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ASSESSING THE IMPACT OF THE COMPETENCY LEVEL ON THE SUCCESS OF COMPANIES' INTEGRATION [1]

The integration of companies is crucially important in the ongoing globalization processes. Companies must unify the material assets and optimize property. The integration of the company, incrementally, and competency development is also essential in order to expand the competitiveness of the company's integrated structure. Identification and management of competencies are especially important for the enterprise structures, which carry out the integration processes. The level of competency development and the types of competencies may or may not be similar. The aim of this research is to specify and develop an organizational competency structure, which groups individual competencies of an organization into various segments based on their similarity. This research is relevant due to the need to systematize and streamline competencies in order to better identify them and develop a set of measures for their monitoring. The theoretical literature analysis allowed us to create a model that characterizes the assumed impact of the competencies on the successful integration of companies. Based on the data, we divided the organizational competencies into five major categories are. An empirical assessment of the impact of the competencies on the market success of the integration of enterprise structures is provided. This research indicates that the success of such integration is substantially determined by the formation and development of the competencies. The authors interviewed top managers of 225 medium and large-sized companies from all over the country were (the questionnaire was created by Rudenko M.N.) The time lag is 5 years. Thereby, the results can be used in the process of regional policy formation.

Keywords: competency, entrepreneurship, integration, identification, correlation, regression, the market value of assets, customer satisfaction, relationships, M&A success.

1. Introduction

Growing competition in all markets inevitably brings companies to determine the need of consolidating strategies used in mergers and acquisitions (M&A) which enable companies to survive. Most recent studies on M&A transactions explore the economic reasons for mergers and acquisitions [1, 2], the motivation of the contracting parties [3, 4], and the optimization of production and property or decrease in competition [5], and the impact of culture on M&A success [6, 7, 8] to name a few. Forms of M&A have been researched as well. Shemetov notes the following basic forms of integration are offered: integration of assets in mergers and acquisitions; integration of information resources and technologies in the establishment of joint ventures and projects; horizontal integration shipbuilders in large corporations; integration of suppliers, shipbuilders and customers, that is vertical integration in different kinds of its realization (direct, reverse or total); and integration of government and business that is realized in the form of public-private partnership [8, 9].

Researchers are finding that M&A do not necessary lead to financial success [7, 10]. The analysis of the theory and practice of M&A transactions shows that their success and the competitiveness of the integrated structure is becoming increasingly important, not only due to the unification of tangible assets of the companies and the optimization of the property complex, but also because the increase and development of integrated company competencies are vital.

Current research regarding the competency-based approach insufficiently identifies and specifies competencies of the companies involved. In many cases, competencies imply a rather abstract phenomenon. These competencies, including organizational capabilities, entrepreneurial competency, competitive scope, result in firm performance [3]. However, the issues of the organizational competencies are considered only descriptively. They state a special and significant role of these competencies and give some general characteristics and imply the link with competitive-

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ness. Most research refers to the grouping of individual competencies in the organization based on segments in their industry [11]. This issue is relevant because of the need to systematize and streamline competencies in order to better identify them, classify them, and develop a set of measures for their control. Crevens suggests classifying competencies based on the functional processes in which he divides into external, internal and bilateral processes [11]. According to Crevens, the external group includes the processes that are directed from the external environment into the internal ones. Companies assume that knowledge of external processes impacts the internal condition of the company and the interaction of external companies.

During the M&A process, firms focus on the internal processes. Thus, this research investigates the internal processes, such as the division into segments, the relationships with customers, and the formation of the distribution channels, as identified by Crevens, as the processes that occur within the company and determines customer satisfaction. Crevens considers that these internal processes are due to the functional aspects of the company's activities, such as financial management, production, and development of personnel [11]. Bilateral processes are defined by both external and internal processes. They are associated with sub-processes such as procurement, development strategies, pricing, and service. This research considers the bilateral processes (competencies) as diversified and multilevel (strategic aspects of the company are considered in the same order, with its operating elements). However, it is beyond the scope of this research to fully consider the proposed classification regarding the complete impact of these competencies on the organization during the M&A process.

