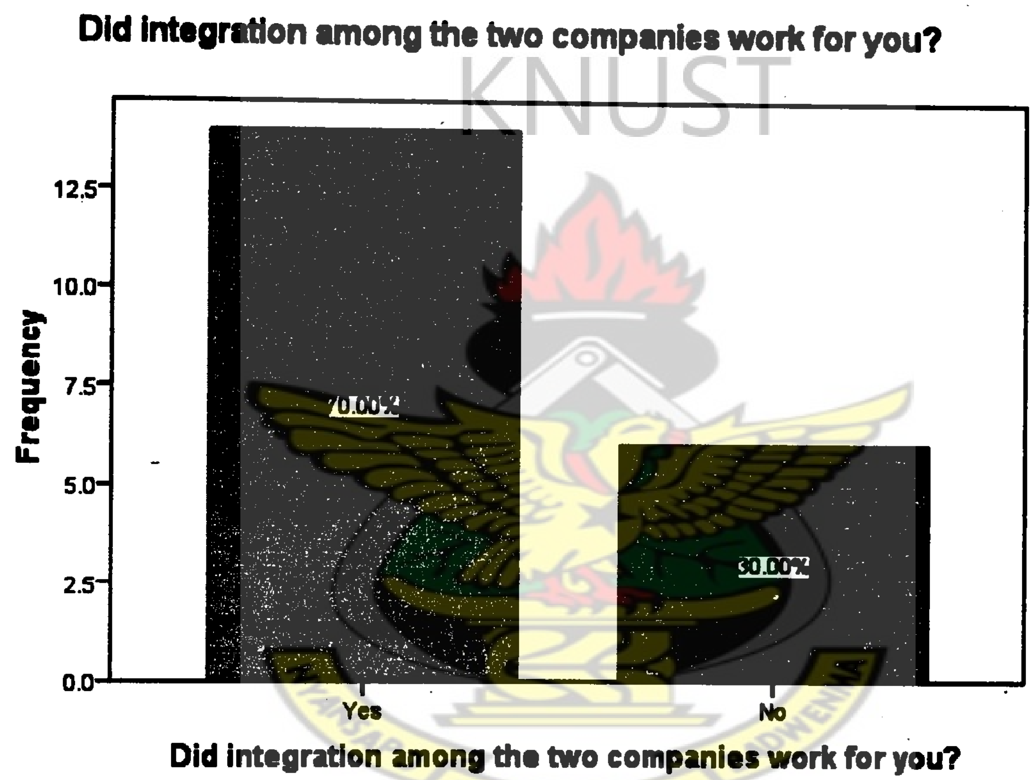


Figure 4.4 Integration among the two companies.

Figure 4.4 shows that 70% of the employee respondents said that the integration among Total and Mobil had work perfectly for them. The remaining 30% were of the view that the integration among the two companies had not been beneficial to Total Ghana Limited. The 70% who said that the integration had been beneficial to Total attributed the success to due diligent done by the acquirer (Total Petroleum Ghana Limited), efficient staff and the involvement of a greater number of staff in the integration process. It is therefore prudent for management to involve employees in any merger and acquisition to ensure successful and stress free merger and acquisition.

