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**AN INVESTIGATION  
OF THE PERCEIVED HUMAN RESOURCE  
FACTORS THAT CONTRIBUTED TO THE SUCCESS OF  
THE ACQUISITIONS OF THE  
MALAYSIAN DOMESTIC BANKS**



**DOCTOR OF BUSINESS ADMINISTRATION  
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THE ACQUISITIONS OF THE  
MALAYSIAN DOMESTIC BANKS**



**By**  
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**Dissertation Submitted to  
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Degree of Doctor of Business Administration**



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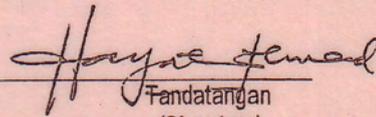
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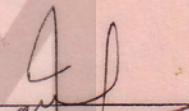
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## ABSTRACT

Acquisition activity is common among firms and banks as this is one of the strategic tools they use for their expansions and organizational growth. However, the government directed acquisitions on Malaysian domestic banks to date, is still an exceptional case as no such exercise has been practised by any country at the national level. Although several studies have been conducted to measure the success of directed bank acquisitions using financial indicators, not many studies have been carried out to measure the influence of factors such as human resource competencies, human resource development programmes, corporate work culture and leadership style, on the success of the acquisitions. For the purpose of this study, a total of 139 respondents were randomly sampled from 8 Malaysian domestic banks. The respondents included chairperson and those who are directly or indirectly involved in the acquisitions of the Malaysian domestic banks. Using SPSS, the data collected were analysed descriptively, tested using normality tests, Cronbach's Alpha Reliability Test, Pearson Correlation Analysis and Multiple Linear Regression Analysis. The Pearson Correlation Analysis showed that all the 4 Independent Variables and the one Dependent Variable are all positively correlated and significant. The Regression Analysis proved that all the 4 hypotheses are significant and accepted. The findings proved that all the 4 predicting Independent Variables, namely human resource competencies, human resource development programmes, corporate work culture and leadership style positively and significantly contributed to 55.9 per cent of the criterion Dependent Variable, that is the success of the acquisitions of the Malaysian domestic banks. The findings also discovered two most significant factors, namely human resource competencies and human resource development programmes. The implication of the overall findings suggested that human resource elements play significant roles in ensuring the success of the banks' directed acquisitions.

**Keywords:** Bank acquisitions, Asian Financial Crisis, Human Resource success factors.

## ABSTRAK

Aktiviti pengambilalihan adalah biasa dalam kalangan syarikat dan bank kerana hal ini merupakan antara kaedah strategik untuk pengembangan dan pertumbuhan organisasi. Walau bagaimanapun, tindakan kerajaan mengarahkan pengambilalihan bank domestik di Malaysia sehingga kini merupakan kes yang luar biasa kerana tidak ada tindakan seperti itu telah dilaksanakan pada peringkat nasional oleh negara-negara lain. Walaupun beberapa kajian telah dijalankan untuk mengukur kejayaan pengambilalihan bank berdasarkan kepada penunjuk-penunjuk kewangan, tidak banyak kajian yang telah dijalankan untuk mengukur pengaruh factor kompetensi sumber manusia, program pembangunan sumber manusia, budaya kerja korporat dan gaya kepimpinan ke atas kejayaan pengambilalihan tersebut. Justeru, seramai 139 orang responden dijadikan sebagai sampel secara rawak daripada 8 buah bank tempatan Malaysia, termasuk Pengerusi dan semua staf bank yang terlibat secara langsung atau tidak langsung dalam pengambilalihan bank-bank tersebut. Menggunakan SPSS, data yang dikumpulkan dianalisis secara deskriptif, diujikan dengan menggunakan ujian normal, ujian kebolehppercayaan Cronbach Alpha, Analisis Korelasi Pearson dan Analisis Regresi *Multiple Linear*. Analisis Korelasi Pearson menunjukkan bahawa semua 4 Pembolehubah Bebas dan satu Pembolehubah Bersandar adalah semua berkorelasi positif dan signifikan. Analisis Regresi membuktikan bahawa semua 4 hipotesis adalah signifikan dan diterima. Ini membuktikan bahawa semua 4 Pembolehubah Bebas ramalan, iaitu kecekapan sumber manusia, program pembangunan sumber manusia, budaya kerja korporat dan gaya kepimpinan adalah positif dan signifikan dan menyumbang 55.9 peratus kepada kriteria Pembolehubah Bersandar, iaitu kejayaan pengambilalihan bank-bank tempatan Malaysia. Walau bagaimanapun, dua faktor yang mempunyai signifikan yang tinggi ialah kompetensi sumber manusia dan program pembangunan sumber manusia. Implikasi daripada hasil penyelidikan ini mencadangkan bahawa elemen sumber manusia memainkan peranan yang penting dalam memastikan kejayaan pengambilalihan bank.

**Kata kunci:** Pengambilalihan bank, krisis kewangan Asia, faktor kejayaan sumber manusia.

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## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background of the Research

The activities of acquisitions are frequently carried out by organizations, corporations and also banking and financial institutions. These activities are significant because they highlight both the intrinsic value and market value of the acquirer and acquiree, resulting in a significant increase or decrease in the share prices of the two organizations/corporations/banking institutions. In other aspects, acquisitions also result in changes to the human resource requirements of the affected organizations.

According to Hitt, Hoskisson and Ireland (2007), an acquisition of a domestic bank is defined as “a business strategy whereby the acquiring domestic bank buys a controlling stake or a 100 per cent interest and makes the acquired bank its own subsidiary”. An acquisition or a take-over is a corporate strategy, corporate finance and management strategy that deals with an acquiring company buying and combining different acquired companies that can help a company to grow and expand rapidly in its sector or location of origin, or a new location, without creating a new subsidiary or using a joint venture and without growing organically by setting up its own new branches (Jeyapalan Kasipillai, 2003; Malaysian Stock Exchange, 2013; Securities Commission, 2013).

