Understanding the Relative Strength of the Motives that Influence Acquisition Strategy: Evidence from an Emerging Market

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Abstract
In the strategic management field, Acquisition is one of the key strategies most organizations use as a development strategy. Yet, literature suggests that most Acquisitions fail to realize the expected benefits that drive the strategy. This paper argues that part of the reason why most Acquisitions fail is because the motives that drive the strategy are not critically examined. Based on this, the paper examines the relative strengths of the motives that drive Acquisitions from the Ghanaian context. Using a purposive sampling of 105 managers drawn from the four mobile telecommunication companies in Ghana, a descriptive statistics based on the mean rankings of the respondents' average scores is used as the main diagnostic tool to analyse the data. The results indicate that in line with the literature review, various motives influence Acquisition. Of the12 motives that were found from the study, the three most important ones were profitability, foreign markets and increased in market power. Based on the findings, implications on practice and policy are suggested.

Keywords: mergers, acquisition, Ghana, motives.

Introduction

Strategic management literature offers a number of strategies for firm's survival, growth, sustainability and development (Jonhson *et al.*, 2011; Pearce & Robinson, 2013). Acquisition is one of such strategies; in recent times, Acquisition is considered one of the strategies for gaining sustaining competitive advantage (Seth, Song & Pettit, 2000; Lodorfos &

Boateng, 2006). Yet, the motives that drive Acquisition play a crucial role in its success (Seth *et al.,* 2000; Banga & Gupta, 2012). Of the motives, Synergy, Agency and Hubris motives are the traditional motives often cited in literature as underpinning Acquisitions (Berkovitch & Narayanan, 1993; Seth *et al.*, 2000). The Synergy motive assumes that in acquisitions the combined operations of both firms are more profitable than that of the individual firms combined (Chatterjee, 1986). Agency motive on the other hand, assumes that Acquisitions take place primarily due to the advancement of the self-interest of managers at the expense of shareholders (Berkovitch & Narayanan, 1993). Thus, even though an Acquisition may not have any probable benefits for the company, managers may enter into Acquisitions to the detriment of shareholders. The last traditional motive, Hubris motive, argues that Acquisitions occur mainly due to overestimation of gains involved by managers (Seth *et al.*, 2000). After entering into acquisition, firms discover that the anticipated gains are non-existent and this leads to losses to the acquirer.

The past two decades have been referred to as acquisition and merger mania characterized by an unprecedented number of consolidations across the world. In 2012, the figure for Acquisition deals reached worldwide was $2.6 trillion representing a 2 percent increment over that of 2011. Sub-Saharan Africa deals alone were worth $14,615 million (Thomson Reuters, 2012). Ghana is not an exception regarding the development of Acquisitions. According to Business Week Africa (2011), Acquisitions have been in Ghana for some time, but through the central bank's issuance of a new bank recapitalization regulation in 2008, Acquisitions have gained more popularity in Ghana (Sanda & Adjei-Benin, 2011). Among the industries in Ghana, the telecommunication industry has experienced series of major Acquisitions. For instance, out of the six (6) mobile telecommunication companies operating in Ghana, four (4) have undergone at least one Acquisition. However, in spite of the increasing subscription to Acquisition as an antidote to firm growth (Barney, 2001), research has established that more than two-thirds of large Acquisition deals fail to create value for shareholders in the medium term (Lodorfos & Boateng, 2006). The rate of failure of Acquisitions worldwide has been relatively high with some studies ascribing as high as an 88 percent failure rate (Saunders, Altinay, & Riordan, 2009). In Africa, Acquisitions have not been without any problems. It has been reported that Bharti Airtel continues to experience plummeting net profit due to losses from its newly acquired African operations. Profits dropped by 41 percent from $470 million in 2009 to $291 million in 2010 after its Acquisition of Zain Africa (Ghana Business News, 2011). Similarly, in the last quarter of 2012, profits droped by about 50 percent (Wall Street Journal, 2013).

Research has provided a myriad of reasons for this high failure rate including industry match (complementary of assets, similarities of markets and products, synergies in production, strategic orientation,), pricing policy, financing, size of operation and the type of the transaction, bidding conditions, motives of Acquisitions, culture, leadership, communication and so on (Mirc, 2007; Berkovitch & Narayanan, 1993; Mitleton- Kelly, 2004).