2. Competencies

Regardless of the reasons for the M&A, identification and management of competencies are especially important for business organizations which carry out the integration processes. Tanure, Cancado, Durate, & de Muylder indicate that firms need to evaluate these competencies during the M&A negotiations, but pressure to close the deal quickly may overlook organizational fit and rely solely on strategic fit [12]. Datta found that management style impacted the success of M&A more than operational integration [13]. Haspeslagh and Jemison noted that the need for strategic interdependence and the need for organizational autonomy were two key dimensions underlying the integration process [14]. Thus, the competencies of each company involved in the M&A process must be evaluated. One company might have more development competencies, another company might have fundamentally different competencies, or two companies might have similar competencies (meaning similar competencies of the same level of development). In this context, for the management of the combined structure, it is necessary to determine issues, such as,

1) the competencies that need to be changed;
2) the competencies that need to be developed;
3) the competencies that need to be eliminated;
4) how to evaluate the success of the integration of the various competencies of business structures. These processes create value for the new organization due to the learning process that is required [15, 16, 14].

3. Methodology

This research consisted of two studies: a qualitative study and a quantitative study. The qualitative study consisted of an intensive interview of 15 market experts to determine their view of the competencies needed for a successful M&A process. The structure of the competencies of the company was determined by the result of the information obtained in the qualitative research and became the foundation of the development of the quantitative research. This qualitative research identified the variables that characterize the success of the integration of enterprise structures. These seven variables include: 1) the market value of assets, 2) the share of intangible assets in the company's value, 3) customer satisfaction, 4) employee satisfaction, 5) operational efficiency, 6) revenue growth, and 6) EBITDA margin.

From the information obtained in the qualitative research, a questionnaire was developed. In analyzing the situational successful integration of enterprise structures, this research assumes there is no general optimal alternative enterprise behavior, but takes into consideration a number of situational alternative actions. These alternative actions are essentially contextual external and internal factors, including:

— price trends in the industry which describe the price competition between the manufacturers/brokers;

— competitive dynamics characterized by the intensity of competition in the industry;

— the development of technology such as the speed and direction of technological evolution in the industry;

— changes in consumer behavior such as change preferences, expectations, representa-

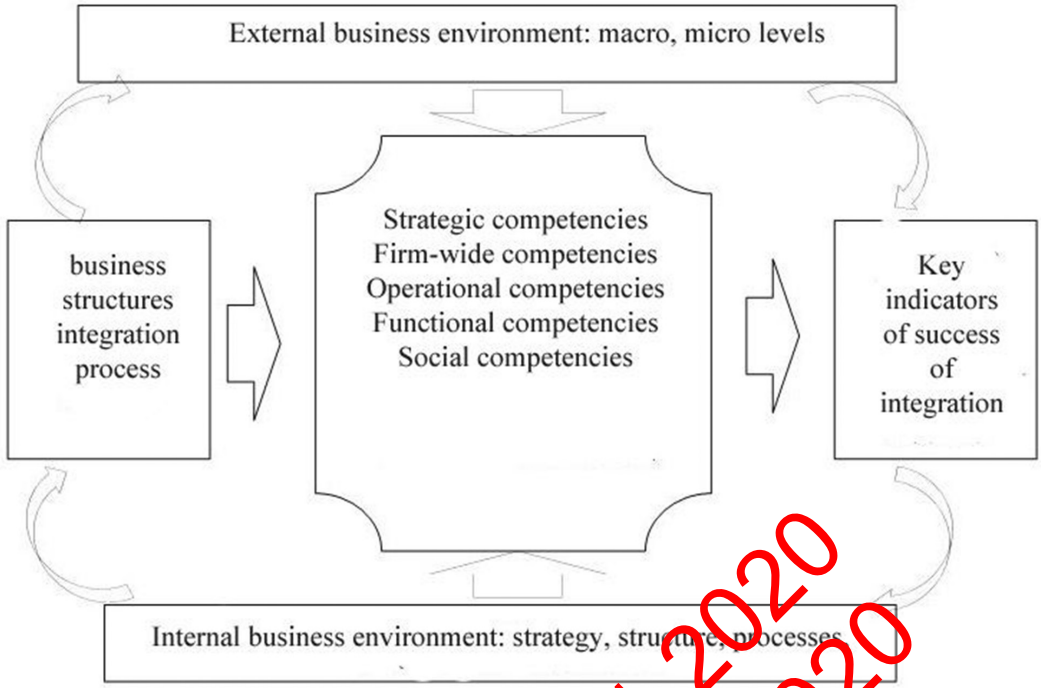

Fig. *Conceptual model of the impact of competency on the success of the integration of business structures (the model by M. Rudenko)*

tions, and change cultural values and stereotypes over time;

— the growth of the market, indicated by the dynamic change in the rate of market development.