4.7.2 Views of distributors/dealers

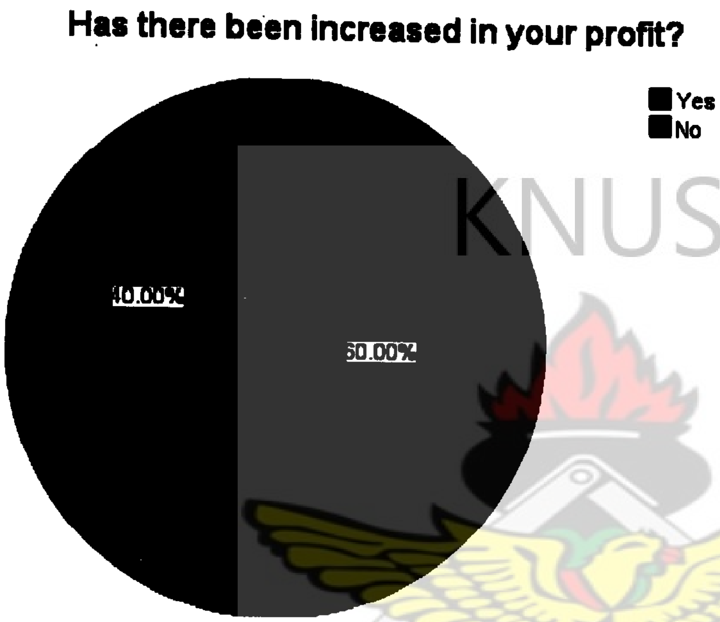


Figure 4.5 Inreased in profit

Dealers / Distributors of Total products

The diagram above, shows perception of dealers concerning profit. 60% of dealers respondended that there had been an increase in their profit whiles, the remaining 40% responded a fall in their profit as a result of competition in the petroleum industry/selling of fuel business in this recent time. In order to stay in business the physical evidence should be looked at, that is given a face lift to the various fuel station (physical structures of the fuel station must be mentained, customer services offered to the customers as well as the appearance of workers at the fuel station) that alone can draw a lot customers to buy from them.

Figure 4. 6 Increased in product line/range

The study indicate that, 70% of the dealers were of the view that, the company has increased its product line as well as the services they provided after the acquisition, that has help most dealers to stay in business. Some customers do not buy fuel but come in with their vehicle for services (to change oil, fixing their tyre alignment and washing of vehicles) as well as shopping at Total shops. 30% responded that product range has not been increased, may be they have stick to only the selling of fuel and nothing else. It would be of help to the other dealers who do not have Total shops at their fuel stations to included it, as a way of capturing at least customers who are not their regular customer in order to boost business.

According to the study, 70% of the dealers said, they like the services of the company because the company normally organized dealers awards for them and out of that, they give out prizes, the best dealer of the year goes home with lap top, and other prizes like money and other things given to other dealers. During such programs the company give dealers the chance to interact with the employees and management of the company. Views are also shared among each other, dealers suggest on what the company can offer them in order to compete with those in the same market.

On the other hand, 30% of the dealers is of the views that the company's relationship to their dealers is not bad, they always address to dealers views, by way of promting customer service.

Also, the company sometimes sell product on credit to their trustworthy customers (dealers) and dealers are at certain times given commission on what they can sell with in a given period.

Table 4.2 Likeness about Total Ghana Limited.

What do you like about Total Ghana Ltd.?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Their services	21	70.0	70.0	70.0
	Relationship to dealers or distributors	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

Table 4.3 Increase in sales

Has there been any increased in sales after the mergers and acquisition has taken place?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	70.0	70.0	70.0
	No	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

