**ANSWERS**

**How different is a Merger from Acquisitions? Discuss their distinguishing characteristics**

**Answer:**

Both may sound similar, but there are differences between the two concepts. A merger is the joining of two separate legal entities to establish a new combined legal entity. An acquisition occurs when one firm (the acquirer) purchases another company (the target) and assumes control of its assets and operations. The two companies can continue to operate as independent legal entities after the acquisition, or the acquiring corporation can simply absorb the target company. Acquisitions are more prevalent than actual mergers because when organizations consolidate, one party usually has the upper hand or has more to benefit.

*For merger*;

It is a corporate transaction in which two existing, independent firms join forces to form a new, single legal entity. Mergers are entirely consensual. Both companies are typical of comparable size and scope, and both stand to benefit from the transaction. Mergers occur for several reasons. These may enable each business to enter a new market, sell a new product, or provide a new service. They can also cut operational expenses, improve management, adjust pricing strategies, and reduce tax responsibilities. Companies eventually merge to improve their size, scale, and revenue. In other words, mergers enable businesses to make more money.

Mergers are frequently initiated and facilitated by an investment banker. They source transactions, evaluate firms, estimate outcomes, and ensure that both companies' houses are in order (a process known as due diligence). Corporate lawyers also manage M&A transactions, ensuring that the transaction conforms with federal and state requirements, among other things. Mergers are typically paid for using cash, equity (stocks), or both. When two firms merge, shareholders in each company receive stock in the new company equivalent to the value of their previous stock.

Example:

* Ecobank merged with Trust Bank in 2000;
* Access Bank merged with Inter-Continental Bank in 2011;
* The merger of Airtel with Millicom International Cellular.

*For Acquisition*;

Acquisitions are frequently amicable, which means that both companies agree to and negotiate the conditions of the deal. Yet, the terms "acquisition" and "takeover," which can be hostile, are occasionally used interchangeably. In other words, one firm may seize control of — or acquire — another by purchasing a majority ownership in the target company against the intentions of the target company's board of directors or management. Investment bankers or lawyers are frequently used to coordinate acquisitions. Internal teams that handle the process are common in large corporations, including private equity firms.

Example:

* Google’s $50 million acquisition of Android in 2005
* Pfizer’s $90 billion acquisition of Warner-Lambert in 2000
* Anheuser-Busch InBev’s $100 billion acquisition of SABMiller in 2016

**Examine five factors that will warrant foreign entities to enter into mergers and acquisitions**

**Answer:**

The factors are;

1. Geographical Diversification: It has been a significant value-driver in M&A over the years, and it speaks to reason: why start a firm from scratch in a foreign country when you can acquire an existing cash-generating entity and utilize it as a platform for your own company's growth in that country?

*Examples*: A merger between HABYT, the largest European co-living company, and HMLET, the largest Asia Pacific participant in communal living, could be an example. Following this merger, HABYT became the world's largest co-living company. The Spanish bank Santander, which has bought banking chains in nine countries outside of Spain to become one of the world's largest retail banking organizations, is arguably the most successful example of this.

1. Market share: Market share purchases may be the most typical motivation for M&A transactions; corporations are continually looking at where they stand in their industries relative to their peers, therefore CEOs are always thinking about market share acquisitions. Of course, having too much market share raises the ire of antitrust agencies.

Examples: Practically every huge retail bank you know has become enormous by the acquisition of smaller regional retail banks, giving them a power that notoriously makes them 'too big to fail'.

1. New Technology/Expertise: Industry change and companies that do not adapt will perish. As a result, firms are frequently on the hunt for other organizations that might provide them with new technology and skills. As the energy shift proceeds over the next decade, we may expect many of the oil and gas companies to begin investing in renewable energy firms, for example.

Examples: During the last decade, Google has purchased over 30 artificial intelligence (AI) firms, accumulating a diverse set of capabilities in a technology that is poised to become enormously significant in the coming years.