For the operationalization of the illustrated construct, it is necessary to choose a measuring model, which identify the indicators measured on the basis of theoretical construction. In many cases, models are operationalized by several indicators identified as one component. It is usually not enough to clearly express all the relationships, which suggests the use of aggregate indicators. Given the direction and the relationship between the apparent and hidden variables, we distinguish two measurement models [17]:

1. Reflective measurement model: the indicators form a single, observable manifestation of constructs that correctly reflect the competencies and are correlated. Changing the structure entails changing the observed indicators without changing the content of the construct. Therefore, only measurement process can be changed. Measuring the theoretical construct by reflective variables does not accurately reflect real situations regarding the construct. Thus, the use of reflective measurement models increases the probability of error.

2. Formative measurement model: the construct is formed based on the indicators. Specific indicators indicate substantial characteristics of the construct. Changes, such as removing one of the indicators, lead to the involuntary changing the construct. Formative factors are designed to exist independently, unlike reflective models. Problems occur when there is a strong correlation between the indicators due to multicollinearity since the formative model is based on the principles of multiple regression analysis.

For this research, it is necessary to utilize the constructs of both the reflective measurement model and the formative model. The use of the formative model is necessary due to the need to mark the success of the integration since, in the context of the M&A situations, the successes of integration requires the evaluation of many different indicators. Based on the assumptions and analysis of theoretical sources a model was developed characterizing the estimated impact of competencies on the successful integration companies (see Fig.). This research tests this model based on the empirically proposed logical relationships. The analysis of the data makes possible to draw a conclusion about the presence/absence of a direct/indirect correlation between organizational competencies and the successful integration of enterprise structures.

In structuring the model for each indicator, a questionnaire was developed utilizing questions that meet the relevant situational competency approach. This situational competency approach was measured using five indicators:

1) the dynamic of prices,
2) the dynamic of competition,
3) technological developments,
4) changes in consumer behavior,

5) market growth.

Market growth was measured using two variables:

1) the growth of the market over the past five years,

2) the projected growth of the market over the next five years.

The questionnaire was scored using a grading scale comprised of several variants of the respondent's answers, resulting in a total value from 1 to 5. The advantages of this grading scale are a simplification for respondents to respond to the questions, reduction the time needed to complete the questionnaire, and a reduction of the number of errors when completing the questionnaire.

The empirical quantitative survey was conducting using an online platform for the distribution of the questionnaire. A total of 223 businesses were surveyed resulting in 214 (96 %) usable responses. The survey participants were key personnel in various companies, including board members, senior managers, division heads and department heads in mid- and lower-level management. The respondents expressed interest in the involvement of the process of M&A. Specifically, these respondents expressed interest in the generalization of the results of the company/brand activity (87.6 % of the respondents), indicating a high degree of involvement in the research process. 61 % of respondents noted that brands are responsible for the B2C market, 13.6 % work with brands in industrial markets, and 25.5 % are employed and work with brands in B2B markets. However, it must be noted that some of the respondents failed to provide complete information, such as responding "I don't know" and leaving some answers blank. Although these responses were not the norm, their presence may reduce the representativeness of the sample, and thus, the generalizability of the research. The data was analyzed using the software package IBM SPSS.

4. Hypotheses

The purpose of this research is to determine the degree to which the success of the process of the integration of the enterprise structures is determined by the successful integration of the identified competencies. Specifically, this research posits the following hypotheses:

H1: higher levels of development of functional competencies result in greater success in the processes of integration of the companies;

H2: better identified and developed strategic competencies of the companies result in more efficient processes of integration;

H3: more company-wide developed competencies result in greater probability of success of the integration of enterprise structures;

H4: higher levels of the development and identification of the operational competencies result in a more successful process of the company's integration;

H5: higher levels of the development and identification of the social competencies result in a more successful process of the company's integration;

H6: the market contextual factors have little direct impact on the success of the integration of companies.