According to Butler (2000), it is a corporate growth strategy and action in which a company buys most, if not 100 per cent, of the target company's assets or ownership equity in order to take-over the control of the target firm. An acquisition is often paid in cash, with the acquiring company's stock or a combination of both. The acquiring company often offers a premium on the market price of the company's shares so as to entice its shareholders to sell their shares and control to the acquiring company (Jeyapalan Kasipillai, 2003; Mushera Ambaras Khan, 2013).

An acquisition can be a "private" or "public" acquisition – for a “private” acquisition the acquiree target company is not listed on a stock exchange, while for a “public” acquisition the acquired company is listed on a stock exchange, like the Malaysian Stock Exchange. An acquisition can also be friendly or hostile. A friendly acquisition occurs when the target firm expresses its agreement to be acquired, whereas a hostile acquisition does not have the same agreement from the target firm and the acquiring firm needs to actively purchase large stakes of the target company in order to have a majority stake (Jeyapalan Kasipillai, 2003; Mushera Ambaras Khan, 2013).

The Malaysian Government made history and a mark in the global financial landscape by the implementation of a bold strategy, via its Central Bank (Bank Negara Malaysia), of the directed acquisitions of all the 58 Malaysian domestic banking institutions to form 6 (later 10) domestic anchor banking groups in 1999. This directed domestic bank acquisitions is a business strategy to strengthen the Malaysian banking sector, in which

several banks were stricken with high Non-Performing Loans (NPLs) and financial losses. In these acquisitions, a stronger domestic bank was directed to acquire weaker banks and integrate their corporate cultures, products, services, operations, assets, technologies (like their ICT systems), human resources, key employees, financial systems, control systems, management practices, work processes, liabilities and other financial assets. Bank Negara Malaysia assisted the directed acquisitions by providing, advising, consulting and issuing guidelines and set deadlines for the completion of the acquisitions (Buono & Bowditch, 1989; Hitt, Hoskisson & Ireland, 2007; Rubi Ahmad, Mohamed Ariff & Skully, 2007).

According to Mahani Zainal Abidin (1999); Rasidah Mohd Said, Fauzias Mat Nor, Low and Aisyah Abdul Rahman (2008); Rubi Ahmad, Mohamed Ariff and Skully (2007) and Wong, Jomo and Chin (2006), the directed acquisitions have resulted in the consolidation of the Malaysian domestic banking system. This was an important part of the Malaysian Government's solutions to the 1997-1998 Asian Financial Crisis, by addressing the weaker banking institutions which had incurred a high-level of Non Performing Loans (NPLs) due to their over lending to the Malaysian broad property sector, stock market sector and other risky sectors.

The consolidation of the Malaysian domestic financial institutions was necessary to rescue and prevent the banks from going bankrupt and to prepare the Malaysian financial sector for the opening of the Malaysian banking and financial services sector to global markets under the World Trade Organization (WTO) agreement, to which the Malaysian

Government is a signatory. The consolidation programme represented a major structural change to the Malaysian banking sector so as to ensure that the Malaysian domestic financial institutions become strong, effective and efficient intermediaries in the Malaysian economy (Chong, Liu & Tan, 2006; Mahani Zainal Abidin, 1999; Mahathir Mohamad, 2003; Rasidah Mohd Said, Fauzias Mat Nor, Low & Aisyah Abdul Rahman, 2008; Rubi Ahmad, Mohamed Ariff & Skully, 2007; Tan & Hooy, 2003).

Muhammad Hafiz Desa (2007) concluded that the Malaysian domestic bank consolidation exercise was successful based on his empirical findings which showed that the technical efficiency of the Malaysian domestic banks, five years before and five years after their mergers, were 92.3 per cent and 97.2 per cent respectively. The average technical efficiency was 100 per cent for the year 2000. Hazlina Abd-Kadir, Zarehan Selamat and Muzlifah Idros (2001) also concluded that it was a success based on their results, which showed that the Total Factor Productivity (TFP) had increased in six out of the nine banks tested, with an increase of 10.1 % in the mean total TFP for all the banks. Also their results showed that the acquisitions had actually increased the efficiency and the productivity growth of the Malaysian banks. Ruby (2007) proved empirically that the directed acquisitions improved risk reductions of Malaysian banks.

## **1.1 Motivation of Study**

This study is motivated to be undertaken for further research in the light of the absence of focus of human resource elements on the success of the directed acquisitions of the

domestic banks in Malaysia. According to Ionel, Alina and Dimitru (2010), it is an accepted fact that human resource is a valuable asset to an organization. Hence, the focus on human resource elements is justified to be further analysed since there is very little published empirical results which could validate the success of the acquisitions of the Malaysian domestic banks.

Despite its success, the directed acquisitions of the Malaysian domestic banking sector were not without difficulties and issues. Some of these issues form the basis of the problem statement of this study.

## **1.2 Problem Statement**

Although the empirical evidences provided by Muhammad Hafiz Desa (2007), Hazlina Abd-Kadir, Zarehan Selamat and Muzlifah Idros (2001) and Ruby (2007) proved that the Malaysian Government directed acquisitions was a success, the success of the bank acquisitions was also contributed by non-financial factors as highlighted by Epstein (2005). He found out that non-financial factors such as due diligence, pre-merger planning, post-merger integration, deal structure, effective communications among all the stakeholders (like top management staff, employees and shareholders), effective human resource policies and management, prudent management policies, strategic vision and fit, adaptations to the changing economic, banking and political environment, post merger human resource integration and cost savings measures were significant to their success.

However, not many studies on the contributions of the non-financial factors on the success of the Malaysian bank acquisitions have been conducted before.

The problem statement is that since the occurrence of the Malaysian Government directed acquisitions of all the 58 Malaysian domestic financial institutions 18 years ago, no study was made to find out to what extent human resource factors contributed to their success, particularly from the human resource perspective and aspects. Instead the success of this Government directed, guided and forced acquisitions and reforms of the Malaysian banking sector was unique because it has never been undertaken before in the world. However, their success also depended greatly on the support from all their banking staff. Past literature shows that not much research was done to cover how the acquisitions were affected by human resource factors and their elements, specifically focusing on the (i) Human Resource Competencies Factor (Leeamornsiri, 2005), (ii) Human Resource Development Programmes Factor (Leeamornsiri, 2005), (iii) Corporate Work Cultures Factor (Galpin & Herndon, 2007) and (iv) Leadership Style Factor (Schuler & Jackson, 2001).

