

MERGERS & ACQUISITION ELEVATING OUTCOMES: VALIDATING THE ROLE OF ORGANIZATIONAL INTEGRATION ON M&A SUCCESS

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Abstract: Globalization is driving the increasing adoption of mergers and acquisitions (M&A), with global M&A transactions reaching a record high of US\$5.9 trillion across 63,000 deals. Organizational integration was identified as one of the most significant factors in M&A performance. To prevent business losses and enhance the performance of M&A, we investigated how organizational integration correlates with M&A performance. A methodology for integration management was developed to analyze the direct and indirect effects of organizational integration on M&A performance. The study developed hypotheses from empirical data and assessed six constructs using structural equation modeling. The quantitative survey included employees who participated in M&A in the past decade. Primary data from a 203-respondent sample was gathered using a structured questionnaire. The results demonstrated that organizational integration has a significant and positive influence on influences synergy, diversification, and competitive strategy. Organizational performance was significantly influenced by synergy, diversification, and competitive strategy. M&A performance was found to significantly influence competitive strategy and organizational performance. All hypotheses are supported except the hypothesis of synergy towards M&A performance; however, there is still indirect influence through organizational performance. The findings emphasize the importance of organizational integration in improving M&A success; it fills a substantial gap in the existing literature by presenting empirical evidence of the direct and indirect effects of organizational integration.

Keywords: Organizational Integration, Business Performance Management, Mergers and Acquisition Performance.

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1. Introduction

Mergers and acquisitions (M&A) have made significant advancements since the 1890s through horizontal integration in industries such as railroads, lighting, and utilities, which allowed for the consolidation of single-seller advantages (Abbas et al., 2014; Adhikari et al., 2023; Faulkner et al., 2012). Following its initial development phase, the implementation of mergers and acquisitions expanded in horizontal and conglomerate structures. This progress was further advanced through financial instruments, combining equity and debt from financial institutions, and capitalizing on low interest rates to generate short-term profits (Alexandridis et al., 2010; Arora et al., 2020). With the trends of Globalization, Governments of many nations have supported M&A activities intending to develop a stronger country (Alexandridis et al., 2012), and private equity industries have more roles to play in acquisition and have more accessibility to funding at low interest rates (Cordeiro, 2014). Although M&A faced significant impacts from the subprime financial crisis, they continued to grow, reaching a peak of around \$5.9 trillion in 2021—a record-breaking deal value and multiple valuation multiple of 15.4 EV/EBITDA (Bain & Company Media Center, 2022). However, post-subprime M&A decisions are made more cautiously due to the volatile global environment, including risks such as wars and sovereign debt crises. Despite these challenges, Management continues to consider executing M&A rather than building internally to achieve consistent financial performance, supplementing organic growth and cost-cutting efforts (Cordeiro, 2014).

Mergers and acquisitions are considered strategic tools that enable the business to achieve strategic objectives quickly and inexpensively (Kastanakis et al., 2019). However, much research has indicated that M&A performance is not properly realized or not successful (Renneboog & Vansteenkiste, 2019). Hence, one crucial determinant of M&A success is to identify goals that need to be met and the impediments capable of undermining the success of the M&A to enhance M&A performance and minimize goal failure. Organizational integration is one of the most referred to the success and failure of realizing M&A performance, for example, 83% of M&A performance failures are primarily caused by organizational integration issues (Cui & Leung, 2020; Hirsch, 2015), negative impact on business capability and competitiveness caused by unsuccessful of organizational integration during post-M&A (Bansal, 2015), or most of respondents in Accenture and Economic Intelligence Unit survey founded that integration process are critical elements of M&A (Accenture and Economic Intelligence Units, 2006). For example, the mergers and acquisitions between Nokia and Microsoft in 2013 failed to deliver expected synergies due to integration issues. Microsoft acquired Nokia with US\$ 7.2 billion aiming to bolster Microsoft's presence in the smartphone market where Nokia had a strong capability in hardware and Microsoft could introduce Windows Phone OS. However, this M&A failed to deliver the performance of the difference in focus of the company in hardware and software oriented, the strategic vision to integrate software and hardware struggled, and operational challenges that led to delays and missed market opportunities. Finally, in 2015, Microsoft announced a US\$ 7.6 billion write-down, laid off 7,800 employees, and exited the smartphone business a year later.

This study links to the operational research domain by applying advanced methodologies to optimize organizational integration processes during mergers and acquisitions. The research aligns with the scope of the studies by (Aliane & Gharbi,

2023) and (Alqasa & Sundram, 2024), by focusing on improving aspects adopted as effective in M&A for decision-making, system efficiency, and overall performance outcomes, which are key objectives in engineering and management sciences.

While existing research highlights the importance of organizational integration in M&A success, few studies have investigated the specific mediating roles of synergy, diversification, and competitive strategy in this relationship, although, there are existing literature supports including theory-based view, transaction cost of economics, and porter competitive strategy framework correspondently. The resource-based view demonstrates that effective resource integration leads to synergy by combining complementary assets to create value (Barney, 1991). Transaction Cost Economics shows that integration mechanisms reduce transaction costs and enhance coordination, making diversification more efficient (Williamson, 2008). Porter's Competitive Strategy Framework illustrates that integration aligns organizational activities with strategic goals, supporting the effective implementation of competitive strategies (Porter, 2008).

While there is a considerable amount of literature on M&A, there is still a significant gap in understanding the precise impact of organizational integration on M&A performance. Previous research has primarily focused on the financial and strategic aspects of M&A, neglecting the importance of integrating organizational structures, cultures, and processes in achieving overall success in M&A transactions. This research examines the correlation between organizational integration and M&A performance, taking into account the existing gap in knowledge, specifically by examining the mediating effects of synergy, diversification, and competitive strategy on organizational performance and ultimately, M&A success, which is expected to benefit executives, investors, and stakeholders of the related organization engaging with mergers and acquisition activities to understand and potentially apply the organizational integration to enhance M&A performance.

