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The Relationship between the Strategic Cultural Integration and Performance of Mergers and Acquisitions in the Financial Sector in Kenya

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Abstract

As a growth strategy, mergers and acquisitions are a common feature of modern business life that forms a major reason for organization growth. The purpose of this study is to look into the determinants of performance of mergers and acquisitions in the financial sector in Kenya, basically Banks and Insurance. The objective was to determine the relationship between cultural integration and performance of Mergers and Acquisition. The study used a descriptive and cross-sectional design, and a mixed methodology. Data collection instruments were questionnaire for obtaining the primary data and published data for secondary data. A total of 93 responses were obtained and the hypothesized relationships were tested using multiple regression analysis. Data analysis was conducted for the purpose of obtaining usable and useful information, with the aim of, describing and summarizing data, identifying relationships between variables, comparing variables, identifying the difference between variables and predicting outcomes of the research, coding, and developing themes. The study reveals that Culture integration contributes significantly to performance of M&A. The study offers practical insights to the; Policy makers, academician, scholars and researchers in strengthening organizational identification of the determinants of performance of M&A by considering the crucial role culture integration on the performance. On the basis of these findings, it is recommended that cultural integration help to maintain a unity and a certain balance, helping to keep the new firm together, sharing the same beliefs and values, therefore the firm will need to invest more in these areas. Using behavioural theory, the study suggests that there is a direct correlation between the culture integration and performance of M&A. with culture integration were highly negatively correlated and regression showed that there was a relationship between the culture integration and performance of mergers and acquisition in the financial sector in Kenya. On the basis of these findings, it is recommended that culture integration brings a greater impact leading to superior performance.

Keywords: Strategic, Culture, Culture Integration, Performance, Mergers and Acquisitions, Financial Sector, Kenya

Introduction

Studies to explore managers' strategies for cultural integration during an M&A., has resulted into diverse conclusion with (Horacio 2016), noting that Managers' cultural integration strategies, communication, and leadership during M&As using transformational leadership has not been successful in the United States. Horacio (2016), adds that an organization's survival and continued existence depend on the influence of managers, organizational culture, and mergers and acquisitions (M&As) type. Das & Kapil (2012) concludes that, an integrating assets acquired through M&A activities may increase the newly created entity's intellectual capital, market share, and competitive advantage. Kim, Kumar, & Kumar (2012) classic statement, '... M&A activity results in product and service development, improved work skills, and increased skill diversity across the merging companies', proves that there is a relationship between culture integration and performance.

1.1 Background of the Study

Shang-Ping, Shi-Hwa, and Ho-Li (2010) states that much of the research in the field of M&A, has focused on performance evaluation, shareholder equity allocation, or even the increase of company market value after M&A. The area of culture integration has also featured with diverse conclusions. Dale and Laura (2013), stated that the costs of mergers and acquisitions are painfully clear resulting into morale drop, synergies failing to materialize, key people, exiting and cultures clash (Altendorf 1986). Kim (2001) seems to differ from this thought, declaring that all human beings experience conformity as they move into a new and culturally unfamiliar environment by "unlearning" who they were originally.

Therefore (Dale and Laura 2013) advice that cultural integration isn't something that can wait until a deal is done. Maneli (2017) notes that research into the relationship between cultural differences and cross-border mergers and acquisitions performance is both incomplete and inconclusive.

Figure 1 indicates that strategic integration aims at achieving the effective results through combined effort of different organizational groups and processes. The two important criteria for integration include; the need for strategic interdependence and the need for organizational autonomy

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(Vliet 2011). The model gives the opportunity for mergers and acquisitions to choose the best integration approach/combinations. From the model, the preferred position for M&A through preservation, culture integration is enhanced to gain benefits intact. Holding, culture integration coordinates risk-sharing within the challenges of integration.

Preservation and holding is the act of the firm merging with another company with the intention of keeping that company intact, deriving benefit from the profits and opportunities produced by the subsidiary company (Duff n.d.). Absorption, culture integration is made to ensure that its vision for the acquisition is carried out well. Absorption is, as in Chemistry, the process of movement of unchanged behaviours from each side of the firm that work to show strategic independence in the midst of the need for organizational autonomy for purposes of effective performance (Duff, n.d.). Finally, Symbiosis is the best position for M&A in which joint forces, boundary preservation and boundary creation are upheld. Symbiosis is any arrangements between members of two different firms, taking care of both positive (beneficial) and negative (unfavourable to harmful) associations (Duff n.d.). M&A firm should study the industry trends, external environment and resource capabilities and have a clear understanding of its strengths and core competencies to enable appreciation of cultural impact.