This research gap poses the main research question as to what extent human resource factors like human resource competencies, human resource development programmes, corporate work cultures and leadership style play a significant role in the success of the directed acquisitions of the Malaysian domestic banks.

During the Asian Financial Crisis, the International Monetary Fund (IMF) forced countries under its programmes, for example Indonesia, Thailand and South Korea, to reduce the number of banking and financial institutions by closing down the problematic banks. The Malaysian Government rejected the IMF aid packages because the Government believed that the IMF Plan “one-size-fits-all” solution for the Malaysian financial and currency crisis was flawed and could not be applied to Malaysia because the social costs involved could be high. According to Bala Shanmugam and Mahendran Nair (2003), the social costs included the retrenchings of the staff of the affected banks, unemployment, costs to Malaysian tax payers, banking shutdowns and social and political upheavals, like demonstrations.

According to a CIMB Bank report (2009), the Human Resource managerial issue reported were related to the selecting, retaining and redeploying of the affected bank staff of Bank Lippo and Bank Niaga to the Headquarters and branches of the newly merged entity of Bank CIMB Niaga once the integration and merger exercise had been completed. The issues were how to maintain the trust of all of its employees, how to keep the intellectual capital they represented on board the new Bank CIMB Niaga and how to retain its key, talented, valuable and experienced bank staff. Its human resource department encountered the problem of how to ensure that the right bank personnel with the right skills were deployed to the right jobs with the right salaries and compensations in the merged Bank CIMB Niaga. Other issues included the managerial competency of its top management and its corporate value improvement.

Subsequent sections explain the issues involved in each of the human resource components to be investigated.

### **1.2.1 Human Resource Competencies Issue**

Human resource competencies issue was a major issue when the Malaysian domestic banks acquired and integrated the domestic acquired banking and financial institutions. Each of the staff of the domestic banking and financial institutions has its own unique qualifications, working experiences and technical, business and soft skills. Inevitably, because of this, the quality of work delivery and performances vary between the employees of an acquiring bank, for example the acquiring Maybank and the acquired bank, like Pacific Bank. The differences in the quality of the services rendered by the staff of the acquiring bank and the acquired banks pose problems, like the issue of the speed of responding to and resolving their bank customers' complaints and problems, and the challenging tasks to the management to come out with solutions and harmonization programs to streamline the activities. Studies on how the human competencies differences and streamline activities influence the success of the directed acquisitions were not researched on and documented. Since substantial investments were undertaken by anchoring banks to harmonise the competencies of staff between the acquiring and the acquired banks, it is justifiable for a research to be carried out to fill this gap in the literature of bank acquisitions.

### **1.2.2 Human Resource Development Programmes Issue**

When the Malaysian acquiring domestic banks acquired the ailing banks and financial institutions, difficulties and problems were also encountered in terms of the levels of the qualifications, skills and knowledge between the staff of the banks. There were a lot of discontentments among the staff, especially when they were required to upgrade their qualifications, technical and soft skills. However, there were no scientific investigations to address and document the human resource development programmes issue and their effects on the success of the directed acquisitions of the Malaysian domestic banks.

### **1.2.3 Corporate Work Cultures Issue**

Corporate work cultures issue was another major problematic issue encountered during and after the directed acquisitions of the Malaysian banking institutions. Each of the domestic banking and financial institutions has its own unique and different corporate work culture. Usually the corporate work culture of the Malaysian dominant acquiring bank would dominate the corporate work culture of the weaker Malaysian domestic acquired bank. According to Galpin and Herndon (2007), due to the different corporate work cultures, there were difficulties, differences, problems, clashes and conflicts between the employees of the acquiring and acquired corporations. Despite its importance, corporate work culture influence on bank acquisitions has not been widely researched and empirically tested, especially in the context of the directed bank

acquisitions in Malaysia. This lack of empirical finding provides the third research gap to be undertaken in this study.

#### **1.2.4 Leadership Style Issue**

A study by Daniel (1999) showed that in shaping up the newly acquired banks, leadership style and leadership qualities of the acquiring banks are very crucial and important to the success and sustainable growth of the acquired banks. Leadership styles include transformational, change management, autocratic, servant, consultative, democratic, people-oriented and bureaucratic leadership styles. There were few studies conducted to identify the leadership style that is suitable to transform the ailing acquiring banking and financial institutions or the acquired banking and financial institutions. Most studies on leadership styles involve organizations but not on banks which were involved in mergers and acquisitions exercises. This directed bank acquisitions in Malaysia present the first unique situation to study leadership style's influence on the success of the banks' acquisitions. Such findings would extend the contributions to new knowledge in the banking literature.

### **1.3 Research Gaps**

In the analysis of the issues that are discussed earlier, the researcher highlights that there are 4 research gaps concerning the human resource and other issues which will be addressed in this study. These research gaps cover the (i) human resource competencies, (ii) human resource development programmes, (iii) corporate work cultures and (iv)

leadership style issues, within the context of the 1999 directed acquisitions of the Malaysian banks and financial institutions.

These research gaps form the premise for the following research questions and research objectives.

#### **1.4 Research Questions**

The main research question is to what extent the 4 main human resource factors contributed significantly to the success of the Malaysian Government directed acquisitions of the Malaysian domestic banks. How they were perceived differently would vary across the different groups/levels/hierarchy of the staff of the acquiring and the acquired Malaysian domestic banks. Specifically, the research questions are :-

- Q1. What is the relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks ?
- Q2. To what extent have human resource development programmes contributed to the success of the acquisitions of the Malaysian domestic banks ?
- Q3. Do corporate work cultures have a significant relationship with the success of the acquisitions of the Malaysian domestic banks ?
- Q4. What is the relationship between leadership style and the success of the acquisitions of the Malaysian domestic banks ?