2. Literature Review

2.1 Theoretical background

Larsen et al. (2023) constructed the framework under the separation of integration. Two categories were developed, namely human integration and task integration. Whereas human integration was considered the process of creating a positive attitude during employees' integration, task integration refers to the identification and implementation of operational synergy processes (Hussain et al., 2023; Smeulders et al., 2023). The combined effect of human integration and task integration contributes to the achievement of success in mergers and acquisitions as highlighted in Figure 1 adapted from (Larsen et al., 2023). Task integration is the act of identifying and achieving operational synergies by aligning processes, systems, and resources. Human integration entails fostering a favorable disposition towards the process of integration among employees through effective communication, cultural sensitivity, and shared leadership. Organizational alignment, operational synergies, positive attitude, and effective communication obtained through task and human integration lead the acquisition performance enhancement or acquisition success (Larsen et al., 2023).

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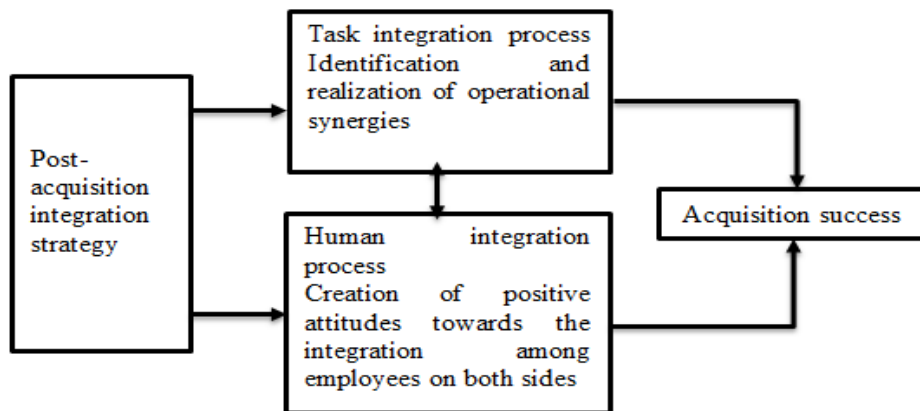


Figure 1: Integration management framework.

Source: (Larsen et al., 2023).

The framework in Figure 1 was developed based on case studies that revealed similarities in the integration process and allowed modifications of the modification of framework for the post-acquisition integration process, they can be separated into two distinct stages; the first stage involves limited tasks and human integration that unit function integrates deliberately limited and employee is happy that organization and culture converge, however, the linkage between human integration and task integration is not fully utilized. The second phase is a continuous process in which the establishment of individual identities and reciprocal regard serves as the foundation for achieving closer task integration. The combination eases the renewed efforts to achieve synergies, transfer knowledge, and share resources. The research strongly suggests that organizational integration is crucial for the effective execution of acquisitions, a hypothesis that can be verified through quantitative research models. Many researchers, including Steigenberger (2017), have highlighted that the process of integration has a crucial role in determining the outcome of M&A; the scholar indicates that high integration potential positively impacts synergy realization, leading to greater value realization in the post-acquisition phase.

Building upon the framework presented in Figure 1, and Figure 3 expands on the concept of human integration by introducing the dimension of socio-cultural integration. It is a concept that is developed from integration and modified integration framework in Figure 1 and Figure 2 by (Stahl & Voigt, 2004) and applied to examine the influence of cultural differences on the performance of M&A. They found that cultural differences can significantly impact both task and socio-cultural integration in M&A, leading to a complex correlation when examining culture and the performance of M&A. Ihsan et al. (2023) indicated that successful M&A outcomes are closely tied to effective integration strategies that consider the cultural and organizational differences between merging entities. Further, a study by Steigenberger and Ebers (2023) indicated that successful integration is driven by a combination of clearly defined integration goals, well-coordinated team structures, and effective management practices. The alignment of these factors results in improved process performance through increased integration, particularly when the integration teams are properly staffed and managed.

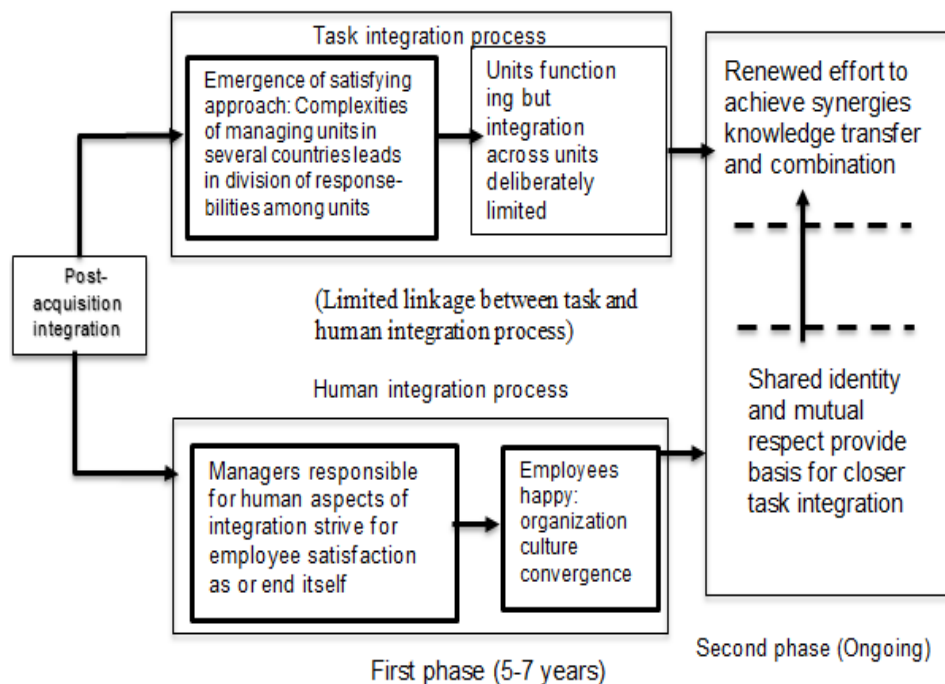


Figure 2: Revised frameworks for the management of integration from case studies
Source: (Larsen et al., 2023).