Figure 1: Types of Strategic Integration - strategy model developed by Philippe Haspeslagh and David Jemison.

Need for Strategic Interdependence

Need for organizational autonomy	**Low**	**High**
High	Preservation	Symbiosis
Low	Holding	Absorption

Source: Haspeslagh & Jemison, (1991)

Cultural integration is a form of cultural exchange in which one group assumes the beliefs, practices and rituals of another group without sacrificing the characteristics of its own culture (Burrel and Morgan 2005).

Siegenthaler (2010) noted that the biggest challenges in M&A activities is bringing two companies together and "expecting them to blend into a single seamless entity" and so, (Schweiger and Goulet 2000) list the shift to softer and less softer tangible social, cultural and psychological issues involved in integrating merged or acquired firms, and these factors lead into cultural fit. Earlier (Chatterje *et al.*, 1992) had concluded that 'strategic fit plays an important role in the financial success of a merger or acquisition, but researchers suggest that there is no clear evidence supporting the value of strategic fit in mergers. Dixon (2005) argues that for integrating two companies, the participants in mergers are human and driven both by their shared culture and individual personalities and that cultural influences have the potential to be broad and far reaching, as figure 1 shows.

Table 1, shows that people acting solely on the basis of rational calculations, the model of behavior preferred by economist mergers would be effective or not based on the soundness of their economic underpinning. Blume and Easley (2008) and Sen (2008) argue that Economic theory is a framework for understanding and modeling culture behavior.

Table 1: Culture Management and Mergers and Acquisitions

Culture affects	Resulting in
Decision-making style (for example: consensus contrasted with top-down)	• Effective integration requires rapid decision-making. • Different decision-making styles can lead to slow decision-making, failure to make decisions, or failure to implement decisions.
Leadership style (for example: dictatorial or consultative, clear or diffuse)	• A shift in leadership style can generate turnover among employees who object to the change. This is especially true for top talent, who are usually the most mobile employees. • Loss of top talent can quickly undermine value in an integration by draining intellectual capital and market contacts.
Ability to change (willingness to risk new things, compared with focus on maintaining current state and meeting current goals)	• Unwillingness to implement new strategies. • Unwillingness to work through the inevitable difficulties in creating a new company.
How people work together (for example: based on formal structure and role definitions or based on informal relationships)	• Merged companies will create interfaces between functions that come from each legacy company, or new functions that integrate people from both legacy companies. If the cultural assumptions of the legacy companies are inconsistent, then processes and handoffs may break down with each company's employees becoming frustrated by their colleagues' failure to understand or even recognize how work should be done

Beliefs regarding personal "success" (for example: organizations that focus on individual "stars," or on teamwork, or where people rise through connections with senior practitioners)	• Again, these differences can lead to breakdowns in getting work done. If people who believe they have to achieve goals as a team integrate with people whose notion of "success" emphasizes individual performance, the resulting situation is often characterized by personal dislike and lack of support for getting the job done.

Source: Deloitte.

1.2 Statement of the Problem

Organisations got into M&A because; they wanted to strengthen and maintain their position in the market place, create synergy or expand into new markets, acquire and exploit new technologies (Dumon 2008;Gwaya 2015;Gitau 2013). On the flip side; possible low productivity and performance cause: low staff retention, retrenchment looming, wastage of time in developing new working plans, diversity in structure and corporate hierarchies and the legal tussles inherited (Taneja and Saxena 2014). Schuler and Jackson (2001) highlighted possible reasons for failure of M&A as being financial, economical, market factors, legal, communication and concluded that ignoring the role of human resources management was a major contributor. Literature revealed that; there was a negative relationship between the mergers and acquisition of firms and the concentration market (Hassan, Bashir, and Shakir 2016). Pikula (1999) notes that cultural fit challenges affect performance, cooperation, decision making, control, communication, commitment, perception and justification of behaviour. Tepedino and Watkins (2010) adds that leadership roles affect skill competence. Culture integration affects market coverage, behaviour and skill competence, though there is little consensus on whether culture integration was a determinants of performance.