## **1.5 Research Objectives**

### **1.5.1 Specific Objectives**

- a. To investigate the relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks.
- b. To study to what extent the relationship between human resource development programmes influence the success of the acquisitions of the Malaysian domestic banks.
- c. To examine the relationship of corporate work cultures on the success of the acquisitions of the Malaysian domestic banks.
- d. To examine the significant relationship between leadership style and the success of the acquisitions of the Malaysian domestic banks.

## **1.6 Significance of the Research**

Firstly, the findings will bring to the fore front and the attention of policy makers and bank management the significance of human resource factors on the success of a particular acquisition. Besides the financial factors, which are often the subject matter of researches on any acquisition, non-financial factors, especially the human resource aspects, are equally important to pay attention to in researches. Studies by Leeamornsiri (2005) and Galpin and Herndon (2007) showed that wrong, little or no applications of human resource competencies, human resource development programmes, corporate

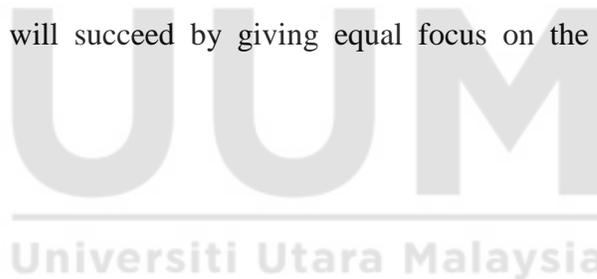
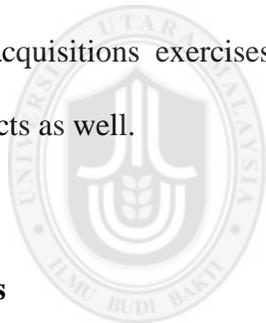
work cultures and leadership style may lead to problems and failures of the acquisitions. Subsequent paragraphs detail out the possible significance of this research to the various stakeholders.

**a. Bank management**

The results of this research and the lessons learned from past acquisitions of banking and financial institutions can be used by the top management of banking and financial institutions, investment bankers and acquisitions consultants (like accountants, tax and regulatory consultants and corporate lawyers) in Malaysia to help them to ensure that their future acquisitions exercises will succeed by giving equal focus on the human resource aspects as well.

**b. Investors**

For investors, they will benefit from a successful acquisition as a successful acquisition will enhance the market value of the acquired entity or the acquirer company. The enhancement in the market value of the affected firm or bank will improve the share price of the relevant company or bank, resulting in capital gains. The findings will assist investors to make their informed decisions in investing in the acquiring firm or bank.



### **c. Regulators of banks**

The regulators of the banking and financial institutions in Malaysia, like Bank Negara Malaysia, can use the findings of this research to help them to successfully regulate, guide and monitor the human resource aspects involving the harmonization of the different work cultures, competencies enhancements, staff deployment issues and other issues before, during and after any acquisition exercise. The regulators may develop new policies and regulations which can facilitate the smooth transition of banking operations once the acquisitions are completed. The regulators can advise the acquiring firms concerning their staff competency framework and also their staff fair compensation packages.

### **d. Financial Market**

The research findings of this study can be used by financial markets and market practitioners (stock exchanges, like the Malaysian Stock Exchange, consulting companies like McKinsey, A. T. Kearney and PriceWaterhouseCoopers, research analysts, acquisitions consultants, investment bankers, corporate lawyers, tax experts and accountants) in Malaysia and overseas to assist them when they are advising their clients (like the acquiring banks) concerning their acquisitions of firms from the aspect of human resource approach.



#### **e. Academics and researchers**

The academics and researchers of academic institutions can use the findings of this research to help them to conduct future empirical researches in the area of bank acquisitions and human resource elements, which are currently very few. This research findings can also aid lecturers in their lectures and discourses for the enrichment of the knowledge of their students.

### **1.7 Contributions of the Research**

#### **a. Body of Knowledge**

The information from the analyses and findings of this study, which are systematically collated, can contribute significantly to the literature and body of knowledge on the Malaysian banking industry successful experiences and practices with regards to the directed acquisitions of the entire Malaysian banking and financial institutions from the perspectives of the effects of human resource elements. The success of the consolidation of banks in Malaysia through the directed acquisitions can be a source of reference for Malaysia and other countries of the world.

## **b. Application of the Leadership Styles Theory**

The findings of this research do not lead to any new theory on leadership. However, the findings of this research show that the application of certain leadership styles, such as strong transformational leadership style and change management style, has been employed successfully in the massive acquisitions of the Malaysian domestic banks and the restructuring and consolidation of the entire Malaysian banking sector. This could be a good case study for others to emulate or to learn about leadership style should they wish to embark on similar banking sector restructuring and consolidation exercises.

### **1.8 Scope and Limitations of the Research**

The scope of this research is limited and confined to the staff (top management, senior management, executives and other staff like secretaries and clerks) of the Headquarters of all the Malaysian domestic banks which are located in the Klang Valley and who know/knew or are/were directly or indirectly involved in the acquisitions of the Malaysian domestic banks.

It is limited by time constraint due to the tight schedules, the accessibility and the responses of the bank staff respondents to the self administered structured survey instruments.

Since the research involved the Malaysian banking industry, which is tightly regulated, the researcher faces constraints in getting information which the banks deemed as private and confidential.

The primary data contain in this research are obtained from the survey questionnaires and interviews which are accessible and permissible to the public domain. Other secondary data are obtained from public sources of information, like printed and e-publications such as books, journals, annual reports and newspapers.

## **1.9 Organization of the Dissertation**

This dissertation consists of 6 chapters and its organization is as follows :-

Chapter 1: **Introduction** - writes about the introduction and background of the research, the problem statement, research gaps, research questions, research objectives, significance of the research, contributions of the research, scope and limitations of the research and the organization of the dissertation.

Chapter 2: **The Asian Financial Crisis** – writes about the Asian Financial Crisis that led to the Malaysian Financial and Currency Crisis and the Malaysian Government directed acquisitions of the Malaysian domestic banks.