This research is in line with our approach, highlighting the significance of addressing concerns about culture during the integration process. The extended framework divides the concept of integration into two parts: task integration and human integration, with human integration eventually expanding to include socio-cultural integration. The model synthesizes theoretical perspectives and practical studies on the influence of culture on M&A, emphasizing the complex relationship between culture and performance. This framework posits that cultural variations substantially affect integration efficacy efforts, thereby demonstrating the critical importance of managing cultural diversity in M&A processes. It demonstrates that cultural differences significantly impact the effectiveness of integration efforts, emphasizing the importance of managing cultural diversity in M&A processes. The model identifies two key forms of integration: task integration, which relates to operational efficiency, and socio-cultural integration, which involves employee attitudes, interpersonal relationships, and trust (Staines et al., 2017; Suryaningrum et al., 2023). Tasks and socio-cultural integration, albeit distinct in concept, are interconnected. Positive employee attitudes and strong interpersonal relationships can facilitate knowledge transfer, capability sharing, and resource allocation. Effective integration of these cultural dimensions is crucial for achieving benefits such as sales growth, increased return on assets, and positive stock market performance. Therefore, the model highlights the need for strategic cultural management to enhance M&A success.

The theoretical framework and empirical findings aligned with research findings, in support, (Cartwright, 2005) found that effective integration procedures,

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particularly in terms of cultural alignment and communication strategies, positively correlated with improved post-merger performance metrics such as profitability and market share growth. Marks and Mirvis (2010) highlight that companies achieving higher levels of integration, both operationally and culturally, experience smoother transitions and realize synergies more effectively.

Also, the literature suggests an integration and application of operational research methodologies application in the M&A context. For instance, Kale et al. (2009) present a comprehensive discussion of the use of operational research in the process of evaluating and managing acquired companies, with a focus on enhancing performance outcomes. As well, DePamphilis (2019) suggests that systems optimization techniques such as linear programming and simulation models, have been very critical in the process of streamlining the post-merger operations. They are critical in ensuring that the merged entity performs better in achieving its new objectives. Larsson and Finkelstein (1999) suggest that strategic and cultural integration plays a pivotal role in mitigating post-acquisition challenges and fostering long-term organizational sustainability.

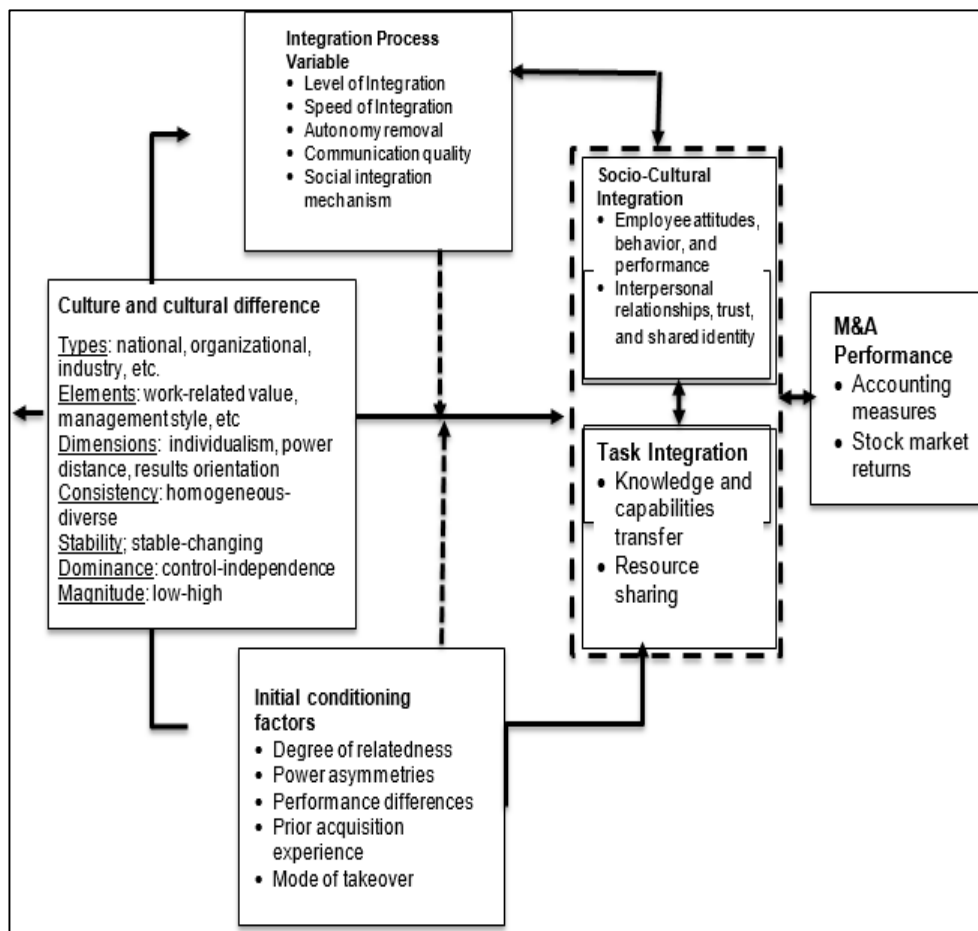


Figure 3: Framework for studying cultural significance in M&A
Source: (Stahl & Voigt, 2004).

The study explores the relationship between organizational integration and M&A performance, which involves decision-making processes crucial in operational research. Designing a structure for integration management to assess the effects on M&A performance agrees with the optimization and decision-making models referenced in (Alqasa & Sundram, 2024).

