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## Article

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## The Canonical Correlation Analysis between the Fitness of Organizational Condition and Integration Possibility: The Evidence of Configurational Approach

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In past literature, most studies discussed organizational fit from a single perspective instead of examining the positive and negative effects of high and low organizational fit through a comprehensive and concrete narrative and integrated concept. Furthermore, most studies attempted to explain "how to make integration work", while omitting "why integration is not easily achieved", often resulting in post-mergers and acquisitions (M&A) failure. This study surveyed top managers working for publicly-traded Taiwanese companies which had processed M&A in the past five years. We randomly chose qualifying companies by using secondary data, and then mailed 300 questionnaires to top managers of the respective firms who were directly or indirectly involved in the M&A. The results of this study indicate the possibility of integration project after M&A has been proven. It signifies high organizational fit companies are more likely to implement organizational management than companies with low organizational fit. Second, the relationship between the organizational fit and the integration possibility of organizational management shows a positive correlation. Specifically, the symmetry of power contains a high correlation with four variables of organizational management.

*Keywords:* Merger and Acquisition, post-merger management, organizational condition fitness, configuration relationship

*JEL:* G34

Mergers and acquisitions (M&A) are a popular means for corporations to expand market share, lower costs, and create new business opportunities through integration of the two companies, which can result in increased financial performance (Devoige and Shiraki, 2000) and fulfillment of their respective targets for the M&A. To both the buyer and the seller, certain incentives exist in M&A transactions, prompting various merger strategies (Hopkins, 1987).

Strategically and economically, organizations tend to choose M&A as the best means by which to successfully enter the local or global market, which results in the increasing frequency of M&A transactions (Berger *et al.*, 2014).

Current forms of Mergers and Acquisitions (M&A) transactions in Taiwan can be categorized into 4 types: mergers, acquisitions, stock-for-stock exchange, and spin-offs, with mergers being the prevalent practice among Taiwanese companies. According to data from the Commerce Industrial Services Portal, managed

under the auspices of the Department of Commerce, Ministry of Economic Affairs, R.O.C., over the past decade, approximately 1600 M&A transactions have occurred in Taiwan, with an accumulative transactional amount standing at NTD\$400 billion dollars. In 2014, M&A deals reached record levels, with 197 M&A deals in this one year alone, and transactions amounting to NTD\$38.2 billion. These data support the view that a growing number of companies identify mergers as a strategic step towards globalization and a mean to spur organic internal growth within the organization, with the hope to realize the goal of expanding market growth and cross-industry alliances.

For both buyers and sellers, the formal merger of two companies imposes a huge organizational change and complex behavior of organization involving many different levels for both parties in post-M&A (Haleblian, Kim and Rajagopalan, 2006). The key to a successful M&A lies in the buying company's ability to implement a rapid integration of both parties in post-M&A restructuring. The less time spent on integrating various systems of the companies, the less costs and time is incurred (Radding, 1993). So, the most important consideration for the merging company is to establish enough adequate conditions for organizational fit, and then to equally distribute available resources, and thus hope to maximize and optimize financial performance, corporate values and management efficiency.

At the same time, an organization that underwent an acquisition directly reflects the buyer's performance (Rose, 1991), the

organization's strategic alliances and decision making (Mehta and Hirschheim, 2007), talent and skills of the company manager (Hagendorff, Collins and Keasey, 2007), thereby incurring the issues of integrating the information systems and process management (Carrillo, 1998) of the buyer and seller, the mutual well-being and benefits of both members of the buying and selling organizations (Branson, 2000), and the issue of appropriate integration (Basu, 2006), evidencing the broad impact of acquisitions on all levels of the organization.

In past literature, most studies discussed organizational fit from a single perspective instead of examining the positive and negative effects of high and low organizational fit through a comprehensive and concrete narrative and integrated concept (Schneper and Guillen, 2004; Marks and Mirvis, 2000; Burgelman and McKinney, 2006). Furthermore, most studies attempted to explain "how to make integration work", while omitting "why integration is not easily achieved", often resulting in post-M&A failure (King, 2004). This study hopes to fully examine the possibility of organizational fit and possibility of post-M&A organizational management, with the intention of filling gaps in related studies.