1.3 Objectives and Hypothesis If the Paper

The following hypothesis was used; there is no significant relationship between the strategic culture integration and performance of Mergers and Acquisition in the financial sector in Kenya. The conceptual framework of the study is shown Figure 3.

2. Literature Review

Table 2 gives a summary of the theoretical background of this paper, giving the theory, its proponents, the year of its origin and the link to this article.

Table 2: Theory proponents, and link to study

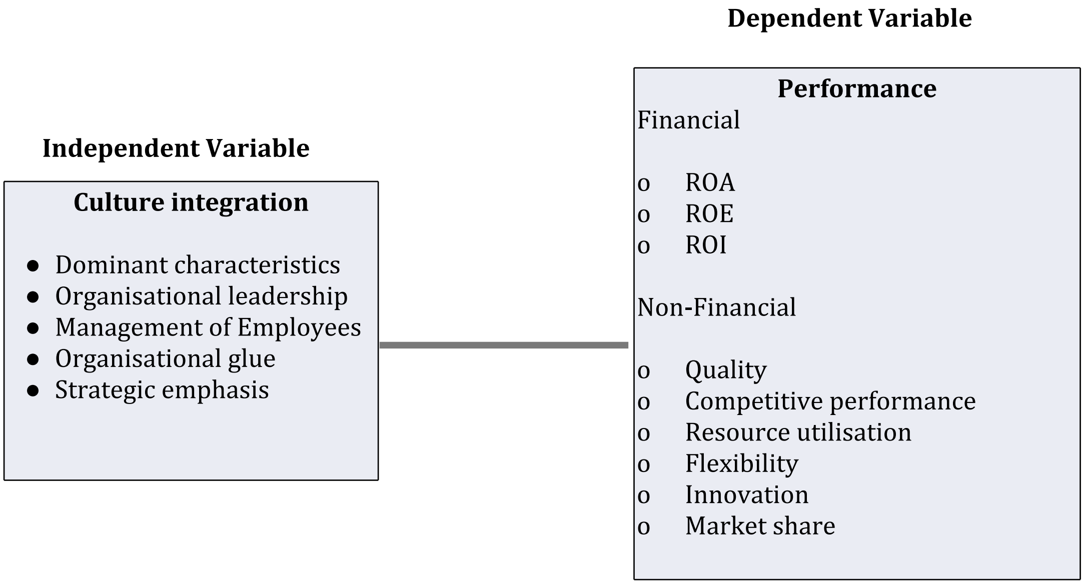
Theory	Proponents of theory	Year of origin to the theory	Link to the study
Resource Based Theory	While this influential body of research within the field of strategic management was named by Birger Wernerfelt in (1984), the origins of the resource-based view can be traced back to the thinking of the work of Penrose (1959).	Penrose (1959); Grant (1991).	Neoclassical focus, Focus, Industrial organization economics and organizational economics being most prominent. It affects how Competitive advantage of a firm is handled.
Behavioural Theory	John B. Watson (the founder of the Behavioural theory). He was a proponent of Classical Conditioning.	1878-1958, 1930	Making decisions, behavior of organizational
Economic Theory	Adam Smith (1723 to 1790), Karl Marx (1818 to 1883), and John Maynard(1883 to 1946).		All the variables listed are linked to this theory.
Synergistic Theory	From the field of physiology since the 19th century.	Henri Mazel 1896	Synergy creates value, helps analyse equilibrium for takeover game.

2.1 Conceptual Framework

Cultural integration is the thread that determines the success or failure of a firm that has gone through M&A. Cultural factors has an important role on M&A performance in the end. It is important because it maintains a unity and a certain balance in a given firm.

Cultural integration helps keep the firm together, to enable the sharing of the same beliefs and values in a social system (Coisne 2014).

Figure 2: Conceptual Framework



Cultural integration is the thread that determines the success or failure of a firm that has gone through M&A. Cultural factors has an important role on M&A performance in the end. It is important because it maintains a unity and a certain balance in a given firm. Cultural integration helps keep the firm together, to enable the sharing of the same beliefs and values in a social system (Coisne 2014).