Chapter 3: **Literature Review** – writes about the past researches into the success factors of acquisitions of banks and corporations, the 4 Independent Variables (IVs) and the 1 Dependent Variable (DV) of the research, the underpinning and supporting theories and the rationale for and the problems of mergers and acquisitions of banks and corporations in the world and in Malaysia.

Chapter 4: **Research Methodology** - writes about the research philosophy and approach, research design, research framework, hypotheses development, operational definition and instrumentation, data collection (sampling and data collection procedures), techniques of data analyses and the Pilot Testing of the structured survey questionnaires, structured demographic questionnaires and structured interview.

Chapter 5: **Results and Discussions** - presents the data analyses and reports the findings of the research. The data of the sampling of the 139 bank respondents are tested using the various Normality Tests to ensure that they are linear and normally distributed. Chapter 5 presents the Descriptive Statistics of the demographic data of the respondents. The results of the Pearson Product-moment Correlation Test and the Multiple Linear Regression Analysis are presented.

Chapter 6: **Conclusion and Recommendations** – presents the summary of the findings, implications of the findings and recommendations for future research.

## CHAPTER TWO

### THE ASIAN FINANCIAL CRISIS

#### 2.0 Introduction

The link between the Asian Financial Crisis and the acquisitions of the Malaysian domestic banks was that the Asian Financial Crisis caused the Malaysian Government, via Bank Negara Malaysia, to direct the acquisitions of the Malaysian domestic banks so as to rescue and prevent the financially distressed Malaysian domestic banks from bankruptcies.

To understand why the Malaysian domestic banking and financial institutions were directed to be acquired and consolidated by the Malaysian Government, via Bank Negara Malaysia, the researcher presented here the background and the scenario of the 1997 to 1998 Asian Financial Crisis, that resulted in the Malaysian Financial and Currency Crisis. Subsequently, the researcher conducted a literature review of the human resource factors which formed the framework of this study. The early warning signals of the Asian Financial Crisis began with the Mexican Tequila Financial Crisis. This is explained in Section 2.1 of this chapter. Section 2.2 describes the First Major Crisis of the Malaysian Banking System followed by Section 2.3 to 2.15 on the Asian Financial Crisis.

## **2.1 Warning sign of the Mexican Tequila Financial Crisis**

According to Chatterjee, Ayadi and Maniam (2003), Hill (2010), Pilbeam (2001), Sheng (2009) and Wong (2011), the first serious warning sign about the coming of the Asian Financial Crisis was the 1994 to 1995 Mexican peso crisis, which was also known as the Mexican Financial Crisis or the Tequila Crisis. This crisis resulted in the Mexican Government accepting a US \$50 billion financial rescue package from the World Bank, Western commercial banks and the United States. This was the largest financial rescue package in world history. Similar effects of the Mexican Tequilla Financial Crisis took place in the Asian Financial Crisis from 1997 to 1998.

## **2.2 First Major Crisis of the Malaysian Banking System**

In 1985, the Malaysian banking and financial system experienced its first major banking crisis - the problems of deposit takings by the 24 Malaysian Deposit Taking Co-operative Societies (DTCs) (like Koperatif Serbaguna Malaysia [KSM]). This crisis recovered during the late 1986 because of the substantial reform of the Malaysian banking industry by Bank Negara Malaysia and the Malaysian Government. The Malaysian Parliament enacted the Essential (Protection of Depositors) Regulation, 1986, under the Emergency (Essential Power) Act, 1979, to give Bank Negara Malaysia the necessary authority and powers to take actions against the deviating and problematic Deposit Taking Co-operatives and to rescue the Malaysian depositors. The Malaysian banking and financial system grew strongly after that, due to the strong growth of the Malaysian economy, but

it was hit by a second even more serious banking crisis, the 1997 to 1998 Asian Financial Crisis (Thillainathan, 2000; Yeoh, 2005).

### **2.3 Before the Asian Financial Crisis – 1988 to 1996**

Before the Asian Financial Crisis, from 1988 to 1996, the Malaysian economy was growing strongly with strong fundamentals, growing at a rate of an average of 8 per cent per year, due to the proactive economic policies of high growth with low inflation and low unemployment at 2.6 per cent, equitable income distribution and structural transformation of the Malaysian economy. From 1991 to 1997, economic growth averaged at 8.5 percent. In 1997, inflation was low at 2.7 percent and there was full employment. The Malaysian national savings was high at 39.4 percent of Malaysian Gross National Product (GNP) (Lau, 2005; Mahathir Mohamad, 2003; Thillainathan, 2000).

The Malaysian Foreign Direct Investments (FDIs) increased from RM \$325 million in 1986 to RM \$6.2 billion in 1990, thus facilitating Malaysia's Gross Domestic Product (GDP) to grow to an average of 7 percent from 1970 to 2000. Malaysia was able to attract more than US \$80 billion of FDIs from the 1980s to the 1990s, thus transforming Malaysia into one of the world's most export oriented economies. During the period, Malaysia was among the top 20 trading nations in the world, with external trade amounting to 170 per cent of its GDP (Charette, 2010; Lau, 2005; Prema-chandra Athukorala, 2011; Wong, 2011).

During the pre-Asian Financial Crisis period, from 1990 to 1997, the Malaysian banks grew its loan portfolio aggressively, whereby the average annual loan growth increased to 29.1 per cent from 1995 to 1997, from 12.2 per cent during 1992 to 1994 and from 22.6 per cent during 1990 to 1991. The ratio of the Malaysian banking system's loans to the Malaysian GNP increased from 100 per cent in 1990 to 158 per cent in 1997. The share of lending to the Malaysian broad property sector increased from 31 per cent in 1990 to 35 per cent in 1997, while share financing increased from 12.8 per cent to 28.1 per cent over the same period. This rapid growth in loans resulted in the strong profitability of the Malaysian banks (Thillainathan, 2000).