5. Analysis

The analysis of the data consisted of dividing the organizational structures into five main competencies. The strategic competencies are those competencies which are internal characteristics of the organization and may predetermine the future development of the company. The characteristics are creativity, innovation, cognition, communication, enterprise, intellect, and entrepreneurial drive. These competencies are needed when determining the developmental potential, the creation of customer value and market evolution, and the global development of the organization. Additionally, this study found that strategic competencies are revealed the characteristics of the entrepreneur as a person, which impact the organization due to the level of capability of the individual company's executives and their aggregate managers and employees.

Functional competency categories are defined as those aspects of the company which determine the internal processes of the business structure [11]. These characteristics are production, marketing, human resources (HR) research and development (R&D), and so forth. It is worth noting that this category has been assigned to the mechanism of cross-functional cooperation, which allows the customer to expand the field to improve the satisfaction of internal and external customers.

The next competency is identified as organizational competency which consists of the operational components, including the market vision, the identification of value for the customer and stakeholders, the ability to form a customer-oriented business model (a combination of resources), the ability to create organizational routines, the ability to bring the case to its logical conclusion, the operational management of enterprise structure, the rate of reaction to emerging changes and the speed of adoption of organiza-

tional decisions (goal-setting, asset management focus, creativity), the effective internal information system-detailing communicative competency, and entrepreneurship. These components allow the organization to implement the strategy and is adopted in the framework of the existing business model of an integrated company.

The firm-wide competencies consisted of those characteristics that identified the value of the activities of the business structure. These characteristics were grouped together and included the competencies of organizational culture, understanding of the place of information systems in the company's architecture, the stress of the company, the company's infrastructure, and the technical and technological aspects of activity.

The final competency is the social basis of organizational competencies. Some of the characteristics of this competency include leadership, cooperation between employees, the ability to resolve conflict, teambuilding, and the ability to manage talent. These characteristics play an important role in the integration of the social aspects of an organization.

6. Results

The reliability and validity of the factors forming the structure of the measurement model were evaluated to determine the empirical assessment of the impact of the competencies on the market success of the integration of enterprise structures. Reliability, or the accuracy of the measurement, is a normal degree of accuracy and freedom from random errors of measurement, represented by the model. Cronbach's alpha is used to determine the internal consistency or reliability of a construct [18, 19, 20, 10]. It evaluates the average correlation items that are believed to measure the same construct. A high level of reliability is indicative of the amount of system dispersion. If the indicators can explain part most of the variance, the measurement structure is considered robust. To assess the reliability of the model, a Cronbach's alpha was determined for each construct in the proposed model. The Cronbach's alpha for each competency is detailed in Table 1.

Validity, or the conceptual accuracy of the measurement model, describes the degree to which the measurement indicator is the measuring what should be measured and is free from system error. The Kaiser-Meyer-Olkin (KMO) index was used to determine the validity of each competency. The KMO index of 0.5 or greater is considered valid [21]. Detailed results of the evaluation of the validity of the measurement models competencies are found in Table 1.

Table 1

Analysis of Competency Reliability and Validity (designed by M. N. Rudenko)

Competency	Cronbach's α	KMO	Variance, %
Functional	0.810*	0.756**	30.81
Strategic	0.810*	0.784**	30.81
Social	0.785*	0.702**	27.66
Firm-wide	0.879*	0.865**	33.50
Operational	0.789*	0.774**	20.92
Dynamic Market	0.841*	0.784**	38.01

* Cronbach's alpha > 0.60; ** KMO > 0.50.

The construction of functional competencies demonstrates satisfactory reliability and adequate validity (see Table 1). All correctional indicators are greater than the minimum accepted level of 0.4, indicating a relatively high linear relationship between the variables (see Table 2). Thus, the functional competency is determined by industrial competencies, indicating the construct is measuring what is intended to be measured. This is due to the results of the value of 0.714 and the KMO test result of 0.756.

