The Precursors of Post -Mergers and Acquisitions Failure in Zimbabwe's Public Listed Companies

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Abstract

This research sought to evaluate the precursors of post-mergers and acquisition (M&A) failures in Zimbabwe's public listed firms. The study combined two research designs, namely descriptive and exploratory research designs. Findings of this study concluded that four predictors variable of organisational culture mismatch, poor strategic rationale, pre-merger mis-valuations and poor integration plan were valid and consistent to predict post-merger and acquisition failures in the sampled firms. In addition, post-merger and acquisition performance of firms was positively and significantly affected by organisational culture mismatch, poor strategic rationale, pre-merger mis-valuations and poor integration plan. It also emerged from the study that some mergers and acquisitions in Zimbabwe failed because the management gave little attention to pre-merger valuations of target firms, failing to pay attention and match the organizational culture of the two merging firms or fusion of the corporate cultures, giving little or no attention to integration and poor strategic rationale. These variables were also found to be correlated with each other suggesting multicollinearity of the variable. The study recommended that management should pay attention to a fusion of organisational cultures, strategic rationale, pre-merger valuations and post-merger integration planning. Thus, for mergers to be successful, there was a need for proper planning, due diligence in pre-merger valuations, good fusion of corporate culture and proper integration strategy. The study recommended that, with more time and resources, future research could conduct extensive qualitative research to explore deeper insights on post M&A failures taking into consideration mediating variables such as political, economic, social and legal variables.

Key words: Mergers and Acquisitions, Public Listed Companies, Zimbabwe

Introduction

Over the last century, Mergers and Acquisitions (M&A) have become an on-going phenomenon which has been characterised by what has been termed "merger waves" (Mulherin et al, 2017). There has been a total of six merger waves that have been observed since the beginning of the 20th century (Fuad & Sinha, 2018). In 2018 alone, over 50 000 mergers and acquisitions (M&A) transactions with the total value of over 3.9 trillion U.S. dollars were witnessed worldwide (The Institute of Mergers, Acquisitions and Alliances, 2018). A burgeoning academic literature highlights the importance of deciding on M&As in affecting corporate restructuring, efficiency, performance, and growth (Caiazza & Pozzolo, 2016; Liu, 2019; Renneboog & Vansteenkiste, 2020). The major common motive behind these merger waves has been the need for expansion by corporations (Fuad & Gaur, 2019). Mergers and acquisitions have been a preferred inorganic growth strategy by most companies (Poddar, 2019). If the companies adopted the right strategy and approach in the post-merger and acquisition integration, M&A would turn to be a source of wealth (Yue, 2021). Bindabel (2020) posits that M&A are amongst the most common strategic decisions that lead to the maximisation of a firm's growth through increasing scale and scope of operations. M&As have of late become popular driven by increased competition, capital flight across countries and globalization (Zaidi, 2019). Due to the deregulation and integration taking place in many countries, it is making M&A across countries easier to occur. In spite of M&As being more popular, it is disappointing to note that the strategic performance outcomes for most of them is poor (Renneboog & Vansteenkiste, 2020). In fact, even though research has been established that most of the M&As fail to realise the anticipated objectives, it appears that M&As continue to be the popular vehicle for company expansion (Junni & Teerikangas, 2019). Globally, cases of the failure of mergers and acquisitions remain very high. According to Koi-Akrofi (2016), the failure rate for M&As is around 83%. King (2020) concurs with Koi-Akrofi's assertion and highlight that M&As have significantly failed to yield any value to the acquiring firms over the years. There are many examples of giant companies that failed after merging or being acquired. In America, examples of companies that failed to perform after mergers include the popular cases of Daimler-Benz and Chrysler and the eBay Inc. and Skype (Kumar & Sharma, 2019). Borchert (2020) reports that cases of failures of post mergers companies range between 50-80%, in the United States, 35-60% in Asia and 55-65% in India. In Africa, cases of failures of mergers and acquisitions are also within the ranges of 80-85% with South Africa and Nigeria on the top of the list (Borchert, 2020). Similarly, in Zimbabwe, evidence of major post mergers and acquisitions failures exist. The popular most recent cases being the acquisition of NicozDiamond Insurance Ltd by First Mutual Holdings Limited (FMHL) in 2018, acquisition of 50% shareholding in Pangolin Products (Private) Limited by National Foods Limited in 2016, Acquisition of the Global Aesthetic Portfolio of Astrazeneca AB and Astrazeneca UK by Aspen Pharmacare Holdings Limited in 2016, merger between The National Oil and Infrastructure Company of Zimbabwe and Petrozim in 2018, acquisition of Restapedic (Pvt) Limited by TV Sales and Home in 2018 and merger between National Foods Ltd and Gain in 2016 which resulted in National Foods exiting the wholesale business. The evidence of failure is shown on Table 1. Despite such trends in the global arena, discussions of potential M&As continue to be the desired organisational growth strategy even though it is known that the failure rates for mergers is about 50-80 percent. Renneboog and Vansteenkiste (2020) pointed out that it is inarguable M&As at times fail to create projected value for investors. Various theories have been proposed to explain the failures of the merges though the literature in this area is still thin. The thrust of this research is to provide insight into the body of knowledge regarding performance challenges faced by new entities after M&As. It will add knowledge on the failure rates of M&As as well as the reasons why they fail. Most of the previous studies on M&As conducted in Zimbabwe concentrated on different issues such as mergers and acquisitions and firm performance in Zimbabwe (Manjengwa 2016 & Mudzingwa, 2015), legal framework (Nzero, 2014) as well as accounting failure to the harsh economic environment and other factors. It is without doubt that the macro environment contributes to the demise of some entities that failed in Zimbabwe following M&As, but other factors are involved as well. These factors reside in a firm's microenvironment. Statistics of the high rates of failures in M&As are shown on Table 1.