Despite the selected challenges of Acquisitions outlined above, it is argued that the benefits of Acquisition far outweighs the challenges thus, this paper contends that in order to realize the expected benefits , the objective that drives Acquisitions needs to be critically examined. Whilst literature exits in the developed countries regarding the issue of Acquisition motives, it is not known whether evidence from the emerging markets (e.g. Ghana) compares or contrasts with extant studies (Ingham, Kran & Lovestam, 1992; Bruner, 2002).The objective of this paper, there-fore, is to examine the relative strengths of the motives that drive Acquisitions from the Ghanaian perspective. To achieve the objective of the study, the rest of the paper is subdivided as follows. Section 2 deals with the theoretical background and hypotheses development; Section 3 deals with empirical literature and the development of hypotheses. Section 4 concerns data and methodology whilst Section 5 focuses on discussion and conclusion. Section 6 deals with the implications of the study, limitations and the effect on future research.

Theoretical Background & Hypotheses Development

Acquisition is known to be based on "different" rather than a single motive (Ratajczak-Mrozek, 2015). Various studies employ various theories to explain the motives which drive acquisitions (e.g. Deng and Yang, 2015 [resource dependency theory]; Mtichell and Lehn, 1990 [managerial self-interest theory]; Mota, 2004 [economies of scope]; Jensen, 1986 [managerial discretion theory]). Besides, Trautwein (1990) outlined seven (7) different theories that explain Acquisitions. The specific theories are efficiency theory, process theory, valuation theory, raider theory, monopoly theory, empire building theory and disturbance theory. This study looks at four of these theories namely efficiency theory, valuation theory, empire building theory and monopoly theory. The reasons for the selection is that they are commonly applied in the field (see Ratajczak-Mrozek, 2015).

Efficiency Theory

The efficiency theory advances that Acquisitions are created to achieve a number of synergies. Acquisitions will only occur when they are expected to generate enough attainable synergies to make the deal beneficial to both parties. It is the complementary expectations of gains that results in the Acquisition proposal and accepted. According to Mueller and Sirrower (2003), synergy became popular in the 1960s when it was used to justify conglomerate Acquisitions which did not yield immediate results. Synergy in the context of Acquisitions can be explained to be the gains that accrue to firms based on their complementary potentials. The ability to create value out of the symmetric abilities of the firms involved in the consolidation is what is termed as synergy. A range of synergy types have been advanced in Acquisition literature. Chartejee (1986) identified collusive, operating and financial synergy as the three main types of synergies.

Collusive Synergy results from scarce resources that lead to increase in market power or share. Devos, Kadapakkam and Krishnamurthy (2009) explained that a combination of two large competing firms in the same industry reduces competition considerably. This leads to a reduction in prices of products or the prices

paid to their suppliers. That being the case, they increase market power or share since other competitors find it difficult to provide their goods and/or services at equal or even lower prices. This type of synergy is only realizable in horizontal Acquisitions (Chatterjee, 1986). For instance, Devos *et al.* (2009) maintains that this type of synergy increases benefits to shareholders to the detriment of government and other stakeholders like customers and suppliers.

Operating synergy, on the other hand, argues that administrative and productive efficiencies are among the key motives of Acquisition (Chatterjee, 1986). These efficiencies include technical and marketing economies of scale and scope, increase in profits, cost reduction and managerial efficiencies. Devos *et al.* (2009, p.1186) defined operating synergy as 'the increase in after-tax operating profits less the changes in investments". The theory assumes that economies of scale and scope do exist in the industry and that before Acquisitions, firms operate at levels of activity that deprive them from harnessing the potentials for economies of scale. When firms come together, they are able to increase productivity and at the same time reduce the average cost of production.

Financial synergy is associated with the foreseeable gains in terms of reduction in cost of capital and an increase in cash flow (Charteejee 1986). Devos *et al.* (2009) explicated that a key component of financial synergy is tax benefit. These researchers say that companies take advantage of tax shields, increase leverage and all other tax advantage after Acquisitions occur. Overall tax savings go a long way to increase the cash flow of the combined firms and this is believed to be one of the reasons behind Acquisitions. Consistent with this assertion is the notion that efficiency theory downplays the impact of other industry players in influencing synergy realisation. This implies that once firms operate in an industry with other firms, the synergies realised through Acquisitions is partially dependent on the ability of these rival firms to counteract the edge the combined firm has over them in production efficiencies, production cost, capital cost, management capabilities and so on.