## LITERATURE REVIEW

### Configuration Theory

The concept of Configuration Theory was proposed by Miles and Snow (1978), Miller and Friesen (1978), Proter (1980), Mintzberg (1979), and is attached to the extension of the Contingency Theory (Meyer, Tsui and Hinings,

1993). The Configuration Theory propositions that depending on the variables dealing with organizational strategy, structure, processes and other attributes, the organization can be partitioned into number of groups with similar characteristics within group members and differences between groups (Chang, Fang and Liao, 2010). In other words, depending on the different organizational facets, various group “constellations” are identified, with facets including the environment, industry, technology, strategy, structure, culture, the environment, groups, members, processes, real practice, faith and results. These can all form into “configurations”, “archetypes”, or “gestalts” through clusters. On another note, configurations can also be developed through “typologies” or receive “taxonomical” proof. When applied to an individual, group, department, organization or organizational network, a multi-layered configuration is formed. (Meyer *et al.*, 1993).

Although the Configuration Theory is an extension of the Contingency Theory, but their context separates them apart. Contingency Theory advances the view that when organization fits situational factors, the organization is awarded with higher efficiency. If not, then organization will suffer from lower performance (Yang, Cho and Yu, 2005). This concept attempts to achieve organizational performance through fit, and the theory views the cause-and-effect analysis of the fit with performance, while not considering the fact that organizations can also be partitioned into different groups with identical characteristics.

If the configuration theory is utilized to combine the groups, the organization can be induced to have varying designs and scenarios, thus showing a non-linear relationship. The organizational configuration is thus shown to not only be unique and intimately connected, but also a dynamic combination that has always existed (Dess, Newport and Rasheed, 1993; Meyer *et al.*, 1993). Furthermore, it represents a fusion between the organization and characteristics of diversified strategies (Miller and Mintzbers, 1983). Therefore, the ideal state of configuration theory is the spurring on of the organization's achievement of multiple and co-dependent strategic goals (Vorhies and Morgan, 2003), with the final goal of achieving “Equifinality”. This will help form multiple combinations with various elements.

#### **Organizational Condition Fitness**

The recent corporate practice has been confirmed that the structure is not only regarded to the dependent variable of strategies, but also it's a subject of important, complex and sustained development. The fitness facets of organizational condition are strategies, structure and system while the new are personnel, procedures and purpose (Whittington, Pettigrew and Ruigrok, 2000). As we can see the M&A case in Taiwan, if we use total cash for M&A, the scale of that in Taiwan is the same as other countries. The M&A actually is redesign and change of organizational condition fitness for two

companies. It also affects work content and position of thousands of people (Hoffman *et al.*, 1992).

The appropriate management strategies will increase performance of post-M&A in the M&A integration process, and it will synergize strategies and organizational condition fitness (Birkinshaw, Bresman and Hakanson, 2000; Haspeslagh and Jemison, 1991). Therefore, organizational condition fitness, (1) symmetry of power (SOP), (2) similarity of business (SOB), and (3) similarity of structure (SOS), will influence the organization management in the post-M&A (Lin, Lo and Hsu, 2011).

#### **Integration Possibility of Organizational Management**

In case studies of M&A transactions in Taiwan, the “Target Possibility” as defined in this study focuses real post-merger case studies in Taiwan, specifically the “possibility” of three organizational management actions undertaken during the process of organizational redesign, and how they are affected by different organizational conditions of the both the buying and selling firm within the framework of organizational fit.

As we know, the “necessity” of addressing issues and topics in organizational management after M&A does not always equal its “possibility”. It is common to observe the existence of what ostensibly seems like critical organizational management issues, but which is in fact totally unfeasible. Employees will be concerned about the problem of culture and leading position when two companies are integrated and merged (Buono and Lewis,

1985). For example, when two companies with high levels of homogeneity engage in a M&A transaction, they should immediately lay off redundant employees according to the theory of cost and efficiency, but is very often impossible due to terms and conditions stipulated in the M&A “Letter of Intent”, local laws, politics, management strategies, prior commitments, and even considerations of organizational image (Harwood, 2006) that the merging company wishes to maintain.

In addition, two companies have similar technology filed and understand each other, then main company gain resources easier to apply these technologies to obtain performance (Ahuja and Katila, 2001). There are broad expert consensus that the post-M&A integration process represents the most key and important determinant of M&A performance (Heimericks, Schijven and Gates, 2012). On the other hand, not only will the different M&A motives affect the integration strategy, but also it influences process and content of integration (Buono and Bowditch, 1989). If two companies have a good interaction and cooperation during transformation process, then integration process will become easier (Haspeslagh and Jemison, 1991). The interaction of different technologies between two companies will get a positive effect for business efficiency (Cassiman *et al.*, 2005).