Evans (2010), alluded to the fact that M&A transactions were prone to mismatched cultures, which allowed the prevailing culture coming from the acquirer. In their article, (Miller and Fernandes 2009) believed that, culture must be a focus in efforts to integrate companies, because when left to itself culture would often undermine value-creation. From their argument, the study deduced that, culture was both powerful and implicit, to employee were unlikely to change their cultural beliefs in response to exhortations to adopt to new cultural values, and that culture can be rigorously linked to behaviors that affect business value. From empirical literature, cultural integration carries three main views; the assimilation theory, multiculturalism, and structuralism (Alga, Bisin, and Verdier 2016). Figure 3, gives the model developed by (Berry 1997) that upholds economic theory. According to (Parisi, *et. Al*. 2003), assimilation is the process in which a minority group or culture comes to resemble those of a dominant group. Harper, *et. Al.*, (2010), shows that multiculturalism as being the advocacy of equal respect to the various cultures in a society, and maintaining cultural diversity. While, Blackburn (2008) shows structuralism implying that elements of human culture must be understood by way of their relationship to a broader, overarching system or structure.

Figure 3: Adopted from Berry 1997: Two dimensional Identity Model

Minority Group \ Majority Group	**STRONG**	**WEAK**
STRONG	Integration	Separation
WEAK	Assimilation	Marginalisation

From Figure 3, integration occurs when cultural exchange occur, but cultural integration is a positive phenomenon, as long as nothing is lost, but is marginalized when the M&A is weak (Ouimet 2013). The point of interest for culture integration occurs at the point where minority group and majority group are strong apoint where each group brings in their cultre without sacrificing for the other.

Schein (1997), gives 3 levels of culture: artifacts (visible), espoused beliefs and values (may appear through surveys) and basic underlying assumptions (unconscious those which are not visible) as groups within organizations. Miller and Fernandes (2009) concluded that culture has emerged as one of the dominant factors that prevent effective integrations, which affects timely decisions making, effectiveness, and undermine the potential value created within organisations. Gould Partners LLC (2015) introduced the concept of effective communication during Mergers and Acquisitions and Sotiris Zigiaris conclusion that organization's change will have people who can manage change, thereby creating less pain in enhancing transition (Zigiaris 2000). Cultural Integration, is the glue for blending a merger-acquisition into the new company, and includes delivering on the objectives which motivated the M&A, and help in development of vision and strategy for the company's future. Stafford and Miles (2013) concludes by stating that, the glue helps to hold new management and workforce, communication, technology, systems, and management practices. Financial Performance is a measure of an organizations financial health over a given period of time, used to compare similar firms a cross the same industry or sectors and generate revenue (Azhagaiah and Sathishkumar 2014). Performance of an organization has traditionally been measured by looking at the revenues or the profit made at the end of the year, or using key financial ratios (Wadongo, Odhuno, Kambona and Othuon 2010). This has led researchers categorize measurement into four dimensions: financial performance, business performance, organization effectiveness, and non-financial performance as an alternative way to measure performance. Gwaya and Mungai (2015) declared in their study that using ratios, mergers and acquisitions did not lead to an improvement in financial performance. From table 3 the gap was identified indicating that no study has focused on culture integration as a determinant of Performance of Mergers and Acquisitions in Kenya.

Table 3: Critiquing of the existing Literature

Variable	Study by	Findings
Cultural Integration	Saunders, Altinay and Riordan (2009); Hajro (2014); King, Dalton, Daily and Covin (2004).	Handles various social and economic issues using Panel data, longitudinal study, and nothing significant come out about mergers and acquisitions performance. There is a consensus that cultural integration, if not well done, can ruin the party.

3. Research Methodology

3.1 Research Design

This paper employed positivism as a research philosophy (Dash 2005; Johnson and Duberly 2000), descriptive and cross-sectional research design (Mugenda and Mugenda 2003) and (Kombo and Tromp 2009), and mixed methods (Miltiades 2008) on a population of 100 firms (Central Bank 2016; IRA 2015). employing questionnaires and secondary data (Bala 2005). Statistical Package for Social Sciences (SPSS) was used to analyze the quantitative data (Afande 2015). The paper assumed that there were no outliers, and that validity and reliability tests were acceptable (Castillo 2009; Creswell 2003) at Cronbach's alpha of 0.6 ? ? < 0.7 (Cronbach 1951) and Linearity test and Normality were acceptable. A significance test at 5% and confidence level at 95% will be used, to measure the significance of the determinants in explaining the changes in the performance.