Valuation Theory

According to Steiner (1975), this theory argues that mergers are calculated and implemented by managers who have better information about the target's value than the stock market. The assumption here is that the acquirer may have peculiar and superior information about Target Company's unrealized potential and benefits associated with the intended union that is unknown to others and this is what propels them into an Acquisition. Also, they may have noticed an opportunity to sell the target company in bits since it is undervalued.

This theory underlies the Hubris motive. This motive suggests that Acquisitions take place due to an error in the valuation of Target Company by acquirer's management. The Hubris hypothesis as propounded by Roll (1986 as cited in Seth *et al.*, 2000) maintains that the takeover premiums paid only reflect a random error made by managers in assessing target firms. This error can be in the form of over or under estimation. Whichever type of error that is made, the premium paid is still not equivalent to current market price of the firm. Mueller and Sirrower (2003)

advocate that this error leads to the winner's curse which is central to the hubris hypothesis. The authors explain the winner's curse to be loss accrued to the highest bidder in Acquisition because the winner wields the highest error in the valuation of the target company. This is based on the principle of a common value auction where the asset is of equal value to all bidders.

Roll (1986 as cited in Seth *et al.*, 2000) distinguishes between an extreme form of hubris and a moderate form. The extreme version of this hypothesis is rooted in the strong form market efficiency. This version predicts that there are no attainable synergies in Acquisitions but only a transfer of wealth to target companies through the payment of premiums. It also suggests that hubris hypothesis is not based on rational management behaviour unlike the rational profit maximisation behaviour that underlies the synergy motive. Roll explains that if managers were to behave rationally they would not patronize any transaction that requires a premium price greater than the market price which will apparently imply an error. The moderate version however agrees with the rational behaviour of managers and attributes error to a genuine mistake in valuation of target. The overestimation of synergies by a manager leads to overpayment in terms of premium and this leads to loss to the acquirer's shareholders. This theory has been criticised on the grounds that, if the acquirer had any private information about the target's value other than the apparent synergies, it will would be revealed in the biding process (Devos *et al.*, 2009). The stock price would climb to reflect the new information leaving the bidder in a winner's-curse situation (Trautwein, 1990). Thus, the information which this theory deems advantageous to the bidder becomes a trap which fetches them extra payment either in cash or stock and an overvalued target.

Empire Building Theory

The empire-building theory advanced by Mueller (1969 as cited in Mueller & Sirrower, 2003) presupposes that managers propose Acquisitions to seek their self-interest at the expense of shareholders' value. Hellgren, Lowstedt and Werr (2011) argued that, via this theory Acquisitions ride on the back of managerial goals. These goals range from sustainable growth of assets (Marris, 1964) to managers expense preference (Williamson, 1964).

The agency motive of Acquisitions was conceived out of this theory. Agency motive argues that Acquisitions come into play primarily due to the advancement of the self-interest of managers at the expense of shareholders (Berkovitch & Narayanan, 1993). Agency motive is based on the concepts of bounded rationality, hidden information, information asymmetry, risk preferences, hidden action, moral hazard, opportunistic behaviour and adverse selection and incentive asymmetries (Parvinen & Tikannen, 2007). This simply implies that all actors in the Acquisition process make decisions based on the amount of information available to them since they cannot have access to all information. This information symmetry may precipitate into hidden actions entrenched in opportunism to advance individual self-interest at the expense of other stakeholders in Acquisition.

Aggarwal and Samwick (2003) identified two main types of agency explanations.

The first type of agency explanation is that managers derive utility from reducing the personal risk associated with higher equity ownership (Aggarwal & Samwick, 2003). Thus, the higher the equity of managers in companies, the higher the urge to acquire more firms in order to diversify investment and reduce the risk of keeping all equity tied up in one firm. The second explanation of agency is that managers go into Acquisition to derive some private benefits. These private benefits ranges from prestige, better career prospects associated with running a more diversified firm, increase in asset size since their salary is often tied to the number of assets they control and the entrenchment of managers due to increase in their value (Aggarwal & Samwick, 2003).