Table 4: Rates of Failures in M&As

Merging Company	Year Merged/ Acquired	Average Economic Value Added (EVA) for the 3-year period before the merger ($)			Average Economic Value Added (EVA) for the 3-year period after the merger ($)		
		2015	2016	2017	2018	2019	2020
Acquisition of Restapedic (Pvt) TV Sales and Home	2018	5 622 774	5 911 351	5 349 199	4 961 322	4 213 522	3 711 467
Acquisition of NicozDiamond Insurance Ltd by First Mutual Holdings Limited (FMHL)	2018	6 428 505	6 428 213	5 424 945	4 352 201	3 245 789	2 457 892
Acquisition of Pangolin Products (Private) Limited by National Foods Limited	2016	7 845 211	6 422 512	6 104 250	6 025 321	6 012 121	3 232 614
Merger between National Foods and Gain	2019	15 321 221	13 521 142	11 403 683	11 054 025	10 212 051	8 123 431

Source: Adopted from the companies' annual reports

Zimbabwe's corporate history is full of reports of failed corporate transactions that were trumpeted as ground-breaking strategies by their sponsors despite M&As being the most favoured strategic option for external expansions in many industries. The reasons for failure of these deals are still vague. Whilst some empirical studies have shown that M&As have a great influence on the performance of entities (Oduro & Agyei, 2013; Schoenberg, 2017; Schweiger & Goulet, 2019; Teerikangas & Very, 2020) some have also shown on the contrary that M&As have detrimental and adverse influence on the turnaround efforts of acquired firms (Kumar & Kaur; Singh & Das, 2018). The evidence from Zimbabwe has shown that acquired and merged firms only perform positively for a short term and struggle in the long run (Nzero, 2014, Manjengwa, 2016, Mudzingwa, 2015 & Mhlanga and Sibanda, 2013). It is therefore critical that this research focuses on assessing the real contribution of M&As to firms' objectives in their post-acquisition's life.

Research Methodology

The study used the mixed methods paradigm. Public limited listed Zimbabwean companies which were involved in mergers between 2015 and 2020 made up the population of this research. According to the Competition and Tariff Commission (CTC) there are 36 public listed companies that merged between this period. The statistics of all listed companies that went through M&As during this period is shown on Table 2.

Table 2: Mergers and acquisitions statistics in Zimbabwe

Year	Total M &As Approved by the Competition and Tariffs Commission of Zimbabwe (CTC	M &As for public listed companies
2015	8	2
2016	17	6
2017	9	8
2018	12	6
2019	14	9
2020	10	5
Total	**70**	**36**

Source: Competition and Tariff Commission (CTC) Annual Reports (2015-2020).