3. Research Hypotheses and Conceptual Framework

The research framework depicted in Figure 4 illustrates a series of relationships that elaborate on the relationship of organizational integration on mergers and acquisition performance developed from the literature review and theoretical background that organizational integration potentially impacts M&A performance. Organizational integration (OI) can be observed with task and human integration (Larsen et al., 2023). OI is perceived as the combination of established routines to achieve advantages through synergy (Angwin & Urs, 2014). The primary objective of M&A is to achieve synergy; this was demonstrated in the example of European banks, where integration was expected to generate synergy of approximately €1,550m through both cost savings and increased revenue (Fiorentino & Garzella, 2015). OI provides the benefits from capabilities transfer in terms of potential absorptive capacity and capabilities complementarity (Björkman et al., 2007). In addition to the wide variety of skills and capabilities obtained through the integration, the firm may diversify to focus on the activity with relatively higher participation in value generation (Lima Nogueira & Bataglia, 2018). OI not only impacts synergy and diversification, but OI also has an impact on competitive perspective with the evidence of higher market share generation in logistics of emerging markets (Dadzie et al., 2023). OI was identified as the most influential factor in determining the competitive position of a company (López-Sáez et al., 2021; Mellat-Parast & E. Spillan, 2014; Ricciardi et al., 2018). Therefore, we hypothesize that:

H1: *Organizational Integration positively influences synergy*

H2: *Organizational Integration positively influences diversification*

H3: *Organizational Integration positively influences competitive strategy*

The study conducted on a sample of 100 Indian banks Faulkner et al. (2012) found that synergies had a beneficial impact on organizational performance. Synergy is a crucial element in enhancing the capacity for innovation, which involves the ongoing conversion of knowledge, expertise, and ideas into new assets that benefit a company (Lawson & Samson, 2001). The research by Palich et al. (2000) examined the relationship between diversification and performance. The findings revealed that organizations experience improved performance when they transition from a single business to related diversification. Further data from a report on the Nigerian Stock Exchanges between 1997 and 2017 demonstrated that diversification resulted in a 20% increase in growth and profitability, as well as a 26% improvement in capital structure (Oladimeji & Udosen, 2019). Pulaj et al. (2015) found a significant correlation between competitive strategies and organizational performance. Specifically, the strategies of cost management, differentiation, and concentration were found to have a positive and strong impact on productivity. This conclusion was drawn from quantitative research involving 110 samples in Albania. The research conducted on Sharia banks found that the performance of these banks is influenced by

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both the business environment and competitive strategy. However, the analytical results indicate that competitive strategy has a greater impact on increasing organizational performance compared to the business environment (Rusnal et al., 2021). Therefore, we hypothesize that:

H4: *The concept of synergy has a beneficial impact on organizational performance*

H5: *Diversification has a favorable impact on organizational performance*

H6: *Effective organizational performance results from a competitive strategy*

Synergies are the essential aspect of formulating M&A plans to facilitate M&A as a means of achieving growth; synergies can be achieved through the amplification of revenue, reduction of costs, and optimization of capital (Sirower et al., 2023). With the synergies benefits, acquirers are generally required to pay an admission fee called a premium (Sirower et al., 2023). Successful acquisition or acquisition performance can be derived from synergy and firm reputation, however, if focusing only on buy and hold abnormal return effects, operational synergy and firm reputation are shown from the research sample (Basri & Arafah, 2020). Diversification has been found to benefit acquisition performance for instance diversification of cash flow results in financial synergy (Rabier, 2017). Also, additional evidence on acquisition with diversification has a significant positive abnormal return (Oak & Dalbor, 2015). Competitive strategies with the objective for the company for growth and efficiency enhancement affect M&A performance and M&A can also enhance bargaining power for the organization (Moatti et al., 2015). Also, the organization with differentiation strategies improves business performance with the acquisition with a similar strategy (López-Manuel et al., 2024). Therefore, we hypothesize that:

H7: *Synergy positively influences M&A performance*

H8: *Diversification positively influences M&A performance*

H9: *Competitive strategy positively influences M&A performance*

Organizational performance refers to the abilities that an organization is doing and how tasks and objectives are completed. The efficient and effective utilization of organizational resources by management is vital to enhancing competitiveness and sustaining a firm's advantage; managerial ability has a significant positive impact on the market-to-book ratio and buy-and-hold abnormal return, as evidenced by a study of 153 M&A cases in Indonesia (Bhatti & Aldubaikhi, 2023; Garrido-Moreno et al., 2024; Suryaningrum et al., 2023). Moreover, the analysis of listed data in Chinese pharmaceutical firms also exhibited the result that the ability to grow, firms' exclusive assets, size, and age positively influence firms' performance once M&A is concluded (Zhang et al., 2018). Therefore, we hypothesize that:

H10: *Organizational performance positively influences M&A performance*

The study uses empirical data to develop hypotheses and constructs that are analyzed using the structural equation model. Structural equation modeling is a mathematical technique that aligns with the research emphasis on mathematical programming and stochastic models (Salahat et al., 2023).