Monopoly theory

This theory is similar to the collusive synergy argument advanced by Chatterjee (1986). However, this theory advances that not only do Acquisitions lead to increase in market share, but also create barriers to entry into an industry. According to this theory, Acquisitions come into play because firms have the need to increase market power. Chatterjee (1986) explained that this type of motive is only attainable in horizontal Acquisitions. Trautwein (1990) iterated that, conglomerate or unrelated Acquisitions can also attain market power through; subsidizing one product to gain market share with the profit from other products from other markets; controlling competition in more than one market at the same time. This is done through tacit collusion with the competitors it meets in various markets. Other possible ways of limiting competition in more than one market are reciprocal dealing and combining business functions such as purchasing. Here, market leaders can also prevent new and potential entrants into their market through concentric Acquisition. This theory just like the one above ignores the ability of the firms acting in the same industry to counteract or adopt similar measures to achieve an advantage. The theory is far from reality since all actors in the industry play a role in a firms bid to achieve any form of advantage. As explained by Chatterjee, (1986) the impact of Acquisitions on rival firms in the industry is proportional to the other firms' ability to offset the advantage gained through Acquisitions. Trautwein (1990) concluded that gains advanced by the monopoly theory are elusive, with studies not showing favourable result and industry results showing weaker impact while company results are mixed.

Empirical Literature on Motives Driving Acquisitions

In the light of theoretical discussions above, this section of the paper presents the empirical literature.

Synergy Motive

Synergy motive seeks to create or increase shareholder value. The primary reason for these set of motives is to unearth the complementary potential of both firms and subsequently create value such that the value of the combined firm exceeds the pre-Acquisition value of the individuals firms put together. Penrose's (1959 as cited in Seth, Song, Pettit, 2002) explanation for firms' growth gives credence to underlying reason of synergy. He explained that, the long run profitability of firms is dependent on its ability to grow the productive opportunities of the firm. Thus, the need for these productive opportunities drives firms into markets and

products which will ensure efficient production and increasing revenues. Synergy is an umbrella word with a number of motives under it. In line with the efficiency theory, Seth *et al*. (2002) have said that multiple motives coexist under synergy. This category of motives refers to only those groups of reasons that predict positive returns for Acquisitions initiatives. According to Berkovitch & Narayanan (1993), synergy is one of the key motives for acquisitions (1993).

Economies of Scale and Scope

Economies of scale and scope are specific motives under synergy. From the efficiency theory, one of the motives behind Acquisitions is economies of scale and scope. Evidence on this type of benefit in Acquisitions was found by Ingham et al. (1992) in their study of Acquisition motives in the UK. They found marketing and technical economies of scale as the 3rd and 8th most important motive explaining Acquisitions from the manager's perspective. Walter and Barney (1990) also found exploitation of economies of scale as one of the clusters of motives driving Acquisitions. Although, this motive was found to be of moderate importance to Acquisition decision. This is also evident in Banga and Gupta's (2012) study, where they found that Acquisition of mutual funds are influenced by synergy. Their explanation for synergy presupposes the inclusion of economies of scale and scope.

Financial motive

Studies (e.g. Walter & Barney, 1990; Chakrabarti (1984; Hu (2009) found non-significant relationship between Acquisition and financial performance. For instance, Ferrer (2012) identified that Acquisitions do not increase profitability since it has a negative effect on return on equity as well as return on asset. Similarly, Kemal (2011) after analysing the post-Acquisition financial records of Royal Bank of Scotland found that Acquisition did not increase profitability. They found that out of the four main financial ratios analysed, it is only the solvency ratio of the bank that improved after the merger. Thus they concluded that since it suffices to use these ratios as measure of profitability for banks, then the Acquisition failed to increase the bank's profitability. This is in concurrence with Souder and Chakrabarti's (1984) finding that, there exists a negative relationship between Acquisition performance and increased profit motive. In Africa, Okpanachi (2011) found that, mergers and Acquisitions did not lead to any significant increase in after tax profit, net assets and gross earnings. Other evidence exits to counter the non-significant effect of Acquisition and financial performance. From the efficiency theory, financial benefits which include tax credits and other tax advantages, reduction in capital cost, increase in cash flow, creation of an internal capital market for efficient allocation of resources and reduction in risk associated with an organisations investment portfolio are part of the reasons driving Acquisitions (Chatterjee, 1986; Trautwein, 1990; Walter & Barney, 1990; Devos *et al.*, 2009). All the above authors have attested to the fact that financial benefits underlie Acquisition initiatives. Okpanachi (2011) however found that Acquisitions in Nigerian banks led to a significant increase in financial efficiency of these banks since two out of the three parameters showed significant increase. In addition, Ingham *et al.* (1992) found it as the most important reason that drives

Acquisitions. Altunbaz and Ibanez (2004) found evidence for this motive when they concluded that Acquisitions lead to an improvement in the performance of cross border Acquisitions.