4. Research findings and discussion

4.1 Data Description - Culture Integration

Using descriptive statistics, table 4, a combined 65.77% indicates an association of each indicator in culture integration, as there being a strong relationship between culture integration and performance.

Table 4: Culture Integration as a determinant of performance

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Likert Mean	SD
Organisation culture is easily adopted after Mergers and Acquisition	11	17	22	32	9	2.88	1.191
	12.1%	18.7%	24.2%	35.2%	9.9%		
Common values, beliefs, verbal and non-verbal Symbols are easily shared	14	33	21	21	3	3.37	1.097
	15.2%	35.9%	22.8%	22.8%	3.3%		
The two companies vision, philosophy and values Integrated	19	36	21	15	2	3.65	·993
	20.9%	39.6%	23.1%	16.5%	2.2%		
The two organisations operate independently	6	7	21	32	21	2.37	1.142
	6.9%	8.0%	24.1%	36.8%	24.1%		
The acquiring and acquired group work well together	12	31	35	11	1	3.47	·914
	13.3%	34.4%	38.9%	12.2%	1.1%		
Organisational alignment creates better performance	30	47	12	2	1	4.12	·796
	32.6%	51.1%	13.0%	2.2%	1.1%		
Workforce readiness improves performance	38	40	11	2	–	4.25	·754
	41.8%	44.0%	12.1%	2.2%			
Organisation fosters the process of learning and competence Building	22	57	11	1	–	4.1	·633
	24.2%	62.6%	12.1%	1.1%			
Strategic emphasis helps enhance the practices of the company towards success	35	44	13	1	–	4.2	·76
	37.6%	47.3%	14.0%	1.1%			

Innovation and the need for diversity of ideas improve Performance	48	36	8	–	–	4.43	·651
	52.2%	39.1%	8.7%				
Emphasis on quality propels the company into greater Performance	37	43	9	3	1		
	39.8%	46.2%	9.7%	3.2%	1.1%		
Average	**25**	**36**	**17**	**11**	**4**		
	27.0%	**38.8%**	**18.4%**	**12.0%**	**3·99%**	**3.73**	**0.887**

From these results, table 4 showed that culture integration was appreciated by respondents to be a determinant for performance for M&A. Statistical scores indicated that; N=93, M=3.73, SD=0.887. A shapiro-Wilks test (p>.05) and Normality test =0.261, showed that Culture integration was approximately normally distributed, with a Skewness=.501, and Kurtoitic at -1.339. The VIF and collinearity of culture integration showed (VIF=1.806, collinearity =0.501), and a significant .000. Homogeneity of variances was violated as Levene's test for equality of variances showed an average (p=.283.

4.2 Correlation - Culture Integration and Performance

A Pearson product moment correlation coefficient was conducted to evaluate that;

Ho: There was no significant relationship between culture integration and performance in the financial sector in Kenya

H1: There was a significant relationship between culture integration and performance in the financial sector in Kenya.

From table 5, for cultural integration, each row of the table corresponds to one of the variables indicators. Each column also corresponds to one of the variables indicators.

The cell at middle row and right column (or equivalently, the bottom row at the middle column) is more interesting, producing a 1.

The Pearson correlation coefficient in table 5**,** all at the significance of .01(2-tailed) indicates that r was purely due to chance factors and not due to an actual relation, indicating that if there was no relationship between the variables, the outcome r could not be this big with the 93 being the observations that were used to calculate the correlation coefficient.