However, the rapid expansion in the lending side in the property sector exposed the Malaysian banks to high credit risk and concentration risk. Credit risk, which results from the default of payments by borrowers, affects the revenues of the banks. On the other hand, the concentration risk which originates from the high concentration of the banks in the property sector poses another potential risk of income loss, should there be a downturn in the property market. The Malaysian economy was over invested with a massive oversupply of properties and infrastructure facilities, thus exposing the economy to a boom-bust cycle (Lau, 2005; Mahathir Mohamad, 2003; Thillainathan, 2000).

## 2.4 Asian Financial Crisis - July 1997 to August 1998

The Asian Financial Crisis started in June 1997. Between June 1997 and January 1998, the Asian Financial Crisis and the resulting Asian Contagion hit the economies of East Asian and South East Asian countries (Sheng, 2009; Wong, 2011).

The domino effect from the devaluation of the Thai baht on July 2, 1997 rippled through the Asian region. Starting with the Southeast Asian countries, the Asian contagion reached South Korea, Brazil and Russia in 1998. The currencies of the affected countries plunged and devalued sharply, their stock markets collapsed, their interest rates soared and the debts of their companies skyrocketed, thus resulting in their bankruptcies (Bernama Library and Infolink Service, 2007; Mahathir Mohamad, 2011; Sheng, 2009; Wong, 2011).

Following the devaluation of the Thai Baht, the year 1997 saw the speculative short-selling of the Malaysian Ringgit. Foreign Direct Investments (FDI) dropped at a drastic rate. As capital flowed out of Malaysia, the value of the Malaysian Ringgit dropped from RM2.50 per US Dollar to RM4.88 per US Dollar in 1998. The KLCI fell from 1,300 to 400 points. The Ringgit, which ranged from RM2.4 to RM2.52 to the US Dollar from January to June of 1997, fell to its lowest level of RM4.88 on 7 January 1998. The share market fell by 80 percent from 1,279 points on 26 February 1997 to 262 points in 1998. Malaysia was indebted with a large outstanding private domestic and foreign debt (Karunatileka, 1999; Lau, 2005; Mahathir Mohamad, 2003).

The Malaysian economy went from a growth of 7.4 percent in 1997 to a contraction of 7.3 percent in 1998. As a result of the pressure on the Malaysian Ringgit, the Malaysian per capita income fell 30 percent, from US \$4,400 in 1997 to US \$3,100 in 1998. Inflation rose from 2.7 percent in 1997 to 5.3 percent in 1998. Unemployment rose from 2.4 percent of the labour force in 1997 to 3.1 percent in 1998 (Mahathir Mohamad, 2003).

## **2.5 Major Causes of the Asian Financial Crisis**

The initial triggers of the Asian Financial Crisis were changed sentiments, rumours and panic among the investors and the people in South East Asia, speculations by currency speculators in the currency markets and the Asian Contagion (Chow, Sharifah Sakinah & Mazni Mohamad, 2010; Karunatileka, 1999; Pilbeam, 2001; Sheng, 2009; Wong, 2011).

According to Sheng (2009), the major causes of the Asian Financial Crisis were old mindsets, market fundamentalism, loose monetary policy and the Yen carry trade. The Japanese zero interest policy to fight deflation encouraged the Yen carry trade which generated economic bubbles in the financial sector, stock market and property market in Asia and caused the Asian economies to enter into deep recessions.

Sheng (2009), Nanto (1998) and Wong (2011) stated that the Asian Financial Crisis was caused by four basic problems – (i) a shortage of foreign exchange that caused the value of the currencies and equities in Malaysia, Indonesia, Thailand, South Korea and other

Asian countries to plunge sharply, (ii) the structural weaknesses in the economies and no adequately developed financial sectors and mechanisms for allocating capital in the troubled Asian economies, (iii) the effects of the Asian Financial Crisis on USA and the world and (iv) the role played by the International Monetary Fund (IMF).

## **2.6 Currency Depreciations**

The Asian Financial Crisis started with two rounds of currency depreciations since 1997, with the first round seeing a sharp devaluation of the Thai Baht, Malaysian Ringgit, Philippine Peso and Indonesian Rupiah. Just as these currencies began to stabilize, the second round began with downward pressures hitting the Taiwan Dollar, South Korean Won, Singaporean Dollar, Hong Kong Dollar and Brazilian Real. From the beginning of 1997 to the end of 1997, these currencies depreciated and reached their low points. Compared with the exchange rates against the US Dollar, the Thai Baht devalued by 55 per cent, the Korean Won depreciated by 55 per cent, the value of the Malaysian Ringgit decreased by 46 per cent, the Philippine Peso devalued by 33.86 per cent and the Indonesian Rupiah fell by 81 per cent (Liu, 2000; Mahathir Mohamad, 2011; Nanto, 1998; Sheng, 2009; Wong, 2011).

The affected East Asian and South East Asian Governments countered the weakness in their currencies by selling foreign exchange reserves and raising interest rates, which slowed down their economic growths and made interest bearing securities more attractive than equities. Conversely, these countries were exposed to currency risk and interest rate

risk, which created systemic problems in the banking and financial sectors of these troubled Asian economies (Liu, 2000; Mahathir Mohamad, 2011; Nanto, 1998; Sheng, 2009; Wong, 2011).

There were other causes of the Asian Financial Crisis cited by past scholars. These included (i) the excessive short-term borrowings of foreign funds in foreign currencies, especially in US dollars, (ii) excessive long-term lending in the domestic economy that resulted in the failure to match the maturities of the loans, (iii) weak financial structure, (iv) poor risks management by banks, (v) poor supervisions and regulations of the business, banking and financial sectors by Governments, authorities and bank regulators, (vi) moral hazards, (vii) political patronage of business, (viii) government interventions in lendings, (ix) failure of corporate governance and (x) failure of the business and financial chain (Chatterjee, Ayadi & Maniam, 2003; Kasipillai, 2003; Sheng, 2009; Wong, 2011).

Wong, Jomo and Chin (2006) stated that the Asian Financial Crisis was also due to a crisis of confidence, due to high dependency on foreign debts and policy response by international organisations, such as IMF. For example, the Malaysian total external debt to foreign exchange reserves ratio had become dangerously high before its financial and currency crisis – reaching 139.6 per cent before escalating to 298.2 per cent in 1997. According to Wong, Jomo and Chin (2006), prominent economists, like Jeffery Sachs, Krugman and Noble Prize laureate Joseph Stiglitz, argued that the Asian Financial Crisis

was similar to the case of a bank run, where rumours and panic led to a self-fulfilling prophecy of bank bankruptcy.