Observations of Taiwan’s M&A transactions show the possibility of organizational management of three different targets post-M&A is a dynamic process. The

possibility of top management team restructuring (TMTR) fluctuates due to changing situations and factors involved in organizational management; sometimes, the possibility of the redesign of an organizational structure (OSR) is low, but due to changing situations after the merger, allow for the manager to engage in large-scale organizational redesign. This also applies to the integration possibility of operations, service, working process and systems (IOSWS) internal and the integration of operation, service, working process and

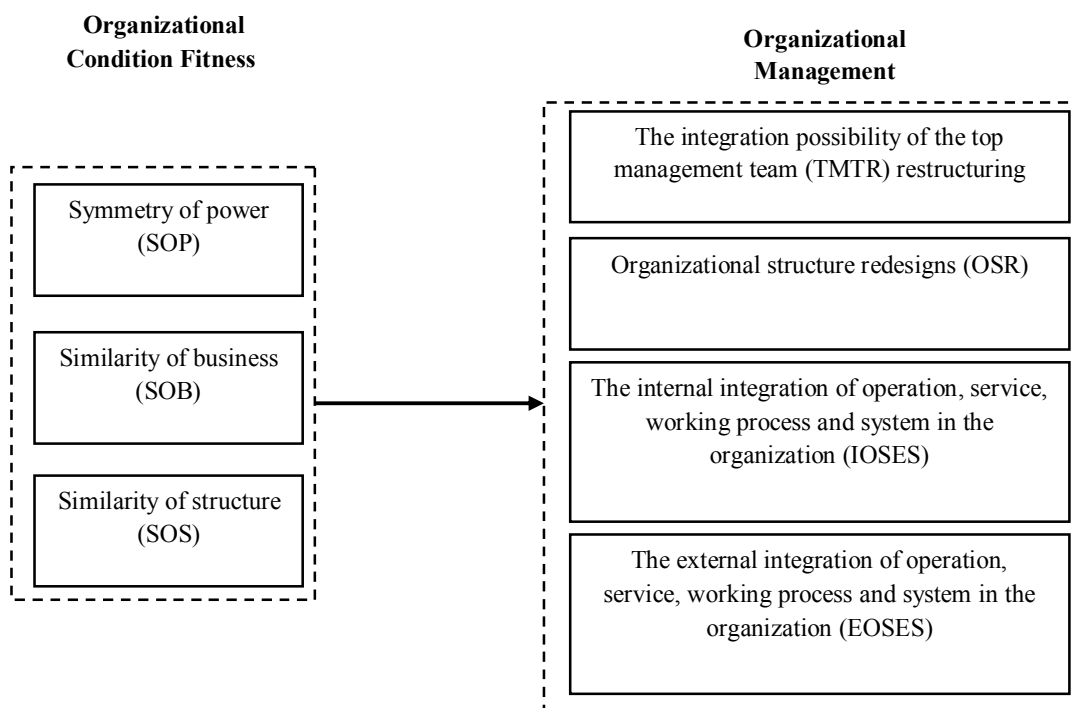
management. This study discusses how the symmetry of power, similarity of business, and similarity of structure influences the integration possibility of organizational management in different situations.

**H:** The organizational condition fitness of two companies will influence the integration possibility of organizational management.

## METHODS

### Research Design

A recurring issue in social science research is the problem over the credibility and quality of



**Figure 1: Research Framework**

system in the organizational external (Lin, Lo and Hsu, 2011). When a new system and service process is introduced, under either the buyer's or seller's mechanism, or even a wholly new mechanism introduced from third parties, integration possibility has the power of confining and influencing the organization

the research produced. Regardless of whichever research method is applied in the paper, the issue of objectivity probably comes under question (Pan, 2005). In order to remedy the problems above, this paper utilized the triangulation method to verify the results from multiple perspectives and views. A dual

approach was employed by method of adopting two different types of data collection, data sourcing, research subjects, and theoretical perspectives. This helps lower the bias or blind spots that might arise in the research and enhance the efficacy and credibility of the research results (Blaikie, 1991; Berg, 1998).

Furthermore, past literature has dived deeper into the research of triangulation method; in order to bolster the diversity of research data sourcing, both quantitative and qualitative methods were included in the research design (Tashakkior and Teddlie, 1988). By way of the data collected through the variable perspectives of different interviewees, quantitative analysis was deployed (Cunningham, Young and Lee, 2000), to cross-check and verify the quality of the data collected. This can help eliminate limitations in past research and bring about new perspectives (Creswell, 1997), with the hope of gaining a deeper understanding of the industry and its current status.