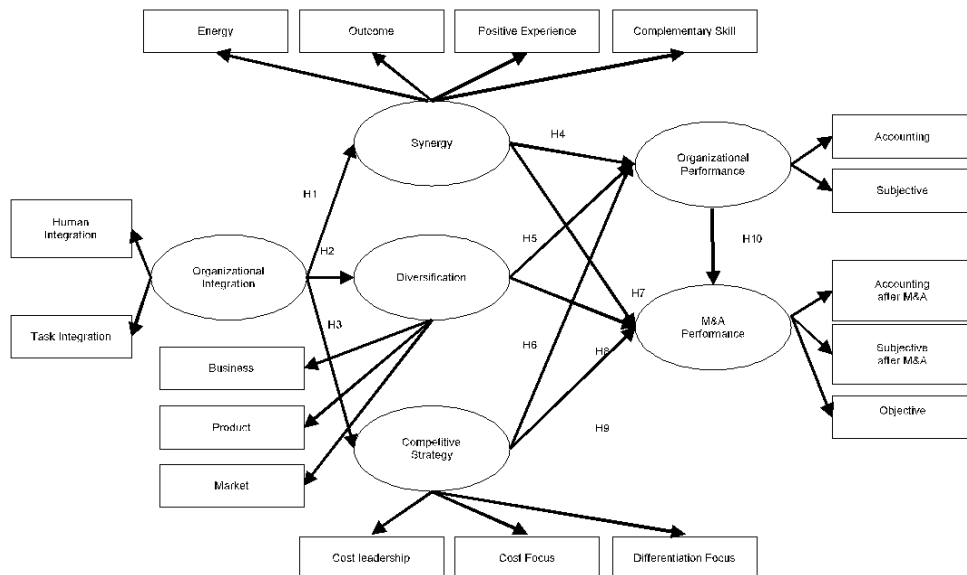


Figure 4: Conceptual Framework
Source: Compilation by authors

4. Methodology

This study investigated how to enhance mergers and acquisitions performance with organizational integration by adopting an explanatory research design. The target population for this study included respondents who in the last decade, have participated in M&A activities. The number of M&A deals per year as reported by [KPMG Thailand \(2023\)](#) was around 186.2 deals per year and the population in the decade shall be 1,862 deals. Respondents were recruited through investor relations of publicly listed companies, the Thai Federation of Accounting Professions, and financial advisers listed in the Securities Exchange Commission. This sampling method aimed to ensure a representative sample of individuals with relevant experience in M&A. The sample size of 203 respondents exceeded the recommended minimum requirement of 10 times the total number of observed variables, ensuring adequate statistical power to test the hypotheses and detect significant relationships ([Hair Jr et al., 2023](#); [Kelloway, 1998](#); [Tambunan et al., 2022](#)). This larger sample size is particularly relevant given the complexity of the model and the multiple relationships between the constructs being investigated. The data analysis was performed using the statistical software programs SPSS Statistics and SPSS Amos, a widely used statistical software package for structural equation modeling. CFA was adopted in the analysis of the validity and reliability of the measurement scales. Model estimation was performed using maximum likelihood estimation, and the fit of the model was assessed utilizing a range of fit indices. The research models direct and indirect impacts of organizational integration on M&A performance, similar to how simulations and game theory model various scenarios and outcomes. The use of a quantitative survey and structured questionnaire to simulate real-world M&A scenarios is consistent with the focus on simulation and decision-support systems ([Alqasa & Sundram, 2024](#)).

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5. Data Analysis and Results

Table 1: Demographic characteristics of study population (n=203)

Demographic categories		Frequency	Percentage
Gender	Male	109	53.7%
	Female	94	46.3%
Age (years)	21-30	41	20.2%
	30-50	162	79.8%
Education	Bachelor degree	145	71.4%
	Master degree	50	24.6%
	Doctoral degree	8	3.9%
Occupation	Employee	156	76.8%
	Business owner	14	6.9%
	Government Official	8	3.9%
	Retired	11	5.4%
Industry	Unemployed	14	6.9%
	Real estate, Infra & Construction	12	5.9%
	Telco, Media	6	3.0%
	Financial Services	14	6.9%
	Industrial Manufacturing	27	13.3%
	Technology	21	10.3%
	Commercial & Professional Services	37	18.2%
	Food & Beverage	21	10.3%
	Transport & Logistics	9	4.4%
	Health & Lifesciences	17	8.4%
	Automotive	13	6.4%
	Consumers & Retails	20	9.9%
	Education	4	2.0%
	Other	2	1.0%
Job Level	Entry-level	90	44.3%
	Middle-management level	87	42.9%
	Executive/Top management level	21	10.3%
	Directors	5	2.5%
M&A Experience	Have experience in M&A only one deal within 10 years	126	62.1%
	Have experience in M&A more than one deal within 10 years	77	37.9%
M&A motive	Synergy	35	17.2%
	Growth	100	49.3%
	Market Power	15	7.4%
	Acquisitions of unique capabilities and resources	16	7.9%
	Diversification	19	9.4%
	Increase earning	8	3.9%
	Management personal incentives	2	1.0%
	Government Policy	2	1.0%
	Other	6	3.0%
	Satisfied	146	71.9%
Satisfaction	Unsatisfied	57	28.1%
Duration of measure	0-1 year	20	9.9%
	2-3 years	57	28.1%
	3-5 years	111	54.7%
	>5 years	15	7.4%

Source: Authors analysis and evaluations from the research data

Several categories of respondents were analyzed. This included gender, age, education, occupation, industry, job level, and experience in M&A; motives for M&A, satisfaction with the M&A process, and measurement duration, Table 1 shows the summary of the respondents' demographic data.

5.1 Results for Confirmatory Factor Analysis (CFA)

Table 2 shows the results of the CFA capturing the reliability test and validity analysis. The required threshold for Cronbach's alpha of 0.70 was satisfied, indicating adequate internal consistency reliability (Kline, 2023). Good convergent validity was shown by the factor loadings for all observed variables falling between 0.46 and 0.98—above the suggested threshold of 0.40, and suggesting that the items are measuring the intended constructs (Cheung & Wang, 2017).