1. Taxation**:** Unsurprisingly, tax is one area where corporations are reluctant to confess that they have engaged in M&A to avoid taxes (note: avoid, not evade). It may not sit well with customers to learn that a company is blatantly dodging taxes, but rest assured: this is one of the most typical reasons for M&A. The express motive, on the other hand, is one of the least cited. The premise is that a cash flow-positive company buys a company with carry forward tax losses to lower its tax burden.
2. Opportunism: Businesses aren't always looking for an acquisition when one comes knocking. "Opportunistic" is a phrase that CEOs like to use because it implies that the transaction is a "once-in-a-lifetime deal." An opportunistic deal entails purchasing a firm for less than its true value. JP Morgan's 'fire sale' agreement for Bear Stearns in 2008, which it allegedly acquired at a bargain price, is an example of a deal that discovered a company rather than the other way around.

**From your knowledge of foreign direct investments (FDIs), which of the two will you recommend to an international business manager? Merger or Acquisition, and Why.**

**Answer;**

A corporate merger or acquisition is a powerful strategy for company expansion and new revenue streams that can boost bottom-line profitability. Many mergers and acquisitions benefits, ranging from increased market access and reduced market rivalry to improved performance and lower production costs, make consolidation a lucrative and appealing prospect for businesses.

With my knowledge of FDIs, I will recommend a Merger to an international business manager because;

* **It increases market share**: When companies merge, the new company gains a larger market share and gets ahead in the competition.
* **It reduces the cost of operations**: Companies can achieve economies of scale, such as bulk buying of raw materials, which can result in cost reductions. The investments in assets are now spread out over a larger output, which leads to technical economies.
* **It avoids replication**: Some companies producing similar products may merge to avoid duplication and eliminate competition. It also results in reduced prices for the customers.
* **It expands business into new geographic areas**: A company seeking to expand its business in a certain geographical area may merge with another similar company operating in the same area to get the business started.
* **It can prevent the closure of an unprofitable business**: Mergers can save a company from going bankrupt and also save many jobs.

**Examine how the many M&As in the telecom sector have impacted the economy of Ghana**

**Answer:**

Firms employ mergers and acquisitions to strengthen and sustain their market position. Many regard them as a reasonably quick and efficient method to enter new markets, incorporate new technologies, and innovate. But their success is far from guaranteed. The bulk of global merger and acquisition transactions, on the other hand, have fallen short of their declared goals and objectives. As a result, there are significant societal consequences, such as lost jobs, lost income for families, and lost taxes for local governments.

Without a question, we are living in a period of substantial economic transformation. Mergers and acquisitions have become typical business tools, with telecom organizations throughout the world using them. They not only create a new economic, social, and cultural environment, but they also allow strong companies to grow faster than competitors and give entrepreneurs rewards for their efforts, assuring inferior enterprises are gobbled up more quickly or, worse, made irrelevant through exclusion.

Given the increased interdependence of markets for diverse goods and services, as well as increased foreign competition, it is clear that we are living in a moment of substantial change. That is why telecom businesses in Ghana, such as Airtel and Tigo, have expanded their geographic reach and growth. Companies that choose to grow typically try to gain a new market share, reach a new customer base, generate economic profits, provide returns to their stakeholders, and so on, whereas companies that choose not to grow are clearly doomed to failure due to customer and market share losses, destroyed shareholder and stakeholder values, and so on. The term "celebration" refers to the act of celebrating a milestone in one's life, such as the birth of a child. M&A have benefit the economy of Ghana, the majority of which focus on increasing profits and shareholder value through;

* economies of scale produced by increasing market share;
* expanded use of an existing distribution network by acquiring new product capabilities;
* extension of a strong product capability into new markets;
* and diversification of product and market risks.

As a result, mergers and acquisitions have become an essential tool for corporate development in today's global marketplace, which is marked by consolidation, convergence, competition for talent and technology, and the growing importance of intangible assets such as knowledge, skills, and customer relationships.