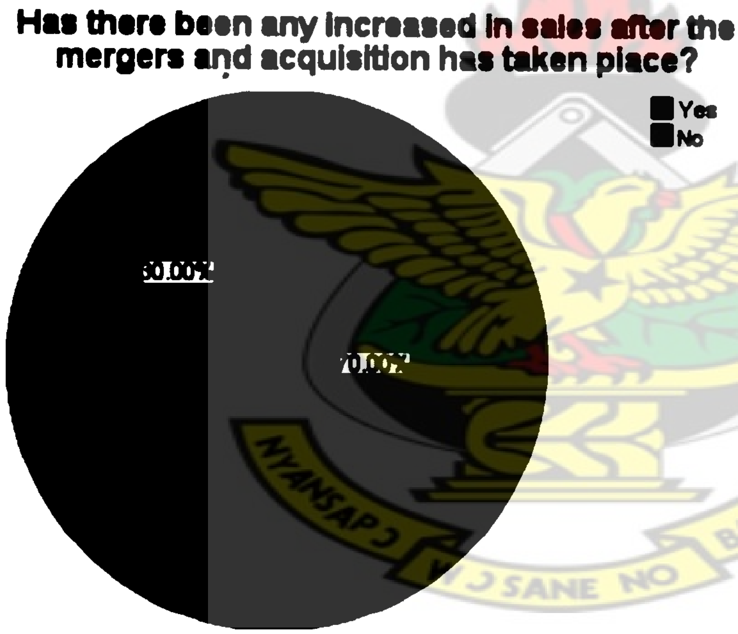


Figure 4.7 Increased in sales after the mergers and acquisition.

Figure 4.3 shows that, 70% of the dealers is of the views that their sales have been increased as a result of promotion that they do, during occasion like Easter and Christmas and sometimes they give out some gallons of fuel to their regular customer for free at certain period of time. At times, the dealers said they give their customers a hamper all to enticed them to become a loyal customer and also to promote customer retention because of the competition and easy to switch in the fuel business. 30% of the dealers reported that sales is on the decrease, the 30% can backup as result of given out promotion once a while and also monitor the activities of their service providers (workers), to ensure orderly at the work environment. At Total stations, they can offer customers much more than just fuel for their vehicles. They can installed ultra-modern facilities to help care for cars to enhance customer satisfaction as they drive out of the station just to increased sales in order to grow their businesses.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.0 Introdction

This chapter present a brief summary of findings, conclusion and recommendations based on the study. The study examined how M&A can promote growth.

5.1 SUMMARY OF FINDINGS

The study examined the contribution made to employees as well as the company it self after the acquisition.

Mergers & Acquisition came about due to globalization, technological developments, high crude oil price at the world market and power rationing arising from low water level at Akosombo dam and extremely competitive business environment. Mergers and acquisition is being used for restructuring the business organization.

5.1.1 Motive behind Total Ghana Limited acquisition of Mobil Oil Ghana Limited

Mobil Oil Ghana Limited and Total Ghana Limited experienced global crisis as a result of continued increases in crude oil prices on the world market and power rationing arising from low water level at Akosombo, deregulation /adjusted retail pump prices in line with increasing world crude oil prices throughout the year (Annual Report of Total Ghana Limited, 2006). These led to an increase in cost of operation. It also generated a price war and stiff competition amongst the over 36 registered Oil Marketing Companies in the country.

5.1.2 Increased in market share

Total Ghana Limited was the market leader in retail business with 17.4% (Total Annual Report,2000) before the acquisition of Mobil Ghana Limited with 12.8% in the petroleum industry from (Mobil Annual Report,1998-2000) in 2006.

Total Petroleum Ghana Limited has increased its market share from 17.4% in 2005 to 28.3% in 2006, from Total petroleum Ghana Annual Report 2006. The company has widen its area of distribution and network to 225 service stations across the country and also increased the breadth and depth of product line. Also, at the head office, from a senior manager, cost benefit analysis was positive, that is, where cost per unit produced is lower due to the large scale production or economies of scale. This has increased the companies profit margins from 1,223 billion old cedi in 2005 right after the deal to 1,778 billion old cedi which is an increased of 45%. Profit after tax for the company at end of 2006 was 38.325 billion old cedis compared to 13.673 billion cedis at the end of 2005 representing an increased of 180% . This enable the company to compete among the over 36 registered oil marketing companies more effectively in the country. Combining the two companies has made Total Petroleum Ghana Limited the market leader according to their Annual Report in 2006, with an increased in the number of shares from 4,725,000 to 13,984,259.

Furthermore, Total Petroleum Ghana Limited continue to record an increase in turnover as recorded in its Annual Report in 2007(404 million Ghana cedis as compared to 178 million Ghana cedis in 2006 which represents an increased of 127%). Profit after tax recorded was 8.16million Ghana cedis in 2007 compared to 3.83million Ghana cedis in 2006 which represents an increased of 113%. The profit after tax was boosted by gains of 1.56million Ghana cedis from sales of surplus assets after the acquisition.