### **Sample and Instruments**

#### **-Sample**

In the first year, we interviewed fifteen employed and one retired top managers in Taiwan. When interviews were concluded, the resulting data transcript and case stories were coded and analyzed. Next, in order to summarize the context, we discussed with three researchers and generalized important concept from the interview subjects. If additional data or deeper discussions were called for, telephone interviews were conducted or another face-to-face interview was

scheduled. After the transcripts were made, the responders evaluated these and gave a score for the context and the facts outlined. The result shows that the biases and mistakes from within the transcripts are extremely small and the degree of similarity is higher than 95 percent. This suggests that the transcripts are able to accurately record and portray the experiences as shared by the responders.

In second year, we surveyed top managers working for traded Taiwanese companies which had processed M&A in the past five years to examine effects of organizational condition fitness (OCF) – symmetry of power (SOP), similarity of business (SOB), similarity of structure (SOS) and the integration possibility of the top management team restructuring (TMTR), organizational structure redesigns (OSR), the internal integration of operation, service, working process and system in the organization (IOSWS) and the external integration of operation, service, working process and system in the organization (EOSWS) (Lin, Lo and Hsu, 2011).

This study randomly choose companies by using secondary data, and then mail 300 questionnaires to top managers, who were directly or indirectly involved in the M&A. The overall responding rate was 28 percent, resulting in a sample of 84 (N=84), which will be used for the analysis. Conventional practice dictates that for survey data to be effective, the response rate should be 50 percent (Babbie, 1990; Dillman, 1978; Rea and Parker, 1992), some researchers believe, however, a response rate of 60 percent is more appropriate (Fowler, 1984). A response rate of over 70 percent can be said to be a very good

response rate. Although it is true that the higher the response rate, the better the survey, there is no standard regulation to govern the standards in response rate (Roth and BeVier, 1998). In particular, the quantitative section of this research paper mainly derives sample data sources from senior managers that were previously involved in M&A transactions, which entails difficulty in inducing a higher response rate. Besides, an average response rate from senior managers or subjects representative of their organizations is approximately 36 percent (Baruch, 1999). In comparison, the response rate for the survey used in this study is acceptable.

#### **-Interviews**

In the first step, top managers were interviewed by using open-ended qualitative questionnaires. For this purpose, a list of M&A cases in Taiwan was compiled using the secondary data. Interviewers attempted to build a good rapport and relationship with responders, emphasizing that the study can help the M&A become more successful in the future. This study focuses on semi-structured interview, with each of the responders sharing experiences and reviews while participating in M&A and lessons learnt afterwards. Additionally, we used four case studies to try to generalize findings of organizational integration attempts after vertical mergers. In the Post-M&A integration goal, we discussed how organizational conditions influence organizational management through three independent variables, and how they influence the directions of three dependent variables in post-M&A organizational management.

#### **-Questionnaire Design**

In the second step, professionals specializing in each field were invited to study and discuss whether the measurement tools deployed cover the full scope of the data necessary for this research and also the suitability of the measurement tools. Researchers revised the measurement tools based on advices and opinions from the specialists, and then invited the specialists to review and verify the revisions made. Lastly, a survey was conducted on all the specialists to verify the integrity and suitability of the survey. After that, we did coding and analysis of the context of the transcripts, after which we combined the study with organizational fit and organizational management in the post-M&A. In order to avoid the process becoming drawn out and out-of-scope, and to cover the basis of the document (Crabtree and Miller, 1999), we used three organizational fit principles: symmetry of power, similarity of business, and similarity of structure. The scales ranging from 1, "Strongly disagree" to 5, "Strongly agree". In the possibility of organizational management, we included four dimensions: "top management team restructuring", "organizational structure redesigns", "The internal integration of operation, service, working process and system in the organization", and "the external integration of operation, service, working process and system in the organizational" and every dimensions has one item. The scales ranging from 1, "difficult" to 5, "easy".

Questionnaire items were designed base on the interviews, for example: "two companies has similar organization framework", "two companies has similar product position", "the



top manager of two companies has important resource on their hands” . For the content validity, we discussed the context of the questionnaire with five experts working in the industry or with academic specialties in the field, deleting and revising the questionnaire context, and making it an appropriate tool to measure results we need.