Table 2: Result of the reliability test, validity analysis, and CFA

Latent variables	Observant variables	Loadings	Cronbach alpha
Organizational Integration Synergy	Human Integration	0.98	0.888
	Task Integration	0.84	0.890
	Energy	0.87	0.889
Diversification	Outcome	0.57	0.893
	Positive Experience	0.66	0.893
	Complementary	0.66	0.892
	Business	0.50	0.900
	Product	0.53	0.897
Competitive Strategy	Market	0.46	0.898
	Cost Leadership	0.70	0.892
	Cost Focus	0.67	0.894
	Differentiation Focus	0.87	0.891
Organizational performance	Accounting	0.88	0.887
	Subjective	0.79	0.890
M&A performance	Accounting	0.51	0.897
	Objective	0.69	0.896
	Subjective	0.86	0.891

Source: Authors analysis and evaluations from the research data

According to Hair Jr et al. (2023), the required threshold of the CFA fitness test should be in line with the following: TLI/GFI/AGI/CFI ≥ 0.9 (satisfactory fit); and ≥ 0.8 (acceptable fit); RMSEA ≤ 0.05 , RMR < 0.08 ; and $X^2/df \leq 2.0$. The initial CFA model exhibited below the fit criteria as illustrated in the "Before" Column in Table 3. Under the "Before" Column in Table 3, the fit index was as follows: TLI=0.869, GFI=0.866, AGI=0.812, RMSEA=0.085, RMR=0.039, and $X^2/df = 2.44$. The fit index under the "Before" column is less than the threshold required for the satisfactory requirement. To improve the model fit, a second-order latent variable approach was employed for the model. After modification, the model demonstrated improved fit as illustrated in the "After" Column in Table 3. Under the "After" Column in Table 3, the fit index was as follows: TLI = 0.983; GFI = 0.941; AGI = 0.903; CFI = 0.989; RMSEA = 0.030; RMR = 0.028; and 1.182 as X^2/df value. These findings suggest that the revised model provides a good representation of the relationships between the constructs.

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Table 3: Data showing Goodness of Fit

Indices	Threshold	Before	After
TLI	≥ 0.90	0.869	0.991
GFI	≥ 0.90	0.866	0.949
AGI	≥ 0.90	0.812	0.910
CFI	≥ 0.90	0.895	0.994
RMSEA	≤ 0.05	0.085	0.024
RMR	< 0.08	0.039	0.030
X2/df	≤ 2.0	2.448	1.115

Source: Authors analysis and evaluations from the research data

The results indicated in Table 4 show that Organizational Integration has a significant and beneficial impact on influences synergy ($\beta=0.89$, $p=0.00$), influences diversification ($\beta=0.66$, $p=0.00$), and influences competitive strategy ($\beta=0.50$, $p=0.00$). Organizational performance was greatly influenced by Synergy ($\beta=0.49$, $p=0.00$), Diversification ($\beta=0.24$, $p=0.00$), and Competitive strategy ($\beta=0.25$, $p=0.00$). M&A performance was found to significantly influence Competitive Strategy ($\beta=0.42$, $p=0.00$) and Organizational Performance ($\beta=0.79$, $p=0.00$).

Table 4: Hypothesis evaluation of the study results

Hypotheses	Estimate	S.E.	C.R. (t-value)	P-value	Results
H1: OI $\rightarrow$ SYN	0.89	0.06	15.257	0.000*	Supported
H2: OI $\rightarrow$ DIV	0.66	0.07	5.370	0.000*	Supported
H3: OI $\rightarrow$ CPS	0.50	0.08	6.795	0.000*	Supported
H4: SYN $\rightarrow$ OP	0.49	0.11	4.681	0.000*	Supported
H5: DIV $\rightarrow$ OP	0.24	0.20	2.017	0.044*	Supported
H6: CPS $\rightarrow$ OP	0.25	0.07	3.302	0.000*	Supported
H7: SYN $\rightarrow$ MP	-0.01	0.12	-0.112	0.911	Unsupported
H8: DIV $\rightarrow$ MP	-0.37	0.23	-2.898	0.004*	Unsupported
H9: CPS $\rightarrow$ MP	0.42	0.08	5.270	0.000*	Supported
H10: OP $\rightarrow$ MP	0.79	0.16	5.460	0.000*	Supported

Source: Authors analysis and evaluations from the research data

Table 5 displays the degree to which variables directly, and indirectly, and the overall impact on the performance of mergers and acquisitions. It shows the total influence of factors on M&A performance that includes direct and indirect influence of the following variables: Organizational integration = 0.57, Synergy = 0.38, Diversification = -0.18, Competitive Strategy = 0.62 and Organizational Performance = 0.42.

Table 5: Results for direct, indirect and total effects on mergers and acquisition performance.

Variable	Direct Influence (A)	Indirect Influence (B)	Total Influence (A + B)
Organizational Integration	-	(0.89x0.49x0.79) (0.66x0.24x0.79) + (0.50x0.25x0.79) = 0.57	0.57
Synergy	(-0.01)	(0.49x0.79) = 0.39	0.38
Diversification	(-0.37)	(0.24x0.79) = 0.19	-0.18
Competitive Strategy	0.42	(0.25x0.79) = 0.20	0.62
Organizational Performance	0.79	-	0.79