**No firm will penetrate a new market without scanning its environment to weigh its cost and benefits. Evaluate three (3) possible environmental factors these foreign entities might have checked before penetrating the telecom business in Ghana.**

**Answer**

The three environmental factors to be checked are;

1. GOVERNMENT BUSINESS POLICIES: Every country has its policies. These policies often outline how business should be conducted in specific regions. The policies determine how successful or unsuccessful a business becomes in the markets. For instance, in cross-border mergers and acquisitions, the involved businesses come from different countries with unique policies. Business A which has all along operated in a specific country may have learned to adjust itself in the best way possible to meet its ambitions as per the policy guidelines stipulated and set in that country. This scenario also repeats for business B which has operated in a specific country. When these two businesses will merge and start operating in any one of the involved countries, business ambitions may be hindered given the fact that one of the businesses will not have effectively adapted to the new policies in this new country. However, this may not be a persistent problem as sooner or later; the business will adjust and cope with the policy demands.
2. ECONOMIC FACTOR: The telecom sector is influenced by financing costs, expansion, and expenses. Expenses also have an impact on the estimating per plan given to clients. Building towers and assets in rural areas is expensive. Customers who do not live in large cities are influenced. When more residences are built, the demand for media transmission assets grows. This might raise prices (as well as income) depending on the area, the number of clients in a region, and the demand for media transmission administrations. Also, taxation is always one of the most challenging issues. The taxation challenges are to be considered in cross-border mergers and acquisitions. In most cases, the acquiring firm, being that it operates in a foreign land will have to pay higher tax rates than its competitors in business that will be classified as local businesses. The unequal tax rates between foreign-owned businesses and locally owned businesses in cross-border mergers and acquisitions often work against the ambitions of the acquiring firm. As there develops an unfair playground about tax remittance to the authorities of the country where the transaction is to take place, realizing sustainable profitability always becomes elusive. Therefore, it becomes an important requirement that the taxation aspect of the business is keenly considered before venturing into cross-border mergers and acquisitions.
3. SOCIAL FACTOR: The development of telecommunications communications is limited. Growing in provincial districts, in particular, is difficult (and expensive). Customers are left with few options when it comes to purchasing internet, mobile, and TV bundles. Because telecommunication transmission partnerships are imposing business models, they are responsible for both online and mobile bearers. Customers require these bundles to communicate with friends, participate in online life challenges, acquire products online, find solid professions, and that's just the tip of the iceberg.

**Vodafone Ghana is currently in the process of being acquired by Telecel, an Africa-focused telecommunication service provider and a leader in digital service. As an international business student, assess how Telecel’s entry will impact the telecom industry in Ghana**.

**Answer**:

Telecel is an Africa-focused telecommunication service provider and leader in the transformation of digital services. It prides itself as a market disruptor with a wealth of experience from shareholders who have impacted the global retail industry and are poised to apply the same skills to impact positively the continent’s telecom market.

My assessment as an international business student;

Telecel as a foreign direct investment (FDI) entry will benefit the telecom industry in Ghana by:

1. Economic development stimulation: FDI can stimulate a target economic development and create a more conducive environment for companies, the investor, and stimulate the local community and economy.
2. Employment and economic boost: FDI creates new jobs and more opportunities as investors will build new companies in foreign countries. This can lead to an increase in income and more purchasing power for locals, which in turn leads to an overall boost in targeted economies.
3. Development of resources: The development of human capital resources is a big advantage of FDI. The skills gained by the workforce through training increase the overall education and human capital within a country. Countries with FDI are benefiting by developing their human resources all while maintaining ownership.
4. Resource transfer: Foreign direct investment allows for resource transfers and the exchange of knowledge, technologies, and skills.
5. Reduced costs: Foreign direct investment can reduce the disparity between revenues and costs. With such, countries will be able to make sure that production costs will be the same and can be sold easier.
6. Increased productivity: The facilities and equipment provided by Telecel investors can increase a workforce’s productivity in Ghana.
7. Increase in income: Another big advantage of this acquisition is the increase in Ghana’s income. With more jobs and higher wages, the national income normally increases which promotes economic growth. Large corporations usually offer higher salary levels than what you would normally find, which can lead to an increment in income.