To measure linear relationship we used Canonical correlation analysis (CCA) as it is a standard approach to measure the linear relationship between two groups of variables (Lee, 2007). It has been a useful tool in a wide variety of research areas (Hotelling, 1936). We cross-examined our data to overcome the issues in previous literature stemming from obtaining data from a single source and the possible bias of the analyzer. Through our method, we hope to obtain the best research quality, reliability and

or the questions (Marshall and Rossman, 1989; Fontana and Frey, 1998). Depending on the state of the interview, adjustments were made to the interview questions (Berg, 1998). After concluding the interview, researchers utilized the transcription method to analyze and interpret the data. All 16 interviewers proactively expressed opinions regarding the “do’ s” and “don’ ts” of certain post-merger integration topics, and is finding the researchers made after data sorting and transcription. Financial institutions are a tightly controlled and regulated industry in any country, and therefore the “significance” of post-merger organizational management issues is usually not aligned with “possibility” . In past M&A transactions of financial institutions, very often the organizational management issues as mentioned above is understood to be of significance, but many factors at play results in

| <b>Qualitative Method (First Year Study)</b>   |   |  |
|--|---|--|
| <b>Survey</b>                                  | <b>Method</b>                                     | <b>Sample</b>                                  |
| Semi-structured interview                      | open-ended qualitative questionnaires             | 16 top managers working in Taiwanese companies |
| <b>Source</b>                                  | Magazine, Newspaper, Prospectus, Official website |  |
| <b>Quantitative Method (Second Year Study)</b> |   |  |
| <b>Survey</b>                                  | <b>Method</b>                                     | <b>Sample</b>                                  |
| Cluster Analysis                               | Questionnaires                                    | 84 top managers working in Taiwanese companies |
| Independent samples t-test                     |   |  |
| Canonical Correlation Analysis                 |   |  |
| <b>Source</b>                                  | Prospectus, Official website                      |  |

*Table 1: Methods Summary*

validity results (Denzin and Lincoln, 2004).

**RESULTS**

**First Year Study**

In this study, we use in-depth interviews to further study the interviewee’ s understanding, perspectives, feelings and thoughts on the event

its obstruction, and results in the stalling or discontinuation of the topic. Interviewee reported that:

“ When two similar organizations merge, layoffs should be initiated to save costs and enhance operational efficiency; If two companies had similar

structure, the organizations reorganization would be happening, the result shows one guy would stay and other one had to leave because the company has not had two same positions in the same department. After M&A, two companies have similar business system; the employees may understand easily all things with other company. That will increase the possibility of organizational integration” .

However, in the practice, this is often not feasible due to legal constraints, policies, managerial strategies, or prior commitment. Sometimes, corporate image is factored in as well (Harwood, 2006). Therefore, this research paper has generalized interview results, with consideration of “ The possibility of organizational integration” , with the propositions for the first year of research as below:

**P<sub>1</sub>** : For two companies, the SOP will influence the possibility of TMTR in the post-M&A, such the difference of power, main companies will decide top manager’ s team could stay or not.

**P<sub>2</sub>** : When two companies have similar organization structure, it is possible to redesign for another company in the post-M&A.

**P<sub>3</sub>** : When two companies have similar business profile, it is easy to integrate for the two companies in the post-M&A.

## Second Year Study

### -Descriptive Statistic

In this step, we want to understand the sample structure of responders, so we use the analysis of descriptive statistic for responders. The results

show that the level of position of responders above assistant managers is more than 86.5 percent. As we expected, top manager can better understand the overall M&A process.

### -Reliability Analysis

The alpha coefficient of Organizational Condition Fitness for each scale was .93 for SOP, .92 for SOB, and .94 for SOS. The alpha coefficient of integration possibility of organizational management was .86. All dimensions of this study have a value above .85. According to Nunnally (1978), alpha value less than .35 indicate low reliability, and should be rejected. Range from .70 to .98 indicate high reliability. Based on above description, all dimensions were credible.

### -Exploratory Factor Analysis

This research adopted exploratory factor analysis and through the use of the Principal Component Analysis to extract factor loadings. Furthermore, the Varimax rotation was utilized in this research to formulate the different factors from a single dimension. The first factor was “ Symmetry of Power” (SOP). The second one was “ Similarity of Structure” (SOS). The last factor was “ Similarity of Business” (SOB) (see Table 2).