The sample size was calculated using the Krejcie and Morgan (1970) model. A population size of 36 would yield a sufficient sample of 33. The study utilised close ended questionnaire and an interview guide for the collection of primary data. Interviews provided an in-depth understanding of the facts being investigated (Döringer, 2021). The interviews also afforded the researcher a chance to obtain first-hand information regarding the motives behind the mergers, collaborations derived from the mergers, how the merger was conducted and the reaction of the stock markets as well as the perceived failures of the M&As. The analysis of quantitative data was done through SPSS Version 25. Correlations analysis was done in conjunction with tests such as the T-test, ANOVA, F-tests. Regression analysis was also conducted to establish the relationships between research variables. Data analysis was separated into two categories of before merger and after merger periods.

Results and Discussion

Questionnaires and interview guides were used to collect data. The Questionnaires were submitted in person at the reception areas of the target companies for forwarding to middle managers, senior managers and directors of the 33 companies which formed the sample of the study. At least five questionnaires were left by the receptions of these companies. From these 150 questionnaires left at the companies for respondents to complete and researcher to pick them at the reception areas seven working days after dropping off day, only 50 were returned and this accounts for a 33% response rate. This response rate although low was sufficient for the study as noted by Lynesy (2018) that a response rate of at least 33 in emailed research survey is enough for a study.

According to Lindeman (2020), several researches have established that studies with a low response rate, close to 20%, have more accurate measurements than those with a higher response rate, above 70%. The low response rate on survey questionnaires could be attributed the nature of the targeted respondents who may be always busy due to their nature of work. Out of a targeted 33 interviews, only five were successful contributing a 16% of the target.

Impact of Mismatch of Organisational Culture on Post-Merger and Acquisition Performance of Public Listed Firms

Table 3: Organisational Culture

	Mean	Std. Dev
Our organisation undertook programmes to integrate the two cultures of the two companies	2.72	1.629
There was flexibility in integrating these cultures	2.58	1.458
There was good fusion of corporate culture	2.38	1.627
There were culture clashes after the merger	3.98	1.204

Source: Survey Data (2021)

From the results shown in Table 3, a majority of the respondents did not agree that their companies undertook programmes to integrate the two cultures of the two companies. This was depicted by mean of 2.72 which is less than 3 (cut off point for disagree and agree on Likert scale). Respondents did not agree that there was flexibility in integrating these cultures. This is shown by mean of 2.58. Statement regarding good fusion of corporate culture had a mean of 2.38 from the responses obtained from respondents. This is also an indication that respondents did not agree with the statement. In other words, it means that in most of the sampled companies involved in mergers and acquisitions, there was no good fusion of corporate cultures. Regarding culture clashes after the merger, a greater number of the participants consented to the prevalence of culture clashes after the M&A (mean of 3.98). Overall, it suggests that there was no effort to match the culture of the merged companies or the acquired companies. This could have resulted in the culture clashes after the mergers and acquisitions.

This was confirmed by some of the respondents who were interviewed when asked what they did about integrating cultures of the merged companies.

> *" After integrating the two companies, we did nothing to deal with the cultures of the two companies although we knew very well that the two companies had different backgrounds and cultures"* (Respondent 1).

Other respondents claimed that cultures clashes were the major post-merger integration challenges that affected the post-merger performance of their company.

> *"We had a lot of challenges emanating from culture challenge"* (Respondent 3).

The above results confirm the findings by Mehta et al (2019) who suggested that one of the major contributions to failures in mergers and acquisitions was a result of poor cultural fit among the companies. They go on to explain that in most cases management neglect analysing cultures and how to fit them before closing the deal. In contrast, management should take cognisance of cultural due diligence in the same manner as they do in financial analysis before concluding a deal (Mehta et al, 2019). It is not surprising that without it, there are great chances that the mergers and acquisitions will quickly degenerate into misunderstandings conflicts and confusion (Mehta et al, 2019). The authors also explained that due diligence of culture involved issues such as determining how important the culture is as well as assessing the cultures of both companies, that is, the acquirer and the target.