Table 5: Culture Integration and Performance

Pearson Correlation	1	2	3	4	5	6	7
Average for Performance	1						
Organization culture is easily adopted after M&A	·061	1					
Common values, beliefs, verbal and non-verbal symbols shared	-·010	.611**	1				
The two companies vision, philosophy and values Integrated	·126	·195	.358**	1			
The two organizations operate independently	·002	-·008	·018	-·092	1		
The acquiring and acquired group work well together	-·028	.394**	.252*	.307**	-·018	1	
Organizational alignment creates better performance	·110	-·005	-·083	.210*	·024	.367**	1
N	93	93	93	93	93	93	93

*. Correlation is significant at the 0.05 level (2-tailed)
**. Correlation is significant at the 0.01 level (2-tailed)

Pearson Correlation	8	9	10	11	12
Workforce readiness improves performance	1				
Organization fosters the process of learning and comp	.453**	1			
Strategic emphasis helps enhance the practices of the Company towards success	.368**	.457**	1		
Innovation and the need for diversity of ideas improve performance	.476**	.383**	.393**	1	
emphasis on quality propels the company into greater performance	.303**	.214*	.589**	.340**	1
N	93	93	93	93	93

*. Correlation is significant at the 0.05 level (2-tailed)
**. Correlation is significant at the 0.01 level (2-tailed)

The coefficient of determination gave the idea of how much variance the two scores shared that gave = $(0.362)^2$= 13.10%. Each score of culture integration helped to explain 13% of the variance in the scores. There was no significant evidence to reject the null hypothesis and concluded that there was a strong positive association across the scores (M=3.728, SD=0.8835), r(93)=0.362, p<.001.

The results concluded that the higher levels and the other scores are associated with higher levels in the other scores.

4.3 Regression Analysis

Table 6 gave the regression model summary, R=0.362 indicating a low degree of correlation with R^2 = .131, which is 13.1%, indicating how much of the total variation in the dependent variable (performance), can be explained by the independent variables (culture integration), which is low.

Table 6: Model Summary - Culture Integration

Model	R	R Square	Adjusted R Squared	SE of the Est.	Change Statistics R Square	F Change	df1	df2	Sig. F Change
1	.362[a]	·131	·013	0.753	0.131	1.109	11	81	·365

Table 7 gave, F(11,81) = 1.109, p>.05, R^2 = .131, process that the correlation of R=.362 and p>.05, F=1.109. The SE = .753 showed how much the culture integration would be off by .75 on the model.

Table 7: ANOVA[a] – Culture Integration

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.924	11	·629	1.109	.365[b]
	Residual	45.959	81	·567		
	Total	52.883	92			

The results enhance (Miller and Fernandes 2009) thought that culture must be a focus in efforts to integrate companies. The results concur with (Alga, Bisin, and Verdier 2016) who fronted the two-dimensional identity model that this study alluded to, figure 2.

Table 8: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.767	0.456		3.873	<0.001
	CI_av	-0·390	0.132	-0.248	-2·950	0.004
	SC_av	0.281	0.077	0.315	3.668	<0.001
	VC_av	0.683	0.081	0.651	8.485	<0.001

a Dependent Variable: Performance

using table 8, the research developed the following model;

$Y = \beta_0 + \beta_1 CI + \mu$, Where: Y = Financial Performance

Culture integration, variable represented by, 'CI', β_0 = Constant term, β_1, = Beta coefficients and μ = Error term and any unobserved factors that we don't know. This resulted into:

Performance = 1.767 – 0.390CI

5. Summary Conclusions and Recommendations

The results of the study indicated that there was awareness of the value of the organizational culture, common values, beliefs, verbal and non-verbal symbols, and the organizational alignment to create better performance. The results indicated that the two companies' vision, philosophy and values were integrated, facilitating the workforce to improve performance through teamwork, emphasis on quality, innovation and the need for diversity. Strategic emphasis helps enhance the practices of the company towards success, and the organization fosters the process of learning and competence building.

These were demonstrated by the mean score of responses ranging from 2 to 4 with an average of 3.731, standard deviation of 0.093 and Standard Error of 0.093. The correlation between CI and performance was found to be strong and statistically significant Sig. =0.02009, p < .05. These was supported by what (Kurui 2014) stated, that, there was a strong relationship between culture integration and performance of mergers and acquisitions in the financial sector.

5.1 Conclusions

Looking at the extent to which culture integration was the determinant of performance for Mergers and Acquisitions, and based on the findings, the study concluded that performance for M&A success depends on how culture integration is handled, when staff from a culture adopts into another culture like attitudes and ceremonies while at the same time maintaining their own culture (Stahl and Voight 2003; Weber, Oberg and Tarba 2014). The study confidently concludes that; integration occurs only when the minority group and majority groups are both strong, agreeing with (Ouimet 2013), that cultural integration is a form of cultural exchange in which one group (majority) assumes the beliefs, practices and rituals of another group (minority) without sacrificing the characteristics of its own culture. Companies that are seriously considering a large scale acquisition process within a year, can start by setting up a preparatory phase in which a group of people can make the necessary preparations for this acquisition, Vliet, (2011).