### Correlation Analysis

In the following Table 3, the symmetry of power is positive correlation with the possibility of top management team restructure ( $r = .33, p < .01$ ), organizational structure redesign ( $r = .30, p < .01$ ), the integration possibility of operation, service, working process and system in the organizational external ( $r = .43, p < .01$ ) and the integration possibility of operation, service, working process and system in the organizational

| Item | SOP  | SOS  | SOB  |
|------|------|------|------|
| P2   | .874 |      |      |
| P8   | .872 |      |      |
| P7   | .842 |      |      |
| P3   | .833 |      |      |
| P6   | .819 |      |      |
| P5   | .804 |      |      |
| P4   | .771 |      |      |
| P9   | .704 |      |      |
| P1   | .695 |      |      |
| S6   |      | .899 |      |
| S7   |      | .879 |      |
| S4   |      | .868 |      |
| S1   |      | .862 |      |
| S2   |      | .852 |      |
| S3   |      | .826 |      |
| S5   |      | .624 |      |
| S8   |      | .542 |      |
| B5   |      |      | .862 |
| B2   |      |      | .837 |
| B1   |      |      | .827 |
| B4   |      |      | .825 |
| B3   |      |      | .815 |
| B6   |      |      | .801 |

**Table 2: Result of Exploratory Factor Analysis for Organizational Condition Fitness**

internal ( $r = .40, p < .01$ ); the similarity of structure is significantly positive correlation, with the integration possibility of operation, service, working process and system in the organizational external ( $r = .28, p < .01$ ). So if two companies have the similar power, they are easy to

than .80, it represents multicollinearity between independent variables. However, the variables as identified in this research – OSR, IOSWS and EOSWS, while relatively higher, but not reached standard. Furthermore, the purpose of the analysis was simply to understand the relationship

| Variables                               | Mean | S.D  | 1     | 2     | 3     | 4     | 5     | 6     |
|---|------|------|-------|-------|-------|-------|-------|-------|
| 1.SOP                                   | 3.60 | .98  |       |       |       |       |       |       |
| 2.SOB                                   | 3.29 | .97  | .24*  |       |       |       |       |       |
| 3.SOS                                   | 3.32 | .99  | .33** | .30** |       |       |       |       |
| 4.The integration possibility of TMTR   | 3.02 | 1.04 | .33** | .07   | .18   |       |       |       |
| 5. The integration possibility of OSR   | 3.04 | .99  | .30** | .17   | .21   | .71** |       |       |
| 6. The integration possibility of IOSWS | 3.06 | 1.00 | .43** | .12   | .18   | .56** | .60** |       |
| 7.The integration possibility of EOSWS  | 3.17 | .98  | .40** | .16   | .28** | .49** | .63** | .74** |

\* $p < .05$

\*\* $p < .01$

**Table 3: Descriptive Statistics and Correlations Analysis**

implement organizational management (see Table 3).

When correlation coefficient is higher no concern about multicollinearity in this paper

between the variables, and was not used to conduct a regression analysis. Therefore, there is

(Shiau, 2013).

### Cluster Analysis

For our purpose and task for this analysis, there are different responders for the same variable, then how the classified criteria are chosen is of critical importance (Chiou, 2007). The more similar people observed are in one category, the better; the more different people observed are, the better (Chiou, 2007). First, the study adopted a two-step analysis (N=84) of the symmetry of power, similarity of business and similarity of structure. The results show that group1 has 56 people and the group 2 has 28 people. The sample size rate is 67 percent and 33 percent. The name of group 1 is “ High Organizational Condition Fitness (HOCF)” : The HOCF contains responders with a high symmetry of power, similarity of business and similarity of structure. The name of group 2 is “ Low Organizational Condition Fitness (LOCF)” : The LOCH contains responders with low symmetry of power, similarity of business and similarity of structure (see Table 4).

| Variable | Group |      |
|----------|-------|------|
|          | HOCF  | LOCF |
| SOP      | 4.05  | 2.71 |
| SOB      | 3.61  | 2.65 |
| SOS      | 3.77  | 2.44 |
| Total(N) | 56    | 28   |

**Table 4: Cluster Analysis**

### Independent Samples *t*-test

Next, we test the proposition focus on HOCF and LOCF to test the integration possibility of organization management. The “ True Null Hypotheses” is  $H_{0a}$ : *HOCF and LOCF are the same with the possibility of organization management.* The Table 5 of this study focuses on *t*-test for the possibility of organizational