Relationship Between Strategic Rationale and Post-Merger and Acquisition of Public listed firms

Table 4: Strategic Rationale and Post-merger and Acquisition of Public Listed Firms

	Mean	Std. Dev
There is better strategic fit between the two companies	2.36	1.396
There was a contingency approach which involved identifying different strategies for integrating entities	2.40	1.616
Management took cognisant of the acquirer's strategic fit and level of competitiveness before the merger	2.12	1.304
Management took cognisant of the strategic interdependence as a way of maximising synergy	2.20	1.400
Management followed a quick process which involves reorientation of strategies, systems and structures as well as cultures	2.20	1.262

Source: Survey Data (2021)

The results in Table 4 indicated that most of the respondents disagreed that there was strategic fit between the two merged companies or acquired and acquirer companies. This was shown by a mean of 2.36 and a standard deviation of 1.396. Furthermore, respondents disagreed there was a contingency approach which involved identifying different strategies for integrating entities as shown by a mean of 2.40. When asked whether the management took cognisant of the acquirer's strategic fit and level of competitiveness before the merger, many of the respondents did not agree as indicated by mean of 2.20. The statement that management followed a quick process which involves reorientation of strategies, systems and structures as well as cultures received a mean of 2.20 which is an indication a greater number of the participants did not agree with this claim. These results were also confirmed by responses that were obtained from interviews.

> *"We were quick to conclude the deal without proper due diligence since we thought that the deal was going to enlarge the company's empire. We thought it was ambitious to acquire the target and enlarge the company's empire"* (Respondent 2).

> *"We lost it on strategic fit because the preparation and valuation of the acquisition process is informed by the strategic rationale"* (Respondent 1).

In contrast, one respondent stated that;

> *'The rationale for the deal was on point. It's unfortunate that the operating conditions and the business environment was not conducive for business"* (Respondent 5).

Strategic rationale is important for the success of mergers and acquisitions. Macgee (2015) highlighted that the key drivers to the success of mergers and acquisitions rests on development of a proper plan (strategic rationale) and monitoring the progress of the merged companies. Mehta et al (2019) also points out that mismatch between administrative practices, cultural practices and personnel characteristics of the target and the acquired, (which is also known as poor organisational fit) can result in difficulties with which the two organisations can be integrated during the implementation and often leads to the failure of the organisations. Thus, it is not surprising to find organisations with poor strategic fit struggling in M&As. Mehta et al (2019) went on to state that it is difficult for M&As with poor strategic fit to yield profitability as only companies with the right strategic fit can be able to reduce overheads, use facilities effectively, raise funds at lower costs as well as be able to deploy surplus cash for business expansion. Only M&As with strategic fit can yield the desired results (ibid). However, in most cases M&As struggle because of disregarding acquirer and target strategic fit which usually results in lack of synergies.

Relationship between pre-merger valuation and post-merger acquisition performance of public listed firms in Zimbabwe

Table 5: Analysis of respondents results on Likert scale

	Mean	**Std. Dev**
Success of M&A depends on the pre-merger valuation	4.12	1.256
Overpayment of acquisition price affect value creation and profitability	3.78	1.556
There was no recovery of the company because of overpayment	3.84	1.330
Mis-valuation of the target company strongly affects the performance of M&A	3.88	1.560

Source Survey data (2021)

The results presented above showed that many middle managers, senior managers and directors from the sampled firms agreed that the success of mergers and acquisitions largely depends on the pre-merger valuation of the target. This was depicted by a high mean of 4.12 of the responses from the questionnaire survey. There was also a high number of respondents who agreed that overpayment of acquisition price affect the value creation and profitability in mergers and acquisitions. This was evident from the mean of 3.78 and a standard deviation of 1.556. Regarding an inquiry on the respondents' level of agreement with the statement concerning whether there was recovery of the company after the M&A, majority of the respondents agreed that indeed there was no recovery of the company because of overpayment (mean of 3.84). Again, the tabulated results in Table 10 above showed that most of the respondents agreed that post M&A performances was also affected by misevaluations of the target firm. This was depicted by a mean of 3.88.

During the interviews, it came out that most of the failures of post M&As were due to rushed decisions without proper due diligence or valuations of the target companies.

> *"The motive was to ensure that the deal succeeds without any considerations for the value being paid and financial standing of the company being pursued as target. Management believed they would be able to steer the new entity to great heights and recover the payment"*. (Respondent 5).

On another note, another respondent also said:

> *"The new entity was riddled in a huge debt from the previous business that affected the operating finances of the new entity"*. (Respondent 4).