## **2.7 Asian Financial Crisis and Human Tragedy**

The Asian Financial Crisis was a financial catastrophe and a great human tragedy that led to political upheavals in some of the affected countries. Some leaders, like the then President Suharto of Indonesia and the then Prime Minister Chavalit of Thailand, were forced to resign as millions of people demonstrated and expressed their widespread anger over deteriorating living standards and food shortages as poverty became widespread and millions of people lost their jobs. The economies of the affected nations crashed and shrank by 7.7 percent and they experienced their sharpest contractions in their Gross Domestic Products (GDPs) in history, losing 20 per cent to 50 per cent of their GDPs (Bernama Library and Infolink Service, 2007; Chow, Sharifah Sakinah & Mazni Mohamad, 2010; Mahathir Mohamad, 2011; Mahathir Mohamad, 2002; Sheng, 2009; Wong, 2011).

## **2.8 Unsustainable Current Account Deficits**

During the Asian Financial Crisis, most of the East Asian and South East Asian economies had large current account deficits, in some cases exceeding 5 per cent of their GDPs. Malaysia had a current account deficit of US \$2.2 billion or 3.7 per cent of its GDP in 1992, which increased to US \$8.6 billion or 9.7 per cent of its GDP in 1995.

(Karunatileka, 1999; Oh, 2010; Pilbeam, 2001; Sheng, 2009; Wong, 2011; Wong, Jomo & Chin, 2006).

## **2.9 Over Dependence on Short-term Foreign Funds**

There was an over dependence on short-term foreign funds by domestic banks. Short-term foreign borrowings of less than a duration of one year meant that there was a need for the accounts of the banks to be always liquid. According to Sheng (2009) and Wong, Jomo and Chin (2006), many Malaysian and many East Asian and South East Asian corporations made the serious mistake of borrowing heavily short-term foreign currencies but invested in long term stock markets, property developments and mega infrastructure projects which had long development gestation periods.

## **2.10 Effects of the Asian Financial Crisis on Malaysia**

The effects of the Asian Financial Crisis included the depreciation of the Malaysian Ringgit, high Non-Performing Loans (NPLs), a currency and banking crisis, tight liquidity, an economic recession and the retrenchments and layoffs of the staff of the affected Malaysian banks. When the attempt by Bank Negara Malaysia to support the Malaysian Ringgit failed, the devaluation of the Malaysian Ringgit occurred, thus resulting in a currency and financial crisis, and a deep economic recession (Charette, 2010; Sheng, 2009; Wong, 2011).

## **2.11 Problems and Weaknesses of Malaysian Banking and Financial System - Non-Performing Loans (NPLs) and Property Sector Bubble**

The Asian Financial Crisis revealed that the Malaysian banking and financial system had structural and systemic weakness, weak management of risks, were under capitalized and had given out substantial amount of loans to the broad property sector, thus creating a speculative Malaysian property sector bubble between 1994 and 1997 (Chow, Sharifah Sakinah & Mazni Mohamad, 2010; Detragiache & Poonam Gupta, 2006; Lum & Koh, 2010; Pilbeam, 2001; Prema-chandra Athukorala, 2011).

## **2.12 Malaysian Government's Solutions to the Asian Financial Crisis**

### **a. Setting up the National Economic Action Council (NEAC)**

According to Mahathir Mohamad (2003), the NEAC was established to draw up the comprehensive National Economic Recovery Plan (NERP) on July 23, 1998. The NERP aimed to help stabilize the devaluation of the Malaysian Ringgit, strengthen the Malaysian economic fundamentals, maintain financial market stability, perform structural reforms of the Malaysian banking and financial sector, restore market and investor confidence, continue the equity and socio-economic agenda, enforce corporate governance and revive the Malaysian economy. This involved a RM7 billion stimulus package to boost economic activities in Malaysia (Bank Negara Malaysia, 2011; Sheng, 2009).

## b. Malaysian Banking, Financial and Corporate Sector Restructurings

Sheng (2009) and Wong (2011) stated that a very important part of the Malaysian Government's solutions to the Asian Financial Crisis and the Malaysian Financial and Currency Crisis was the restructuring plan of the Malaysian financial sector and the rescue of the financially distressed Malaysian domestic banking and financial institutions. Starting from July 29, 1999, Bank Negara Malaysia announced and started the directed acquisitions of the problematic Malaysian domestic banks and completed the consolidation exercise in 2002.

Lau (2005) stated that two of the larger Malaysian domestic banks that went bankrupt were Bank Bumiputera Malaysia which lost US \$200 million and Sime Bank which lost US \$420 million. Bank Bumiputera and Bank of Commerce were acquired to form the CIMB Banking Group. Bank Bumiputra had a capital injection by Bank Negara Malaysia. Later Bank of Commerce took over Bank Bumiputra.

According to Comin and Abraham (2010), there were two stages in the reform process – the stabilization phase and the reform phase. The Malaysian Government, via the NEAC, under its NERP, set up Danaharta and Danamodal in the stabilization phase. The removals of NPLs by Danaharta and the bank recapitalizations by Danamodal strengthened significantly the Malaysian banking and financial sector. The reform phase consisted of the acquisitions of the Malaysian domestic banking and financial institutions, the corporate sector restructurings led by the Corporate Debt Restructuring Committee

(CDRC) and the development of the Malaysian bond market and the Islamic banking sector.