Recommendations

Based on the findings and conclusions discussed, the study presents the following recommendations; (1) Measurable skills, abilities and personality traits that identify successful employees against defined roles within an Mergers and acquisitions, (2) A competence analysis to assess the value of knowledge and skills in mergers and acquisitions, (3) Analyze to proof that cultural integration is important because it maintains a unity and a certain balance in the success of a mergers and acquisition, (4) Theory in strategic cultural integration(keeping a firm together, sharing the same beliefs and values, (5) A research into why merger or acquisition fail or success.

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APPENDIX 1: Articles count in studies in the area of theme highlighted

	2001-2005 Authors	2006-2015 Authors
Culture Integration were determinant of performance affecting the organization growth under M&A.	Schuler, Jackson(2001). Homburg, Bucerius.(2005)	Weber, Drori, & Tarba, (2012), Weber, Rachmann-Moore, Tarba. (2012). Warter & Warter. (2015), Atkinson, Gary.(2016), Bauer, Matzler, Wolf.(2014). Warter, Warter, (2015), Weber, Tarba. (2010
Total found	(2)	(7)

APPENDIX 2: Rule of Thumbs

(a) Cronbach Alpha

Reason for choosing the variable and who studied

Value	Interpretation(Rule of Thumb)
α ≥ 0.9	Excellent, shows a perfect consistency in measure
0.9 > α ≥ 0.8	Good consistency in measure is acceptable
0.8 > α ≥ 0.7	Very Good consistency in measure is acceptable
0.7 > α ≥ 0.6	Not good consistency in measure is questionable
0.6 > α ≥ 0.5	Poor consistency in measure is not acceptable
0.5 > α	Very poor consistency in measure is unacceptable
Summary:	
0·000	No consistency in measure
0·700	Perfect consistency in measure
1·000	Perfect consistency in measure

(b) VIF (Rule of Thumb)

Value	Interpretation(Rule of Thumb)
1	No correlation
VIF >=5	Being highly correlated.
VIF > 10	Multicollinearity is high

(c) Correlation Coefficient

Rule of Thumb for Interpreting the Size of a Correlation Coefficient

Size of Correlation	Interpretation
.90 to 1.00 (-.90 to –1.00)	Very high positive (negative) correlation
.70 to .90 (-.70 to -.90)	High positive (negative) correlation
.50 to .70 (-.50 to -.70)	Moderate positive (negative) correlation
.30 to .50 (-.30 to -.50)	Low positive (negative) correlation
.00 to .30 (.00 to -.30)	Little if any correlation

(d) Kaiser-Meyer-Olkin (KMO) Test

Rule of Thumb for KMO Test

Size of Correlation	Interpretation
0.00 to 0.49	Unacceptable
0.50 to 0.59	Miserable
0.60 to 0.69	Mediocre
0.70 to 0.79	Middling
0.80 to 0.89	Meritorious
0.90 to 1.00	Marvelous

For reference, Kaiser put the above values on the results:

(e) Excel Formulas

(i) Mean: =Average(A1:A9)

(ii) Standard Deviation: =STDEV(number1, [number2], ...)

(iii) Standard Error: =steyx(A1:A9, B1:B9) Standard error of the predicted y-value for each x in the regression

(iv) P-Value: =tdist(n,df,tails)

APPENDIX 4: Factor Analysis – Component Matrix

Component Matrix[a] (CI)

	Component 1
Strategic emphasis helps enhance the practices of the company towards success	·785
Organisational alignment creates better performance	·785
Workforce readiness improves performance	·785
Innovation and the need for diversity of ideas improve performance	·785
Organisation fosters the process of learning and competence	·785
Emphasis on quality propels the company into greater performance	0.606
The acquiring and acquired group work well together	0.472
The two companies vision, philosophy and values integrated	0.413
Organisation culture is easily adopted after M&A	0.226
Common values, beliefs, verbal and non-verbal symbols shared	0.105
The two organisations operate independently	-0.046

Extraction Method: Principal Component Analysis.
a. 1 components extracted