The above results overall point to the fact that pre-merger valuations affect the overall post M&A performance of companies. Mehta et al (2019) supports these results by indicating that mergers and acquisitions may fail due to faulty evaluations of companies which is caused by failure to conduct a detailed diligence of the target firm. As a result, the management of the acquirer may end up making a wrong assessment of the benefits to be reaped from the deal and in most cases paying a higher price. This may also take the form of over leverage, which refers to taking over a lot of debt in anticipating high value returns which may not materialise (Mehta et al, 2019). The Business India report (2015) highlights that future interests in such cases consumes a large portion of the acquired company's earnings and that increases the Distress cost of Acquired firm. In addition, in some cases, some managers make mistakes to conclude M&A deals without having the financial records of the target audited statements, and assuming responsibilities to pay all the liabilities of the target Mehta et al (2019). This may result in the acquirer struggling to make the post M&A entity profitable.

Relationship Between the Integration plan and Post M&A Performance of Public Listed firms

Table 6: Integration plan and Post M&A Performance

	Mean	**Std. Dev**
Integration process entails developing a detailed plan on how the M&A is to be executed	4.34	1.042
There was pre-planning and screening before the merger	4.24	1.188
Mergers fail because of poor choice of organisational fit	4.02	1.082
Investigation into how the management may be integrated into the new company should be done for post-performance success of M&A	4.22	1.234
There should be concerns for the application of change management to develop a common identity for the organisation	4.24	1.135
M&As fail in integration by ignoring organisational change forces	4.32	.844
M&As fail in integration by ignoring organisational change forces	4.02	1.059
Top management fail to acknowledge the roles of employees and unions.	4.08	1.192

Source: Survey Data (2021)

Basing on the results shown on Table 6, majority of the respondents agreed that in M&As, integration process entails developing a detailed plan on how the M&A is to be executed (mean of 4.34). In addition, a mean of 4.24 is a sign that respondents agreed that there was pre-planning and screening before the merger depicts that in most of the sampled companies. Again, the results show that many the respondents agreed that M&As fail because of poor choice of organisational fit as shown by a mean of 4.02 on the overall responses from middle managers, senior managers and directors from the sampled firms. Respondents also agreed that investigation into how the management may be integrated into the new company should be done for post-performance success of M&A as shown by the mean of 4.22. The statement concerning the application of change management to develop a common identity for the organisation had a mean of 4.24 which is a sign a greater proportion of the participants consented to the statement. It is also evident that respondents agreed that M&As fail in integration by ignoring organisational change forces (mean of 4.32). The statements that M&As fail in integration by ignoring organisational change forces and that top management fail to acknowledge the roles of employees and unions had mean of 4.02 and 4.08 respectively meaning a greater number of participants consented to the statements.

Interviews conducted also concurred with information gathered through the questionnaires.

> *"We failed to consider the interests of all stakeholders resulting in clashes that resulted in enormous challenges to get the identity of the new entity"*. (Respondent 5).

> *"M&A involves change management. For us, it was not easy. There was discord in the human resources because we actually had not put in place measures to deal with integrating the management of the two entities. We had just thought of retaining all the top management not knowing that this will be the cause for our failure"*. (Respondent 3).

These results concurred with findings by Mehta et al (2019) who suggested that the integration of firms requires high quality management. They further state that the poor post M&A performance of firms is usually the result of a poorly managed integration which is coupled by non-programmed planning and design. Managing the integration is a key ingredient in M&As since there is a need for the company to perform better than previously (Mehta et al (2019). This may be true since some of the motives for the M&As would have been to create value as posited in the value creation theory. Thus, even if the deal is good, it may fail if poorly managed. Another point noted by Mehta et al (2019) which was in concert with the above results is that some of the reasons for poor integration is that the management of the acquirer may fail to take immediate full control of the acquired company. It is of more importance that control of the new unit should be done as soon as possible after signing of the deal. In addition, the other important task in integration is to set the pace for the integration (Mehta et al (2019). in this regard, Mehta (2019) alludes that all the functions of the new entity such as the commercial, marketing, finance, design, production, procurement and human resources should be put in place and the important or key resource persons retained for smooth integration. Results above are also in line with Akrof (2019) who hinted that due to a lack of due diligence to analyse how the target could be integrated into a new entity, most M&As fail because of failure to manage features such as finance, capability, management, as well as physical and tangible assets.