Increase in Market Share/Power

This type of motive has also been emphasized in the work of Banga and Gupta (2012), Walter and Barney (1990) and Ingham *et al*. (1992). Ingham *et al*. (1992) found that this motive is the second most important motive after increase profitability. Although, Souder and Chakrabarti (1984) identified a negative relationship between this type of motive and Acquisition performance. This is one of the only two motives that showed a significant relationship in the study. Between the two, this motive showed the highest significance with a correlation coefficient of -0.645 even though it was negative. Contrary to this, Ghosh (2004) enunciated that this motive underlies Acquisition and actually found evidence of increasing market share after analysing 2000 US Acquisitions that took place between 1980 and 1990. He found that increased market share leads to the long run profitability of firms.

Entry into New Markets

The efficiency theory suggests entry into new market as one of the motives that drive Acquisitions. In the wake of this intense competition and pressures of the globalized worlds, research has established that organisations have resorted to Acquisitions as way of entering new markets be it geographically or product wise. Harding (2010) identified the opportunity Acquisitions have given to pharmaceutical industries in the United States of America, Europe and Japan to enter into emerging markets where growth rate is relatively higher. In this study, the author found that Acquisitions give these firms the opportunity to launch into new products areas which were not previously explored.

Barriers to Entry

The monopoly theory advances that, as much as organisations use Acquisitions to enter into new geographical and product markets, they use it also to regulate entry into the markets in which they already operate (Ingham *et al*., 1992; Walter & Barney, 1990). Ingham *et al*. (1992) found that this motive is one of the least important motives underlying Acquisitions. Walter and Barney (1990) also found the entry into new product lines to be of medium importance to Acquisition. Barth, Jahera, Phumiwasana and Yost (2012) found that the potency of this motive of Acquisition is fast reducing due to both domestic and global (WTO) efforts and thus more and more firms are undertaking Acquisitions. Coate (2008) said that even though evidence of barriers to entry exists there is more to this than the cost blocking entry advanced by theorist.

Risk Reduction

Acquisitions occur to take advantage of financial synergies which include risk reduction. This motive was ranked as the fourth most important motive in Ingham *et al.'s* (1992) study. Zhu and Jog (2012) found evidence of this type of motive and its impact on Acquisition. They found that cross border Acquisitions lead to a reduction in the target firm's risk. They purported that this is mainly due to changes in the international shareholder base of a firm. Domestic Acquisitions, on the other

hand, they claimed, lead to an increase in the risk of target. Seth *et al.* (2002) proposed that cross-border Acquisitions cause a reduction in the risk associated with acquiring firms. They also attributed this reduction to the advantages of international equity markets and differences in markets for products, corporate control, capital and labour. From this, it can be said this motive is important to both acquiring and target firms' value and performance since the evidence in literature suggests that both parties to Acquisition realize this motive.

Managerial Efficiency

The proxy for managerial efficiency in Ingham *et al.'s* (1992) study showed that this motive is of high importance to Acquisitions since it was found in the top five motives behind Acquisitions. This motive suggests that Acquisitions take place because firms often lack the required management capabilities and wish to take advantage of superior managerial capabilities in other firms. This motive has been established in literature by a number of authors (Ingham *et al.*, 1992; Walter & Barney, 1990). Its relation to Acquisition performance has been contested. Based on the good performance of target firms prior to Acquisitions, Song and Chu (2011, p. 152) found that in Malaysia, takeover market witnessed the enhancing of the earning base by the acquiring firms rather than playing the disciplinary role for under-performing targets'. They attributed Acquisition performance rather to agency-related issues of ownership concentration and related party transaction.

Cost Reduction

Cornett, McNutt and Tehrahian (2006) found that large Acquisitions, geographically-focused Acquisitions and activity focused Acquisitions enjoy relatively higher post Acquisitions performance due to revenue enhancement and cost reduction. They went further to say that Acquisitions that enjoy revenue enhancement are those that operate at a reduced cost. In spite of the importance of cost reduction in underlying Acquisition decisions, it was found to be of moderate importance to Acquisition decision by Ingham *et al.* (1992). However, all of the above motives can be categorized under synergy motive. Research (e.g. Berkovitch & Narayanan, 1993; Seth *et al.*, 2000; 2002; McCann, 2004) has found that the synergy motive results in positive total gain to the acquirer as well as the target companies.