**Using any key performance indicator (KPI) of your choice, evaluate whether or not the merger between Airtel and Tigo has been successful.**

**Answer**

Using Marketing KPI to evaluate whether or not the merger between Airtel and Tigo has been successful.

Firstly, Marketing KPIs seek to gain a better understanding of the effectiveness of marketing and promotional initiatives. These marketing KPIs frequently assess the frequency with which prospective customers complete specific activities in response to a given marketing medium. Social Media Traffic is an example of a marketing KPI that will be used in analyzing the AirtelTigo merger; this KPI similarly tracks the views, following, likes, retweets, shares, or other measurable interactions between customers and the company's social media profiles.

In a highly competitive and ever-changing business like telecommunications, organizations are continuously looking for ways to quickly adapt and react in a much more proficient manner in order to get a competitive advantage over their competitors and achieve greater organizational performance. Customers' switching power in the sector is quite great, putting enormous strain on telecommunication networks to continually strive to be up to task in their service delivery. AirtelTigo, one of the country's existing telecommunications networks, appears to be struggling to compete with market heavyweights such as MTN Ghana and Vodafone Ghana. Whilst multiple factors may contribute to this difficulty, the presence of these major companies on various social media sites such as Twitter, Instagram, and Facebook are fairly large and may contribute to their success at the expense of AirtelTigo. As a result, an analysis of the extent of social media use in the company as a communication strategy and how it may be used to achieve organizational goals and so help the firm obtain a competitive edge is required. More recent studies (Altamimi, 2010) encouraged organizations to use social media in a more professional manner and build up their marketing channels to fulfil the diverse needs of their customers but did not investigate the impact of corporate characteristics on the amount of social media usage. Past research has shown that internet usage has a favourable impact on firms in a variety of ways, including increasing customer relationship management (CRM) procedures and export marketing performance. Yet, no empirical research has been conducted on the influence of social media use as a communication strategy on organizational performance in Ghana's telecommunications sector.

In conclusion, the merger between Airtel and Tigo has not been a success for me due to the marketing strategy, especially on social media.

**From the case above, it could be said that the foreign entities that have ventured into M&As could have considered Greenfield Investment as an alternative**.

**Discuss possible reasons why such an investment alternative was not considered by them.**

**Answer**

A greenfield investment is a type of market entry that is usually employed when a corporation wants to have complete control over its foreign operations. It is comparable to other forms of foreign direct investment, such as the purchase of foreign securities or the acquisition of a majority share in a foreign company over which the parent company has little to no control over day-to-day business activities.

Apart from any tax incentives or subsidies, the overall purpose of developing a greenfield venture is to acquire a high level of control over corporate operations and to avoid intermediary costs.

Reasons why greenfield was not an alternative for foreign entities;

* Possible high market entrance costs (entry barriers) - The impediments or hindrances that make it difficult for new enterprises to enter a certain market are referred to as barriers to entry. Technology obstacles, government laws, patents, start-up fees, or education and licensing needs are examples of these.
* A high-risk investment - greenfield investment is the riskiest type of foreign direct investment.
* Government policies that may stymie foreign direct investment.
* The high fixed costs of constructing a greenfield location.

**Evaluate the pros of greenfield investment to a potential IB Manager**

**Answer**

A greenfield investment (GI) is a sort of foreign direct investment (FDI) in which a corporation sets up a shop in another country. With a greenfield investment, the corporation builds new ("green") facilities (sales office, manufacturing facility, etc.) from the ground up across borders.

Greenfield investment has various pros, some include;

* High level of quality control in the production and selling of goods and/or services.
* Generating jobs in areas where greenfield investment is taking place.
* Marketing, development, research and manufacturing can all benefit from economies of scale and economies of scope.
* Control over corporate activities to a high degree.
* Getting around trade restrictions.