On the failure to acknowledge employee roles, which is confirmed by the results of this study, Ndegu (2018) asserts that poor integration may usually be because of ego clashes especially in cases were the merging companies may be two equals. For example, the Dunlop Pirelli merger in 1964 which resulted in expensive separation was due to clashes between the human resources. Results on mergers failing because of poor choice of organisational fit are also in line with what was also established by Mhlanga and Sibanda (2013) in which it was noted that M&As integration may fail due to incompatibility of partners. This may be because of the merger motive such as strong companies taking over weak companies to control them or weak companies taking over strong companies to bail them out. However, in most cases, experience shows that a weak link usually becomes a drag which may cause friction between the partners (Mhlanga & Sibanda, 2013). Thus, in most cases, a strong company that would have taken over a sick company in the hope that it may revive it may find itself in liquidation as well. Also, in support of the poor choice of organisational fit, Mehta et al (2019) found that limited focus especially in the sense that the merging companies may have entirely different products, markets cultures, systems, among others, may result in failure of the M&A. This is because core competencies of the new entity may be weakened and he focus blurred (Mehta et al, 2019).

Inferential Statistics

Multivariate regression analysis was conducted to test the hypotheses. This was because the multi-variate regression analysis was ideal when a study had more than one independent variable and one dependent variable. The researcher ensured that the data were suitable for such computation and that it fulfilled all the key assumptions concerning performance of linear regression to conduct the multi-variate regression analysis. Results were presented in the following sections.

Multicollinearity and Normality tests

The study used the parametric tests after ensuring that the key assumptions of the parametric test namely the multicollinearity and normality tests were satisfied. When variables are highly correlated, it is known as multicollinearity. In this study, multicollinearity was performed to establish whether the independent variables namely mismatch of organisational culture, poor strategic rational, pre-merger misevaluation and poor integration process were highly correlated. The results of this test are presented on Table 7.

Table 7: Normality test Regression Coefficients

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.598	1.225		2.937	.005		
	Mismatch of organisational Culture	.014	.181	.013	.078	.000	.809	1.236
	Poor strategic Rationale	-.093	.148	-.093	-.627	.000	.969	1.032
	Pre-merger misevaluation	-.209	.218	-.154	-.958	.003	.818	1.222
	Poor Integration process	.059	.175	.050	.335	.000	.945	1.058
a. Dependent Variable: Post-merger and acquisition failures								

Source: Survey Data (2021)

From the results shown on Table 7, it could be observed that the variance inflation factor (VIF) for all the variables range between 1.032 and 1.236. On the other hand, tolerance values for the independent variables range from 0.809 to 0.945. As posited by O'Brien (2017), problems in multicollinearity exists where values range between 5 and 10 or where they have values higher than 10. However, from the results presented in Table 7, it was clear that both the variance inflation factors, and the tolerance values were within the recommended ranges. For the dependent variable, which was the post-merger performance of public listed firms in Zimbabwe, normality test was conducted using the Kolmogorov-Smirnov-Wilk tests. The results are presented in Figure 1.

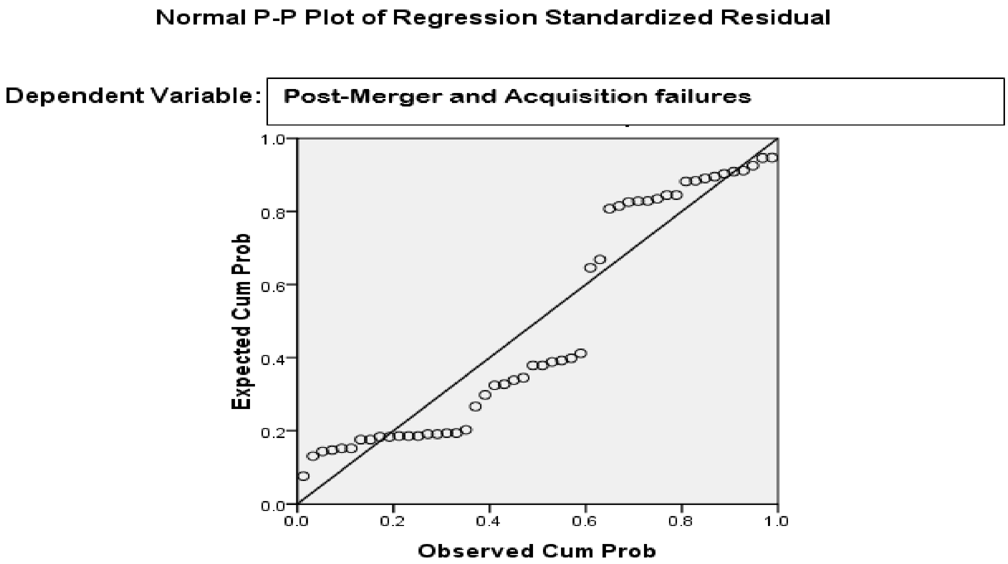

Figure 1: Normal P-P Plot of regression standardised residuals
Source: Developed by this researcher from survey data (2021)