Agency Motive

Berkovitch and Narayanan (1993) found that agency motive explains the poor performance of Acquisitions. They explained that there is a negative relationship between agency motive and total gains and acquirer's gain. However, target companies realize positive gains when Acquisition is underlain by the agency motive. Seth *et al.* (2000) found similar evidence in do-mestic US Acquisitions. They found that, in value reducing Acquisitions, agency motives appeared the dominant underlying reason for the Acquisition and not hubris. Seth *et al.* (2002) confirmed these same findings for cross border Acquisitions. In summary, literature identifies the agency motives as the most dominant motive underlying value destroying or unsuccessful Acquisitions. Agency motive has, however, been found to underlie certain value maximizing Acquisitions, but only to a minimum degree. In such cases, it was found that though the agency problem was present, it

was the synergy motive which was the overarching motive (Berkovitch & Narayanan, 1993).

Hubris Motive

Consistent with the view of moderate hubris, Berkovitch and Narayanan (1993) found evidence of hubris in a subsample which resulted in positive gains to targets. However, the hubris motive was found to have a negative effect on gains to the acquired firm and no effect on total gains. Similarly, McCann (2004) found evidence of hubris in a study of UK Acquisitions. The author explained that in Acquisitions which realized negative total gains, hubris is unlikely to be the motive behind it. In those that experienced positive total gains, he found a negative relationship between acquirer and target gains indicating the presence of hubris motive. This is because in that subsample, there were significant gains to targets while acquirers experienced significant losses. In tandem with the above, earlier work by Roll (1986) found that the existence of the hubris motive cannot lead to any form of gain in Acquisitions. This evidence, gathered from a sample of US Acquisitions, was not contrary to later findings (Berkovitch & Narayanan, 1993; McCann, 2004).

Empirical literature above show that a number of motives drive Acquisitions. Following the motivations of the findings above, the following hypotheses regarding the relative strength of Acquisitions motives is proposed.

H1: More than one motive will influence the Acquisition of firms

H2: Among the motives underlying Acquisitions, profitability motive will rank higher, followed by the interest of senior management, opportunity for foreign market entry, economies of scale and the increased in market power before all other motives

Data & Methodology

The population of the study consists of mobile telecommunication companies in Ghana that have undergone acquisitions. Mobile telecommunication companies in Ghana that fall into this category were four namely: Scancom Ghana Limited (MTN), Airtel Ghana Limited, Vodafone Ghana Limited and Expresso Limited. The study was undertaken in Accra; Accra is the capital and also the largest commercial city of Ghana. The head offices of most companies operating in Ghana, including those under consideration in this study, are located in Accra. For these companies their strategic decisions are made from the head offices and the majority of the workforce are based in Accra compared to the other regions of Ghana. Questionnaire was the main data collecting instrument employed for the study. Purposive and quota sampling were employed to draw the sample of the study consisting of 105 senior and middle managers drawn from the four main mobile telecommunication companies mentioned above. Self-administered questionnaire was the main data collection instrument used to collect the data. The sample size for the study was estimated based on Watson's (2001) table for calculating a representative sample. The data were analysed based on descriptive statistics of the respondents' average score to ascertain the means and the standard deviations of the 12 motives following the review of the empirical literature. Table 1 presents the description of the data.

Table 1: Description of the Data

Variable	Frequency	Percentage (%)	Cumulative (100%)
Companies			
MTN	34	32	32
Vodafone	51	49	81
Airtel	11	10	91
Expresso	9	9	100
Total	105	100	
Gender of respondent			
Male	61	58.1	58.1%
Female	44	41.9	100.
Total	105	100	
Rank in Company			
Top management	25	23.8	23.8
Middle management	80	76.2	100
Total	105	100	

From Table 1, the management of Vodafone is the highest represented, followed by MTN. The least firm that is represented is Expresso; this is partly because it is the smallest mobile telecommunication firm in terms of customer patronage. In terms of gender, more male managers are represented compared to females, which is 58 percent and 42 percent respectively. Workforce in middle management positions were more represented compared to the top management that is 76 percent and 24 percent respectively. This is so because the down size of most organizations is more than the top.

Analysis and Results

By measuring the motives on a scale of 1 to 5 with 3 meaning neither agree nor disagree, and 5 meaning strongly agree. Table 2 below presents the results of the relative strengths of the 12 motives.