Source: Authors analysis and evaluations from the research data

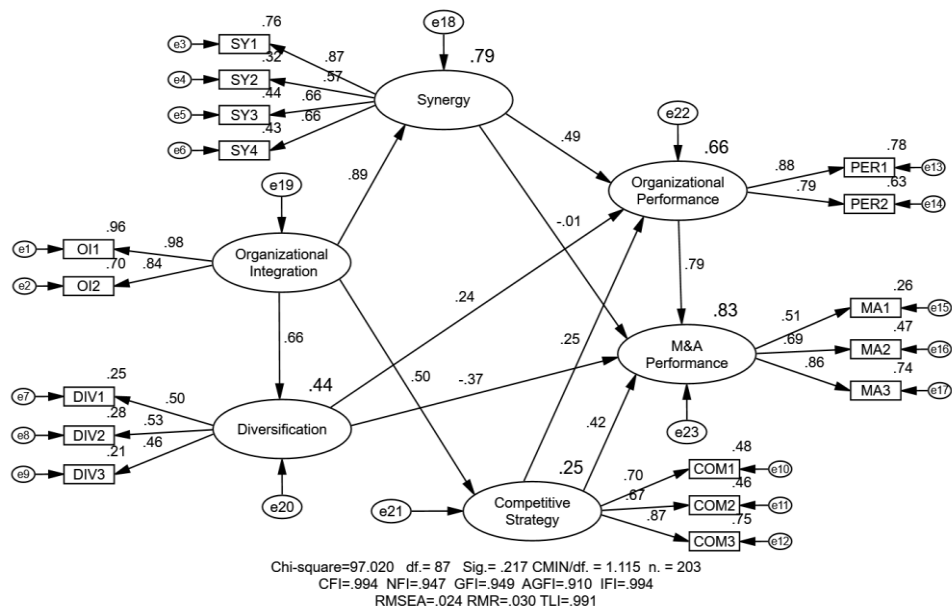


Figure 5: Model based on data from SEM study

Source: Authors analysis and evaluations from the research data

Figure 5 shows the relationship between the study variables. It shows the path diagram between the independent variables and dependent variables. Along the path, it displays the path coefficients showing the relationship between the variables concerned. The model fitness is also displayed. The results of the SEM analysis demonstrate that Organizational Integration has a considerable impact on both Synergy and Diversification. These factors, in turn, influence both Competitive Strategy and Organizational Performance. Competitive Strategy and Organizational Performance are the main factors influencing M&A Performance, with Organizational Performance having a particularly significant impact. The model demonstrates a strong fit, confirming the hypothesized relationships.

6. Discussion

The objective of this study was to examine the correlation between organizational integration and the performance of mergers and acquisitions, specifically examining the mediating effects of synergy, diversification, and competitive strategy. The results indicated that organizational integration has a substantial and beneficial effect on creating synergy, diversification, and competitive strategy. These factors, in turn, exert a significant influence on organizational performance, which ultimately contributes to M&A success. The total influence of factors on M&A performance also insisted on the indirect influence of organizational integration and M&A performance. Table 4 and Table 5 represent the relative influence of items and the total influence of M&A factors respectively. The relative influence of items in Table 4 investigation demonstrated the magnitude of the strength relationship, the direction, and statistical

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significance. The total influence of M&A factors in Table 5 investigation closes the gap in indirect influence possibilities between these factors on M&A performance.

For hypothesis 1 of the positive influence of organizational integration on synergy, the result shows a positively significant relationship linking organizational integration and synergy, where the results are aligned with several studies ([Angwin & Urs, 2014](#); [Larsen et al., 2023](#)) that indicates organizational integration positively influence synergy through capabilities transfer in terms of capacity and complementary. H1 is supported.

For hypothesis 2 of the positive influence of organizational integration on diversification, the findings highlight the positively significant correlation existing between organizational integration and diversification aligned with the empirical finding of ([Lima Nogueira & Bataglia, 2018](#)) that organizational integration positively influences diversification with the addition of skills and resource allowed the business to diverse the focus to the higher value. H2 is supported.

For hypothesis 3 of the positive influence of organizational integration on competitive strategy, the findings indicate a significant positive association between organizational integration and competitive strategy aligned with the studies that organizational integration positively influences competitive strategy that may result in the advancement ahead of the competitor ([Dadzie et al., 2023](#); [Mellat-Parast & E. Spillan, 2014](#)) and it is more difficult for a competitor to follow by applying “me too” strategy. H3 is supported.

For hypothesis 4 of the positive influence of synergy on organizational performance, the findings are indicative of a significant positive linkage between synergy and organizational performance aligned with the literature review that found the synergy positively influences organizational performance as found in the case of Indian bank ([Faulkner et al., 2012](#)) and also innovation capabilities that transform knowledge to be something advantage to the organization ([Lawson & Samson, 2001](#)). H4 is supported.

Hypothesis 5 examines the positive impact of diversification on organizational performance. The results indicate a significant and positive relationship between diversification and organizational performance, which aligns with previous findings ([Oladimeji & Udosen, 2019](#); [Palich et al., 2000](#)). These findings suggest that diversification has a positive influence on organizational performance by contributing to growth, profitability, and capital structure through additional business ventures. H5 is compatible.

Hypothesis 6 examines the positive impact of competitive strategy on organizational performance. The results indicate a significant and positive relationship between competitive strategy and organizational performance, as supported by the findings of ([Pulaj et al., 2015](#)) and ([Rusnal et al., 2021](#)). These studies suggest that competitive strategy has a strong influence on organizational performance, surpassing the impact of the business environment. H6 is compatible.

Hypothesis 7 examines the impact of synergy on M&A performance. The results indicate that there is no significant relationship between synergy and M&A performance, which contradicts previous findings that suggested a positive influence of synergy on M&A performance ([Basri & Arafah, 2020](#); [Goyal et al., 2023](#); [Sirower et](#)

al., 2023). These previous studies suggested that synergy can lead to benefits such as revenue enhancement, cost reduction, and capital efficiencies. H7 is not supported. Nevertheless, the comprehensive research revealed that synergy exerts an indirect influence of around 0.39 on organizational performance. The combined direct and indirect influence amounts to a value of 0.38. The overall impact of synergy on M&A success is unequivocally good.

The analysis of hypothesis 8, which assesses the positive impact of diversification on M&A performance, reveals a substantial inverse correlation between diversification and M&A performance, which is not aligned with the findings (Jatmiko, 2022; Oak & Dalbor, 2015; Rabier, 2017; Tuksatit & Rajiani, 2020) that founded diversification positively influence M&A performance from diversification cash flow and even positive abnormal return. It is potentially caused by the different perspectives on the M&A performance measurement or different types of diversification. H8 is unsupported. In addition to the results of the relative influence of items, the total influence of the factor also indicates the negative influence of diversification towards M&A performance where indirect influence is only 0.19 and insufficient to offset the negative impact from direct influence (-0.37). The negative impact of diversification on M&A performance can arise from increased complexity, which makes coordination and management more challenging and strains resources. This complexity often leads to inefficiencies, strategic misalignment, and cultural integration issues, hindering operational synergies like cost savings and economies of scale. Additionally, managing varied business units can distract from the core business, resulting in poor decision-making and oversight. These factors highlight the importance of robust integration processes, strategic alignment, and thorough due diligence to mitigate risks.