Figure 1 tests produced p>0.05 and this confirmed that the data followed a normal distribution. In addition, a visual inspection of the Figure 1 showed that the plots are almost clustered around the normal plot which is a confirmation that data was normally distributed.

Regression Analysis

A multi-variate regression analysis was conducted to test the hypotheses of this study. The use of the multi-variate regression analysis was occasioned by the fact that the study had four independent variables. The linear regression model formulated for the study was;

Y (post-M&A failure) = 3.598 + .014 (mismatch of organisational culture) + .093 (poor strategic rationale) + .209 (pre-merger misvaluation) + .059 (poor integration process).

Hypotheses of the study were as follows: -

H_1: Culture has a significant impact on post M&A performance of public listed firms in Zimbabwe
H_2: Strategic rationale has an impact on the post-merger and acquisition performance of public listed firms in Zimbabwe.
H_3: Pre-merger valuations are positively related to post M&A performance of public listed firms in Zimbabwe
H_4: Integration plan of mergers and acquisitions has a significant positive relationship with post M&A performance of public listed firms in Zimbabwe.

Table 8: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.598	1.225		2.937	.005		

	Mismatch of organisational Culture	.014	.181	.013	.078	.000	.809	1.236
	Poor strategic Rationale	.093	.148	.093	.627	.000	.969	1.032
	Pre-merger misevaluation	.209	.218	.154	.958	.005	.818	1.222
	Poor Integration process	.059	.175	.050	.335	.000	.945	1.058
a. Dependent Variable: post-mergers and acquisition failures								

Source: Survey Data (2021)

From the data on the Table 8, the first hypothesis (**H_1**) had β= 0.13, t = 0.78 and p = 0.00 < 0.05. Basing on these results, the above hypothesis is accepted since the significance value of 0.000 is less than 0.05. That is, organisational culture is significant in predicting the post M&A performance of Zimbabwe public listed firms.

The second hypothesis of the study assumed that (**H_2**) strategic rationale has β= 0.093, t = 0.627 and p = 0.000 < 0.05. These results imply that Strategic rationale has an impact on the post-merger and acquisition performance of public listed firms in Zimbabwe.

The third hypothesis (**H_3**) formulated for the study indicates that β= 0.154, t = 0.958 and p = 0.005 < 0.05. This proved that pre-merger valuations are positively related to post M&A performance of public listed firms in Zimbabwe.

The fourth hypothesis (**H_4**) had β= 0.050, t = 0.335 and p = 0.000 < 0.05. These statistics infer that there is evidence to support the hypothesis. Thus, there is evidence that integration plan of mergers and acquisitions has a significant positive relationship with post M&A performance of public listed firms in Zimbabwe.

The multiple linear regression equation for the study was Y(post-M&A failure) = 3.598 + .014 (mismatch of organisational culture) + .093 (poor strategic rationale) + .209 (pre-merger misvaluation) + .059 (poor integration process).

Table 9: Regression Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.710[a]	.640	.491	0.662	.640	.520	4	45	.722	.443

a. Predictors: (Constant), Mismatch of organisational culture, poor strategic rationale, pre-merger misevaluation, poor integration process.

b. Dependent Variable: post-mergers and acquisition failures

Source: Survey Data (2021)

Table 9 showed that the model has R-Square(R2) value of 0.640 which was an indication that the precursors of post-mergers and acquisition failures adopted for the study explains 64% of the post-mergers and acquisition failures in Zimbabwe's public listed firms. Similarly, 36% of the failures of post-mergers and acquisition are explained by other variables not subject of this study. Mismatch of organisational culture, poor integration strategy, pre-merger misvaluation and poor strategic rationale explains around 64% of post M&A failures.