Table 2: The Relative Strength of Acquisition Motives

Nos.	Motives	Mean	Standard Deviation	Relative Importance
1	Increased profitability	4.27	.812	High
2	Entry into new markets	4.03	.753	High
3	Pursuit of market power/share	3.99	.953	Moderate
4	Marketing/technical economies of scale	3.82	.647	Moderate
5	Cost reduction	3.69	.913	Moderate
6	Utilise financial strength of the acquire firm such as foreign tax credit or borrowing capacity	3.37	.901	Low
7	To enhance asset size	3.21	.917	Low
8	Differential valuation of target	3.21	1.007	Low

Table 2: The Relative Strength of Acquisition Motives (cont'd)

Nos.	Motives	Mean	Standard Deviation	Relative Importance
9	Fulfil the personal ambition, vision, or some particular goal of the acquiring company's chief executive	3.21	1.071	Low
10	Creating change	3.12	1.053	Low
11	Spreading of risk	3.07	.973	Low
12	To replace inefficient managers	3.03	1.033	Low

From Table 2, relative importance of the motive that influence Acquisition is divided into three categories namely, high importance, moderate and low. From the Table, motives with means ≥ 4 are considered high importance. The next category consists of means that range from 3.50 – 3.99 which are considered moderate importance whilst those below 3.5 are considered low importance. Overall, it can be seen that the motive to increase profitability appeared the first most important factor with the value of 4.27. This is followed by the motive to enter new market which had a mean value of 4.03. Three motives fell under the moderate category which are: to pursue market power, achieve economies of scale and cost reduction. The remaining 7 motives fell under the low category. Of the low category, the motive to replace inefficient managers became the least important motive.

Discussion & Conclusion

Acquisitions have been known to be caused by a constellation of reasons. Berkovitch and Narayanan (1993) found that synergy motive is the most dominant motive behind Acquisitions. Consistent with this assertion is findings of this research. All the top five motives in the high and moderate importance categories can be classified under the three main synergies expanded by Chatterjee (1986). This study supports the research hypothesis that synergy is the most important motive that drives firms into Acquisition. Firms go into business to maximize shareholder wealth through growth. This growth has been advanced to come about as a result of internal innovation or external Acquisition. Acquisitions have emerged as one of the mechanisms through which firms attain this objective. Barney (2001) argues that firms grow by the size of the target firms through Acquisitions. Thus, it is easier to comprehend the impact of Acquisitions than that of internal innovation. Although the motive to increase profitability ranked the highest, the *H2* is not fully supported because the next important motive was the desire to gain entry into new market instead of the personal interest of senior management as advanced by the agency theory. The opportunity to gain foreign market entry which hypothesized to be the third highest motive became the second highest from the findings.

Acquisitions have been known to be caused by a constellation of reasons. Berkovitch and Narayanan (1993) found that synergy motive is the most dominant

motive behind Acquisitions. Consistent with this assertion is findings of this research. All the top five motives in the high and moderate importance categories can be classified under the three main synergies expanded by Chatterjee (1986). This study thus supports the research hypothesis that synergy is the most important motive that drives firms into Acquisition. Firms go into business to maximize shareholder wealth through growth. This growth has been advanced to come about as a result of internal innovation or external Acquisition. Acquisitions have emerged as one of the mechanisms through which firms attain this objective.

Despite the association of both internal innovation and Acquisition with a high level of risk, Acquisition outcomes are more foreseeable and accurately predictable. Barney (2001) says that firms grow by the size of the target firms through Acquisitions. Thus, it is easier to comprehend the impact of Acquisitions than that of internal innovation. Although the motive to increase profitability ranked the highest, the *H2* is not fully supported because the next important motive was the desire to gain entry into new market instead of the personal interest of senior management as advanced by the agency theory. The opportunity to gain foreign market entry which hypothesized to be the third highest motive became the second highest from the findings.

Gentzoglanis and Henten (2010) argue that, due to globalization and technological changes from the mid-1990s and onwards, the telecommunications industry is seen as a rather emerging industry than a matured industry. The Information Communication Technology (ICT) market in Ghana is not different from the global one since it is equally emerging and set to be a major player in African ICT in the next five years along with countries like Kenya and South Africa (KPMG, 2012). According to KPMG (2012), there exists considerable investment opportunities in the industry since the market grows aggressively in all segments. Firms go into Acquisitions to strengthen their global capabilities in emerging markets.