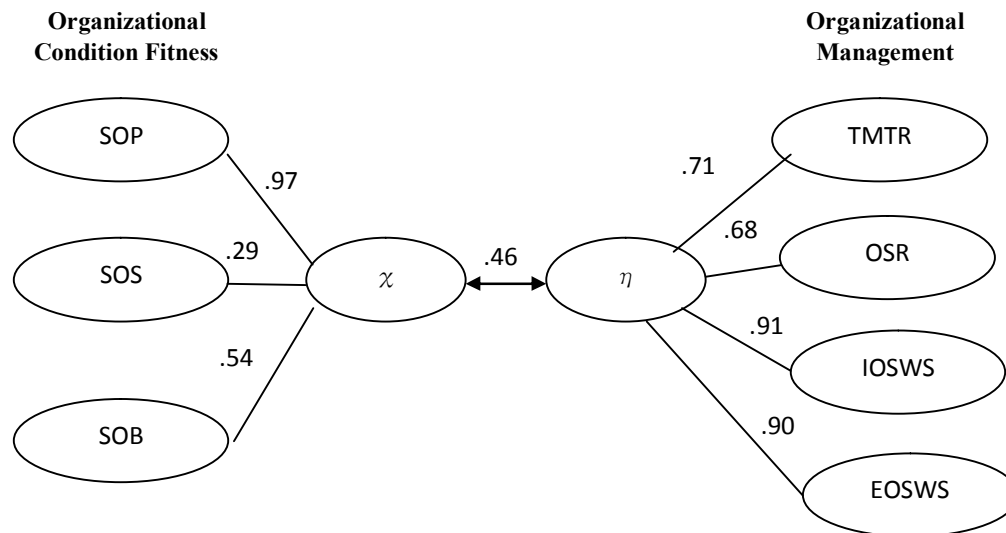
management, the results show that the HOCF and LOCF have different opinions for the top management team restructuring ( $t =2.69, p <.05$ ), organizational structure redesign ( $t =2.94, p <.05$ ), the integration possibility of operation, service, working process and system in the organizational internal ( $t =2.82, p <.05$ ) and the integration possibility of operation, service, working process and system in the organizational external ( $t =.06, p <.05$ ). Organizations with HOCF think the possibility of organizational management is higher than those with LOCF (see Table 5).

### Canonical Correlation Analysis

Table 6 indicates the canonical analysis coefficient of  $\rho =.46, p <.05$ , which is significant level. This suggests the Organizational condition fitness and the integration the possibility of Organizational management are of positive correlation; X-variable’ s canonical factor explains 22 percent of Y-variable. This study found the symmetry of power, top management team restructure, organizational structure redesign, and the integration possibility of external operations, service, working processes and systems in the organizational and the internal

|       | Group | Mean | <i>t</i> | <i>p</i> |
|-------|-------|------|----------|----------|
| TMTR  | HOF   | 3.23 | 2.69     | .009     |
|       | LOF   | 2.61 |          |          |
| OSR   | HOF   | 3.25 | 2.94     | .004     |
|       | LOF   | 2.61 |          |          |
| IOSWS | HOF   | 3.27 | 2.82     | .006     |
|       | LOF   | 2.64 |          |          |
| EOSWS | HOF   | 3.41 | .06      | .001     |

**Table 5: The Organizational Condition Fitness and the Integration Possibility of Organizational Management**



**Figure 2: The Path of Canonical Correlation Analysis**

integration possibility of operations, services, working processes and systems in the organizational to have high correlations, while the relationship of similarity of business and similarity of structure and the Four Variables (TMTR, OSR, IOSWS and EOSWS) are not evident.

top management team restructuring, organizational structure redesign, the internal integration of operations, services, working processes and systems in the organization, and the external integration of operations, services, working processes and system in the

| X-variable            | Canonical factor | Y-variable           | Canonical factor |
|-----------------------|------------------|----------------------|------------------|
|                       | $\chi$           |                      | $\eta$           |
| SOP                   | .972             | TMTR                 | .718             |
| SOS                   | .293             | OSR                  | .689             |
| SOB                   | .542             | IOSWS                | .914             |
|                       |                  | EOSWS                | .908             |
| Variance extracted %  | 14.591           | Variance extracted % | 44.154           |
| Index of redundancy   | 66.289           | Index of redundancy  | 9.719            |
| $\rho^2$              |                  |                      | .220             |
| Canonical correlation |                  |                      | .469             |
| <i>p</i> -value       |                  |                      | .024             |

**Table 6: Canonical Correlation Analysis**

## DISCUSSION

Post-M&A organizational integrations accrue a lot of social and political contradictions, leading to a lot of serious and tense conflicts (Vaara, 2001). This study specifically lists critical factors of organizational fit in the M&A, including symmetry of power, similarity of business, and similarity of structure. Also, the study brings up the topics of

organization. We applied rigor and comparative logic (Eisenhardt, 1989) to build a full framework for M&A cases in Taiwan. Organizational redesign plays an important role in the integration process after M&A, with the viewpoint that initial integration will reduce performance of merging firms, and organizational redesign is needed to achieve organizational synergy (Barkema and

Schijven, 2008).