Construction of strategic competencies (Table 1) also demonstrates good reliability and validity. Cronbach's coefficient (0.81) is considered good. The correction value of all factors, in addition to the entrepreneurial drive, is above the 0.4 mark (see Table 2). It should be noted that the factor responsible for cognition demonstrates the highest value of correction at 0.679. The assessment of convergence and discriminant validity by factor analysis also seems positive, since all values are greater than 0.4. The cognitive factor, which has the highest (0.784) value KMO criterion, is a good estimate.

The construction of social competency (Table 1) shows satisfactory reliability (0.785) and validity (0.703), indicating a good linear relationship for the competency model. However, the values of 0.347 for the competency of the socialization of the individual is the lowest value in the organization construct (see Table 2). This low value indicates the respondents do not pay enough attention to the socialization of employees during M&A and, thus, do not consider the competency significant.

Both the constructs of firm-wide and operational competencies (see Table 1) are found to have high reliability and validity. The components of the competency model result in correlation values greater than 0.4, indicating a high linear dependence (see Table 2). The model results, with a value of 0.767, indicates that the construct of the ability to creatively transform resources has the strongest influence on firm-wide competencies.

Table 2

Analysis of the Competencies Measurement Models (designed by M. N. Rudenko)

Competency/Component	Adjustments to common correlation	Factor weight
Functional		
Fiscal jurisdiction	0.454	0.380
Manufacturing	0.616	0.714*
Logistics	0.443	0.519*
Marketing	0.418	0.456*
HR	0.474	0.570*
Value creation	0.430	0.496*
Cross functional interaction	0.510	0.610*
Strategic		
Creativity	0.545	0.638*
Innovation	0.528	0.624*
Cognition	0.679	0.801*
Communication	0.540	0.589*
Enterprise	0.512	0.500*
Intellect	0.564	0.614*
Entrepreneurial drive	0.471	0.500*
Social		
Leadership	0.452	0.492*
Staff interaction	0.482	0.530*
Teambuilding	0.435	0.598*
Amenablerelationship	0.514	0.680
Conflict resolution	0.471	0.562*
Socialization	0.347	0.417*
Manage talent	0.454	0.597*
Firm-wide		
Space information systems	0.5[illegible]	0.572
Technical/technological	0.607	0.661
Transform resources creatively	0.739	0.767
Infrastructure competency	0.407	0.427
Collective knowledge	0.647	0.691*
Effective communication	0.501	0.502*
Strong corporate culture	0.479	0.594*
Resistance to stress	0.393	0.625*
Operational		
Market vision	0.458	0.527*
Customer/stakeholder value	0.522	0.623*
Customer-oriented business	0.541	0.627*
Organizational routines	0.585	0.764*
Case Resolution	0.471	0.784*
Enterprise structure management	0.507	0.635*
Rate of reaction to needed change	0.515	0.650*
Effective internal information system	0.559	0.699*
Entrepreneurship	0.523	0.695*
Dynamic Market		
Variability of consumer behavior	0.685	0.788*
Variability of competitors' strategies	0.759	0.845*
Variability of industry technology	0.711	0.801*
Industry price dynamics	0.675	0.644*
Market dynamics	0.547	0.541*
Anticipated market dynamics	0.335	0.316

* Factor weight > 0.4.

The operating model competency includes the construct regarding the firm's ability to bring the case to its logical conclusion. This construct has the greatest impact on the competency with a value of 0.784 (Table 1) with all components indicating a high linear dependence (see Table 2).

The competency of the dynamic market environment indicates a high reliability with a Cronbach's alpha of 0.841 (see Table 1). This competency includes two constructs with a high reliability: the degree of variability of competitors' strategies over the past 5 years and the degree of variability of technology in the industry (see Table 2). This competency also indicates good validity with a KMO of .784. Based on the results of the analysis, variable income growth was not included in the competency. This result can be interpreted as an increase in income growth is not an indicator characterizing profitability.

Upon the completion of the determination of reliability and validity, a regression analysis was conducted to evaluate the hypotheses. The premise is that the more developed certain expertise is, the greater the success of the integration of enterprise structures could be in M&A. The analysis evaluated each competency model beginning by assessing for violations of the assumptions. The regression analysis of functional competencies found no violations of assumptions. The evaluation of criteria describing multicollinearity tolerance and VIF, resulted in acceptable values, indicating low multicollinearity, which, if found, would increase the likelihood of not interpreting of the regression analysis correctly. Standardized residuals are in the range of ± 3 standard deviation; the maximum deviation of acceptable residuals is 2.25. Subsequently, a Durbin-Watson test, which checks for the presence of autocorrelation, was conducted. The result, a value of 2.32, is below the permissible values border [22, 23, 24]. The details of these analyses are found in Table 3.