Research has shown that, these synergies are seldom recognized, however, firms still go into Acquisitions because of the excitement that they can actually achieve these synergies. For instance, all the four companies used in this study that were acquired by foreign companies give credence to the above argument. Consequently, in analysing the particular goals, this research finds that in horizontal Acquisition which is the main type of Acquisition analysed in this study, the most dominant motive is to increase profitability. This finding is contrary to that of Walter and Barney (1990) who explained that in horizontal Acquisitions, there is no highly important motive. They explained that horizontal Acquisitions seek to accomplish a number of objectives simultaneously as advanced by Chatterjee (1986). However, as stated above, in emerging markets like the telecommunications industry in Ghana, Acquisitions are motivated by the acquirer's desire to increase global capabilities. It is against this backdrop that firms may seek to operate profitable ventures in all places where they operate in order to be able to continually expand into new frontiers. Therefore, it is reasonable to imply that all firms in the telecommunications industry that undertake Acquisitions do so in anticipation to expand. This is consistent with the find-

ings of Capron and Mitchel (1998) that telecommunications mergers are driven by geographic expansion.

In order to justify the need for a new Acquisition, the previous one must have turned appreciable profits. Kemal (2011) said that most of these firms' prime concern in Acquisition is about whether or not they have enough money to pay their bills or the company is doing better than before Acquisition. When answers to these questions are in the positive, then they can think of how to attain more global capabilities. Profitability gives them assurance of the need to gain more global capabilities. This is evident in the next highly important motive found in this study which is entry into new markets. As stated in the literature review section, firms often ride on the back of Acquisition to enter new global markets. This research, therefore, concludes that telecommunications industries are keen on expanding their global capabilities through entry into new markets. However their outmost concern is that each Acquisition they undertake turns profit for the organisation in order to be able to further pursue their objective of expanding global capabilities.

Overall, the purpose of this research is to examine the relative strength of the motives driving Acquisitions in the Ghanaian telecommunication sector. In assessing the relative importance of the motives, a mean ranking of the respondents' average scores of the motives is employed. The empirical findings indicate that in line with existing empirical studies, a variety of motives influence Acquisition decisions in Ghana (e.g. increased profitability, entry into new markets, pursuit of market power or share, marketing or technical economies of scale and cost reduction). This implies that the hypothesis *H1* is supported. The most important among these motives is the synergy motive. Particularly, increased profitability emerged as the most important synergy motive in horizontal telecommunications Acquisitions. This is fueled by acquirer's bid to increase their global capabilities. The realisation of these synergies and its subsequent impact on Acquisition performance are not certain in the telecommunications industry in Ghana. However, all these motives were found not to have an impact on Acquisition performance.

Implications of the study

Implication for Policy & Practice

On the organizational level, the present study has practical implications for businesses. The present study indicated that, the main motive driving Acquisitions is to make profit. Thus, acquiring companies tend to target local firms with higher cash flow potentials in order to increase their profitability when they merge or take over. It suggests, therefore, that management of local firms particularly in emerging economies such as Ghana should look to make themselves profitable by continually developing innovative ways such as exploring new areas of business which are lucrative to sustain their competitive advantage.

This will enhance their chances of being acquired or merged with bigger foreign firms which have the resources and capacity for expansion as well as sustainability. Similarly, using the acquired firms as the entry strategy to the host country too became another significant motive. Implicitly, host company firms must make themselves attractive because foreign in-

vestors aim at a higher return on investment. In light of motives that were found in Ghana, an implicit assumption is that when foreign firms enter the host country via acquisitions, local capacity is built, including impact on employment. As a result, host governments in developing countries must create the enabling environment by strengthening public institutions (e.g. ministries, departments, and agencies) to facilitate the flow of inward foreign direct investments through mergers and acquisitions.

Limitations of the study

Even though the use of quota sampling catered for drawing a representative sample of management, it must be said that this research only employs non-probability sampling techniques. Again, the use of questionnaire or subjective method for measuring Acquisition performance is based on the ability of respondents to recall. Thus respondents may have problems providing accurate information for Acquisitions that took place over a long time. The restriction of this study to the telecommunications industry reduces the ability to generalize findings to all industry since different organisations have peculiar characteristics that distinguish them from other industries.

Implication for future research

In assessing the impact of motives on Acquisition performance, there is the need for further research into the role played by industry characteristics such as competition in the telecommunications industry in Ghana. Research should consider the moderating and mediating effect of competition in assessing the role of motive in determining Acquisition performance.

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