Also, shareholders dividend in 2007 increased to 49.64 Ghana pesewas per share before tax as compared to 27.41 Ghana pesewa per share in 2006. Total dividend for 2007 was amounted to 6,941,786.17 Ghana cedis which represents a dividend payout of 85% of after tax profits. As at 2008 the company's market share has reduced a bit with a percentage of 26.8 but still remains the market leader (Annual Report 2008).

The company can boast of an increased in Total shops after the acquisition from 20 to 60 today (Annual Report 2007).

5.1.3 Culture difference

There is culture difference among the companies, in the United kingdom(where Mobil came from) there is nothing like power distance but in France,(where Total is coming from) there exist power distance, therefore, it was a bit difficult on the part of Mobil employees to call their bosses by their first name at the initial stages when the deal was effected.

5.1.4 Communication

According to management, Mobil Oil Ghana Limited (a British multinational company) had an open door policy among which allowed employees to communicate directly to their superiors including top management. However, with Total Oil company (which is a French company) there is a lots of secrets, communication does not flow as it used to be with Mobil Oil Ghana Limited.

5.1.5 Efficient staff

The company have qualified management and employees, due to the consistent training programmes organized for both management and employees. Staff strength numerically is on the increased, there is efficiency now than before interms of technical know how (that is, the use of computers). Conditions of service have also been improved.

Lastly, now, the company can boast of the involvement of the entire staff, which has contributed to growth.

5.2 RECOMMENDATIONS

Strong emphasis needs to be placed in determining whether the acquired firms personnel is a good fit for the acquiring organization and to whether the mass lay off can be avoided. Moreover, communication from the executive team with employees in the pre-acquisition phase needs to be consistent so that anxiety levels among the personnel can be kept at low level.

More so, a company not only needs to select a right target, but also must have culture in place that accepts the acquisition as quickly as possible.

There is the need to develop and execute effective employee communication, particularly informing the employees on how the transaction will impact the organizational members. Communication between the members of transferor and transferee company should be open, honest and strategic. Any information regarding the progress of the deal or integration should always be shared among the members because communication is very important throughout M&A process.

Finance and the Legal departments are essential for the successful implementation of the integration plan. Therefore, the inputs from these departments should be taken into consideration while working on the plan.

Lastly, most companies hide under inefficiency to opt for (M&A) insteady of identifying the problem and finding a solution to it, they rather encourage mergers and acquisition therefore, if the problem is not address the company will definitely fail.

5.3 CONCLUSION

Thus in a nut shell, the researcher can say that M&A is becoming known in our country business set up. There is a tremendous need for people to grow and become global players expanding their business spheres. The study reveal that management must see to it, that employees are the most valuable asset and the strength of the company, therefore, they must feel comfortable and important within the organization, involvement of the entire staff and most of all open and honest communication with employees and motivated workforce is required among employees, who is willing to take on the challenges that arise in the process of M&A and there should be proper organization among employees.

Again, they should be provided with proper working conditions. If success is to be achieved in M&A, then there must be a positive cultural integration, strong social networks must also be initiated, and facilitating the sharing of knowledge across the combined enterprise, all of which is a critical factor to promote the success of M&A.

Also, the employees must committed to change in all aspect inorder to make integration process easier and beneficial to the organization. My findings revealed that good customer services should be delivered direct from the company to dealers, and also from the dealers and their employees to the customer that is, the final consumer that will increase sales which will amount to growth.

The study discovered that competency and experience on the part of employees of the organization add value on their skill level and the abilty to listen to clients complaints, help the company to meet their needs and also have a positive results.

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APPENDIX.I

MERGERS AND ACQUISITION A TOOL FOR GROWTH STRATEGY A STUDY OF TOTAL GHANA LTD.