The analysis of the regression coefficients revealed that the variable which characterizes the competency of logistics does not show the effect of particulate ($t = 1.797$). In general, the functional competency, with a corrected R^2 value of 15.6 %, explains the variance of the market success of the integration of business structures, and, with a very high F-test value (4.780), the hypothesized impact of functional competencies for successful integration of enterprise structures during M&A is confirmed.

After conducting a regression analysis of strategic competencies, no violations of model assumptions were noted. Criteria describing multicollinearity tolerance and VIF are within ac-

Table 3

Evaluation of the Regression Model Competencies Impact on the Success of the Integration of Business Structures

Competency/Component	General Model					
	R^2	Adjusted R^2	Standardized error	F	sig	Durbin-Watson
Functional	0.197	0.156	2.581	4.780	…	2.322
Strategic	0.255	0.210	2.497	5.677	…	2.080
Social	0.211	0.171	2.588	5.225	….	2.208
Firm-wide	0.305	0.193	2.523	2.736	…	2.095
Operational	0.341	0.289	2.369	6.554	….	2.116
Dynamic Market	0.142	0.098	2.668	3.223	…	2.242
Model	0.450	0.407	2.163	10.378	….	1.966

ceptable values. The impact of strategic competencies on the successful integration of business organizations is 21.0 % with one of the highest *F*-test values (5.677). When evaluating the individual constructs, the analysis revealed that cognition has a negative impact on the competency. In a further evaluation, it was found on the one hand, successful companies very positively evaluated the impact of this variable on the successful of the integration of the companies. However, on the other hand, it can be assumed that the effects of this indicator as a determination of integration success can have a negative impact. The research data gathered is limited and this warrants further investigation. Upon further examination of the results of the regression analysis, it was observed that effects of this construct on the successful integration of the companies are at positive ($R^2 = 0.255$). Yet, multicollinearity may be responsible for the negative impact of this construct on the model. This assumption could support the value of the structural test (0.485). Additionally, the importance for the successful integration of enterprise structures during M&A demonstrate the significance of the constructs that characterize the entrepreneurial drive, creativity, and innovation.

7. Conclusion

In general, it should be noted that the hypotheses about the impact of strategic competencies for successful integration of enterprise structures are confirmed. Regression analysis of the impact of social, firm-wide, and operational competencies shows the relationship between the level of development that is necessary for the successful integration of enterprise structures (see Table 3). The adjusted coefficient of determination R^2 for these competencies were 17.1 %, 19.3 %, and 28.9 %, respectively. Regression analysis indicates that the competencies having the greatest impact on the successful integration are the strategic and operational competencies of business structures.

The last point of the study of the general model is that the positive impact of dynamic business environment on the success of the integration of enterprise structures (see Table 3) has not been identified. Beta-index (–0.083), as well as structural factors, point to a negative relationship between market forces and integration success. This relationship conforms with the result of the discriminant analysis and the regression analysis of the market conditions. Thus, the success of integration is more likely to be in the static and easily predictable markets.

In the analysis of the mutual influence of organizational competencies, this research found that the lowest correlation interaction is located in the areas of the firm-wide and social competencies. This result can be due to the difference between the employee's goals and the manager's goals. The employee may have different goals that are in opposition to the managers. Although the managers are more concerned with the competencies in their pursuit of the optimization of production processes and implementation of IT-technologies, the employees may be more concerned with the social competencies. This may create a conflicting focus of the processes; the firm-wide processes focus on the functionality of the organization while the development of the social competencies is focused on internal factors such as team building, socialization of staff, and the formation of a comfortable corporate structure, and, therefore, conflict with firm-wide competencies that are focused on the efficiency of business processes.

All in all, it could be argued that the successful integration of enterprise structures is substantially determined by the formation and development of competencies (see Table 3). Moreover, the company can successfully respond to the dynamic changes in market conditions.

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