The Configuration relationship between organizational conditions at time of merger and the integration and management of organizations after merger has not been examined in previous literature. This study attempts to fill this blind spot, and in combination with key factors in successful mergers identified in past research (Epstein 2004; Vaara, 2002; Lyytinen and Heo, 2007), the authors set the main topic as “ The possibility of organizational integration” , with normative suggestions for M&A transactions, and outlines the possible configurational relationship of key organizational characteristics. Relative to previous research (Nadler and Tushman,1999; Simons, 2005), this study can serve as a foundation for ideal M&A deals in the future.

### **Organizational Condition Fitness and Organizational Management**

In the post-M&A research, there are big changes in the benefits and power of organizational shareholders and employees after M&A (Schneper and Guillen, 2004). Especially, most companies believed that retaining the top managers is a part of important strategies in the M&A success (Krug, Wright and Kroll, 2014). This study focus on organizational condition fitness– Symmetry of Power, Similarity of Structure and Similarity of Business; how to influences Top management team restructuring, Organizational structure re–designs, The internal integration of operations, services, working processes and systems in the organization, and the external integration of operations, services, working processes and systems in the organization.

First, the results of this study indicate the possibility of integration project after M&A has been proven. It signifies high organizational fit companies are more likely to implement organizational management than companies with low organizational fit. In the M&A, top managers often face the integration of external and internal organization. Therefore, if two companies have similar backgrounds, framework and business category or if they are complementary, the mechanism of organizational management can help organizational operation integrate rapidly. This finding was congruent with previous studies such as Gomesa *et al.*, (2012); they found a significant positive effect of M&A integration approaches between two companies. The successful implementation of appropriate organizational strategies will drive the high possibility of integration. The result can significantly increase the benefits of M&A and reduce the cost and risk associated with the M&A.

Second, the relationship between the organizational fit and the integration possibility of organizational management shows a positive correlation. Specifically, the Symmetry of Power contains a high correlation with four variables of organizational management. The result shows that if two companies have equal power, in order to secure a fast stable leadership and power core, the organization would speed up the reorganization for a smooth development in related business, structure and human resources. Big challenges are integration of organizational structures, business and service processes,

information systems between two companies (Gomesa *et al.*, 2012).

On the other side, if two companies do not have equal power, according to the power school theory, this will drive a political struggle between the organizations and become a “power game” (Kreitner and Kinicki, 2001). In order to implement and avoid problems in the integration activity of M&A, they will reach a consensus on the possibility of top management team restructuring. At same time, most research has emphasized the importance of communications to support organizational reorganization. Also, it helps and obstructs the things of rigidity (Schweiger and Weber 1989; Angwin 2001; Vermeulen and Barkema 2001). The rigidity of business directly relates to interaction and integration possibility pursued with two companies by the top managers or CEOs (Rees and Edwards 2009; Gomes, Cohen and Mellahi, 2011). The successful implementation of “business as usual” operations after M&A becomes the catalyst role to help generate the skill and capability of organizational structure redesign, which will drive the successful integration of operations, services, working processes and systems in the organization.

### **IMPLICATIONS**

With this study, the authors hope top managers can understand the key factors in different organizational condition fitness of M&A practice so they can objectively select projects benefiting for the strategies of two companies. The results of this study are in line with Sudarsanam (2003), which indicated that in order to identify the key factors of successes or failures in the M&A,

company has to obtain an overall understanding of the M&A process. It means that M&A is an integrated process where weaknesses in one of the plans will cause a flaw in the future (Sudarsanam, 2003).

Through the correct judgment of top managers, the success of M&A can be reflected in good performance and satisfaction from customers and employees. The top managers can benefit from the organizational context of post-M&A integration. With this information in hand, they can adopt the best strategies in each step and choose appropriate measures in the integration possibility of organizational management. At the same time, top managers will be able to achieve good integration and application with limited resources. Among a lot of M&A issues, top managers should focus on effective management issues to help M&A succeed and avoid unnecessary waste of resources after the merger.

### **LIMITATIONS AND FUTURE DIRECTIONS**

This study tried to find the key relationship between organizational condition fitness and the integration possibility of organizational management in the post-M&A, but based on the complexity of M&A issue, there are too many key points and conditions, such as the integration process of M&A, organizational learning and adaptation ability, and industry structure dynamics, need to provide more clear regulatory index for M&A. We suggest the research be further extended in the future.

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