Analysis of Variance (ANOVA)

Table 10: ANOVA[b] results

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.742	4	1.436	4.520	.001[a]
	Residual	124.338	45	2.763		
	Total	130.080	49			

a. Predictors: (Constant), Mismatch of organisational culture, poor strategic rationale, pre-merger misevaluation, poor integration process.

b. Dependent Variable: post-mergers and acquisition failures

Source: Survey Data (2021)

The results above indicated that the model used had a highly statistical significance of 4.520; $p<0.001$. In view of this, the variables namely the precursors of post M&A failures have a significant bearing on post M&A performances. Thus, the study accepted that a mismatch of organisational culture, poor integration strategy, pre-merger misvaluation and poor strategic rationale are the precursors of post M&A failures for listed firms in Zimbabwe. They contribute to the failures of post M&A failures.

Correlation Analysis

A correlation analysis was conducted to establish the relationship between the independent variables and the dependent variables. According to Khanal et al (2020), Pearson correlation coefficient is effective in investigating the inter-relationship between two or more variables The results of Pearson's correlation analysis are presented in Table 11.

Table 11: Results of Pearson's Correlation Analysis

Correlations						
		Post M&A failure	Mismatch of organisational cultures	Poor strategic Rationale	Pre-mergers misvaluation	Poor integration strategy
Post M&A failure	Pearson Correlation	1	.721	. 810	.820**	.930
	Sig. (2-tailed)		.004	.006	.001	.006

Mismatch of organisational cultures	Pearson Correlation	.721	1	.488	.182	.440**
	Sig. (2-tailed)	.004		.002	.007	.001
Poor strategic Rationale	Pearson Correlation	.810**	.488	1	.264	.222
	Sig. (2-tailed)	.000	.010		.010	.005
Pre-mergers misevaluation	Pearson Correlation	.820**	.182	.264	1	.180**
	Sig. (2-tailed)	.001	.000	.064		.001
Poor integration strategy	Pearson Correlation	.930	.440**	.222	.180	1
	Sig. (2-tailed)	.000	.001	.005	.000	
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Survey Data (2021)

From the above data, all the independent variables are strong correlated with post M&A failures. This is shown by strong correlations as follows; mismatch of organisational cultures r=0.71, p<0.010, poor strategic rationale r=0.810 p<0.010; pre-mergers and acquisition misevaluation r=0.820 p=0.010 and poor integration strategy r=0.930 r<0.010. These results infer that these precursors of post mergers and acquisition failures are significant in the failures of M&As in Zimbabwe. They are positively correlated with post M&A failures and are statistically significant. Simply expressed, culture, strategic rationale, pre-merger valuation and integration strategy determine the success or failure in post-merger performance of companies.

The results above showed that all the four latent variables were interrelated with each other and thus, it is not surprising that these independent variables are positively correlated with the dependent variable. This confirms multicollinearity. Mismatch of organisational cultures was positively correlated with poor strategic rationale, pre-mergers and acquisition misevaluation, poor integration strategy (r= .488; r= 0.182 and r= 0.440 respectively). Likewise, Poor strategic rationale was positively correlated with pre-mergers and acquisition misevaluation, poor integration strategy (i.e. r = 0.264 and 0.222 respectively). Pre-mergers and acquisition misevaluation are also positively correlated with poor integration strategy (r= 0.180**). These results strongly confirm that addressing the precursors of post M&A failures that were subject to this study is pivotal to the post M&A success. The results infer that failure to manage or match organisational cultures, following a poor strategic rationale, overvaluation or misevaluation of the target company in pre-merger deals and adopting a poor strategy in integrating the two companies may have a disastrous effect in the post-merger period.

Conclusion and Recommendations

In conclusion, the four predictor variables of organisational culture mismatch, poor strategic rationale, pre-merger mis-valuations and poor integration plan were found to be consistent to predict post-merger and acquisition failures of public listed firms in Zimbabwe. In addition, the study established that these four variables are also correlated and, thus, there is need to address all of them to determine post mergers and acquisition performance success. The study also concludes that these four variables are significant in measuring post M&A success. The most significant of these variables is poor integration strategy followed by pre-merger misevaluation. Since the study concluded that culture mismatch, poor strategic rationale, pre-merger misevaluation and poor integration strategy are all predictors of post M&A failures, with more time and resources, future research could conduct extensive qualitative research to explore deeper insights on post M&A failures. The study could take into consideration mediating variables such as political, economic, social and legal variables. This could be close to precise in explaining post M&A failures especially in countries such as Zimbabwe where these mediating variables have a great influence on business performance.

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