This is a research being conducted in partial fulfillment of the requirement for the award of Master Business Administration (MBA). Respondents are assured of confidentiality anonymity of the information they provide. You are assured that any information you provide is purely for academic purposes.

QUESTIONNAIRES (EMPLOYEES)

Mergers and Acquisitions a tool for growth strategy studies of (Total Ghana ltd.)

1. Gender a) Male [ ] b) female [ ]

2. Age a) 20-30yrs [ ] b) 31-40yrs [ ] c) 41-50yrs [ ] d) 51-60yrs [ ]

3. Educational level: a) diploma [ ] b) H.N.D [ ] c) first degree [ ]

d) Masters degree [ ] e) other

specify...

4) How long have you worked with total Ghana ltd.

a) 0-1yrs [ ] b) 1-2yrs [ ] c) 2yrs and more [ ]

5) Were you employed by Total or Mobil?

a) Total [ ] b) Mobil [ ]

6) Were employees informed about the acquisition?

a) Yes [ ] b) No [ ]

7) How were employees informed? a) Through the media [ ] b) Through meeting [ ]

c) Through the telephone [ ]

8) Did you foresee this acquisition?

a) Yes [ ] b) No [ ]

9) Did any of your colleagues lose his or her job after the acquisition?

a) Few of them [ ] b) Most of them [ ] c) None of them [ ]

10) Have you noticed any changes in terms of performance/growth after the acquisition?

a) Remarkable change [ ] b) Slight change [ ] c) No change

12) Would you have opted for acquisition if you were part of the management team?

a) Yes [ ] No [ ]

13) Were you in favor or against the acquisition?

a) In favor [ ] b) against [ ]

14) Do you like the condition of service than before?

a) Yes [ ] b) No [ ].

15) Did integration among the two companies work for you?

a) Yes [ ] b) No [ ]

APPENDIX 2

DISTRIBUTORS / DEALERS OF TOTAL GHANA LTD.

INSTRUCTION: Please tick where applicable and supply the necessary information where required.

1. Gender a) male [ ] b) female [ ]
2. Age: a) 20-30yrs [ ] b) 31-40yrs [ ]

   c) 41-50yrs [ ] d) 51-60yrs [ ]

3. Educational level;

   a) Higher National Diploma [ ] b) Diploma [ ]

   c) First degree [ ] d) Masters Degree [ ]

   e) Other specify……………………………………..

4. How long have you been buying from Total Ghana Ltd?

   a) 0-6months [ ] b) 6months-1yr [ ]

   c) 2yrs and more [ ]

5. Has there been any increased in sales after the mergers and acquisition has taken place?

   a) Yes [ ] b) No [ ]

6. How would you compare the services of Total and Mobil?

a) Good [ ] b) Better [ ]

c) The same [ ] d) Poor [ ]

7. Has there been any increase in the supply of products from Total Ghana Ltd. ?

a) Yes [ ] b) No [ ]

8. What do you like about Total Ghana ltd.?

a) Their services [ ] b) Relationship to distributors [ ]

c) Other specify......................................

9. How different is Total Ghana Ltd. from Mobil in terms of services?

a) Completely different [ ] b) Slightly different [ ]

c) No difference [ ]

10. Has the change from Mobil helped you in any way?

a) Good [ ] b) Not really [ ]

c) Not at all

11. Has there been any benefits after the acquisition by Total Ghana Ltd.

a) Yes [ ] b) No [ ]

If yes, indicate some of the benefits

a) Discount [ ] b) Purchase on credit [ ] c) Commission [ ]

e) Other specify ....

12. Has there been any increased in the number of customers so far?

a) Yes [ ] b) No [ ]

13. Has there been increased in your sales?

a) Yes [ ] b) No [ ]

14. Has there been increased in your profit?

a) Yes [ ] b) No [ ]

15. Has Total Ghana Ltd. increased its product line after the acquisition?

a) Yes [ ] b) No [ ]