Hypothesis 9 of the positive influence of competitive strategy on M&A performance indicated a strong positive correlation between competitive strategy and M&A performance aligned with (López-Manuel et al., 2024; Moatti et al., 2015; Sunaryo et al., 2024) indicates that competitive strategy can improve M&A performance and bargaining power also eases the business to apply strategy related to cost. H9 is supported. Aligned with the total influence analysis results that indicate competitive strategy has 0.62 total influences on M&A performance which are derived from direct influence (0.42) and indirect influence (0.20).

For hypothesis 10 of the positive influence of organizational performance on M&A performance, the result shows a significant beneficial relationship between organizational performance and M&A performance aligned with the finding from (Suryaningrum et al., 2023) and (Zhang et al., 2018) that indicates that organizational integration positively influences M&A performance which can be caused by the effective management able to enhance the company and result in the ability to grow and grasp opportunity. H10 is supported.

These findings support the theory of dynamic capabilities, highlighting the crucial importance of organizational capacities in attaining long-term competitive advantage. The study illustrates that organizational integration empowers firms to acquire and leverage new capabilities, leading to heightened synergy, diversification, and competitive advantage. This, in turn, drives the success of mergers and acquisitions (M&A). The research addresses M&A, which can be seen as large-scale projects requiring effective management and integration. The examination of organizational

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integration within M&A relates to project management, a field covered by. Organizational integration strategically aligns diverse functions, processes, and systems within an organization (Aliane & Gharbi, 2023). By doing so, it generates a synergy effect where the combined impact surpasses the sum of individual efforts. This approach enables firms to effectively penetrate new markets, introduce new products, and strengthen their competitive position. The strategic benefits of synergy, diversification, and competitive advantage derived from organizational integration significantly enhance overall organizational performance, thereby positively influencing M&A outcomes. The findings suggest that managers should prioritize developing effective organizational integration strategies by addressing both task integration (such as aligning systems, processes, and resources) and human integration (such as promoting cross-cultural understanding and collaboration). By emphasizing acquiring new capabilities, fostering synergy, and implementing competitive strategies that align with the integrated entity, managers can maximize the potential for value creation in M&A transactions. While the study has a focus on business, it utilizes operational research methodologies such as structural equation modeling, which places it within the field of engineering sciences, particularly in systems engineering and management. The limitation of this study is the reliance on self-report data, which may be subjected to desirability bias. Future research could explore the relationship between organizational integration and M&A performance using objective performance measures, such as financial data or market share which can reduce bias from the social, or industry.

7. Implications

The study's findings have led to the development of several implications, spanning both theoretical and managerial aspects. This research expands upon prior studies by offering a more thorough comprehension of the intricate interaction between these elements and their influence on the success of mergers and acquisitions. The study addressed the central inquiry of "Elevating M&A Performance: Validating the Role of Organizational Integration on Mergers and Acquisition Performance" and verified that organizational integration, synergy, competitive strategy, and organizational performance have a positive impact on M&A performance. This confirms the significance of organizational integration in improving M&A performance. In terms of managerial consequences, this study suggests giving priority to full integration initiatives. Managers have the potential to successfully utilize synergies, resulting in cost savings and enhanced efficiencies. Furthermore, implementing complete integration tactics will facilitate the creation of a cohesive and efficient working organism, hence enhancing overall performance. Another suggestion is that managers should view diversification as a strategic objective, taking into account the beneficial impact of organizational integration on diversification. The M&A activities should be regarded as a strategy employed by corporations to expand and broaden their product offerings, market reach, and technological capabilities. This would be beneficial by mitigating business and financial risks, as well as fostering the creation of new sources of revenue.

8. Limitations and Future Directions

It is important to take into account the limitations of this research. The first aspect to consider is the context-specific generalizability. The degree of organizational integration in terms of synergy and competitive strategy varies greatly depending on the industry, company size, and geographical location. These findings may be more applicable in specific categories of mergers and acquisitions than in others. The second constraint emphasized is the difficulty of quantifying the achievement of integration. Measuring the success of integration can be a complicated task. Subsequent investigations could overcome the study's constraint by employing an objective performance metric to mitigate the influence of social or desirability biases. Another potential research model may investigate the effects of various integration strategies (such as assimilation, integration, or transformation) on the performance of mergers and acquisitions. In addition, future research should investigate the impact of additional influential elements, such as leadership style, organizational culture, and technology capabilities, on the effectiveness of integration initiatives.

9. Conclusion

This paper presents empirical evidence supporting the substantial impact of organizational integration on the success of mergers and acquisitions. The study's findings suggest that Organizational integration exerts a significant and favorable impact on synergy, diversification, and competitive strategy. Synergy, diversification, and competitive strategy had a substantial effect on organizational success. Mergers and acquisitions (M&A) can have a significant impact on organizational performance. Nevertheless, the influence of synergy and diversification on M&A success was adverse. The results also emphasize the intermediate functions of synergy, diversification, and competitive strategy in this connection, underscoring the significance of efficient integration planning and execution to maximize the potential for creating value in M&A deals. The findings demonstrated that all latent variables, with the exception of diversification, have a direct or indirect positive impact on M&A performance. While the initial results from the structural equation model suggest that synergy does not directly affect M&A performance at a statistically significant level, further study reveals that synergy does have an indirect and overall beneficial effect on M&A performance. This study adds valuable insights to the existing body of knowledge on mergers and acquisitions (M&A) by presenting empirical evidence that supports the idea that synergy, diversification, and competitive strategy play a mediating role in the relationship between organizational integration and M&A performance.

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