According to Bank Negara Malaysia (2001), the major objectives of the acquisitions and consolidation of the Malaysian banking and financial institutions were to ensure structural improvements to the Malaysian banking and financial sector, obtain the benefits of economies of scale and scope, improve their profitability and efficiency, foster competitions, reduce their fixed and operational costs, strengthen their capitalizations, broaden their scope of operations, diversify their risks and become more resilient.

c. Danaharta

Danaharta was established under the Danaharta Act of 1998 on June 20, 1998 as a bank debt restructuring agency and a NPL resolution agency. Its mandated mission was to preemptively solve the problem of the rising level of Non-Performing Loans (NPLs) and thus prevented the financially troubled Malaysian domestic banks from going bankrupt and revived the Malaysian economy (Bank Negara Malaysia, 2011).

d. Danamodal

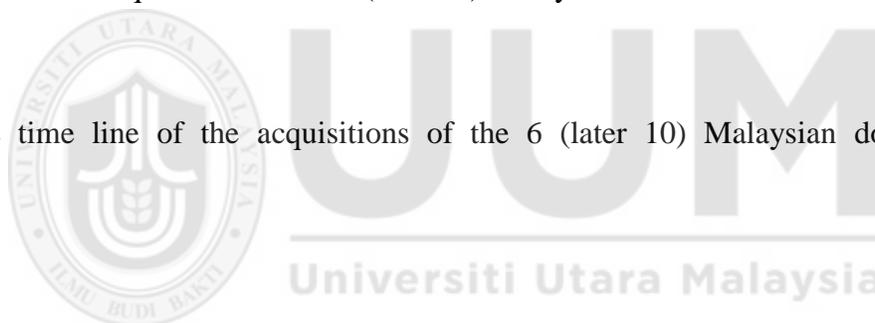
Danamodal was set up on July 1998 by the Malaysian Government as a Malaysian bank recapitalization agency. It borrowed RM1.3 billion from Khazanah Nasional and Employees Provident Fund (EPF) to restructure and to recapitalize the financially

troubled Malaysian domestic banks by injecting RM6.15 billion into the 10 Malaysian domestic banking and financial institutions. This was to increase their capital base, thus preempting any potential systemic risks to the Malaysian financial sector (Bank Negara Malaysia, 2011; Lau, 2005).

The success of the operations of both Danaharta and Danamodal led Bank Negara Malaysia to implement the consolidation of the Malaysian banking and financial institutions (Mahani Zainal Abidin, 1999).

e. Time line of the Acquisitions of the 6 (later 10) Malaysian Domestic Banks

Below is the time line of the acquisitions of the 6 (later 10) Malaysian domestic banks :-



<b>Year</b>	<b>Events</b>
July 29, 1999	Start of the Malaysian Government directed acquisitions of the ailing banks by 6 Malaysian domestic banks.
1999 to 2000	Consolidations of the 6 Malaysian domestic banks (As at 31 December 2000)
2001 to 2002	Integrations, adjustments, synchronizations and harmonizations of the systems (like ICT systems), processes, operations, employees, etc, of the 10 Malaysian domestic banks
20 March 2002	Completion of the consolidation process when Bank Utama took over

RHB Bank

2006 CIMB Bank acquired Southern Bank Berhad

2007 to 2015 Success of the 10 Malaysian domestic banks

**Figure 2.1 - Time line of the Acquisitions of the 6 (later 10) Malaysian Domestic Banks**

(Source - Ruby Ahmad, 2007; Sheng, 2009; Tan & Hooy, 2003; Wong, 2011)

Bank Negara Malaysia's unique and guided acquisitions of the 58 Malaysian domestic banking and financial institutions resulted in the following 6 Malaysian Government hand picked original domestic core banking groups :-

- a. Bumiputra-Commerce Bank Bhd
- b. Malayan Banking Bhd (Maybank)
- c. Multi-Purpose Bank Bhd
- d. Perwira-Affin Bank Bhd
- e. Public Bank Bhd
- f. Southern Bank Bhd

(Bala Shanmugam & Mahendran Nair, 2003; Rubi Ahmad, Mohamed Ariff & Skully, 2007).

The 10 Malaysian domestic banking groups are Malayan Banking, Bumiputra-Commerce Bank, RHB Bank, Public Bank, Arab-Malaysian Bank, Hong Leong Bank, Perwira Affin Bank, Multi-Purpose Bank, Southern Bank and EON Bank (Bala Shanmugam & Mhendran Nair, 2003; Oh, 2010).

f. Corporate Debt Restructuring Committee (CDRC)

The Corporate Debt Restructuring Committee (CDRC) facilitated the debt-ridden Malaysian corporations to restructure themselves by mediating to rehabilitate large corporate loans, without the support of the Malaysian Government. The CDRC was a steering committee where large corporate debts, exceeding RM50 million, were restructured on an informal basis between the distressed Malaysian borrowers and their bank creditors (Mahathir Mohamad, 2000; Sheng, 2009).

g. Malaysian Government's Selective Capital Controls (SCC)

The Malaysian Government, via Bank Negara Malaysia, imposed selective capital controls (selective foreign exchange controls, including fixed exchange rate) on September 1, 1998 to shut out the currency speculators, like George Soros, and to prevent the outflow of the Ringgit in the open market. The Ringgit was not traded internationally but was fixed and pegged at a realistic and relatively cheap RM3.80 to the US Dollar on September 2, 1998 (Comin, & Abraham, 2010; Karunatileka, 1999; Lee & Tham, 2007; Mahathir Mohamad, 2011; Mahathir Mohamad, 2000; Prema-chandra Athukorala, 2008; Sheng, 2009; Wong, 2011).

## **2.13 Acquisitions of Malaysian Domestic Banks and Staff Voluntary Separation Scheme (VSS)**

According to Bank Negara Malaysia (2001), as a result of the consolidation exercise of the 10 Malaysian domestic banking groups, 187 bank branches were closed, 55 bank branches were relocated and a total of 4,240 staff resigned from the banking industry. The banking staff who were retrenched were given the opportunity to relocate to other suitable corporations, or to opt for the Voluntary Separation Schemes (VSS), which were vetted by Bank Negara Malaysia. A comprehensive retraining and reskilling programme for the retrenched staff was developed and implemented with the cooperation of the Malaysian Institute of Bankers. This was to facilitate a smooth transition of the retrenched staff to new jobs in other suitable companies. Hence, the number of employees of the Malaysian banking institutions had shrunk by 12 per cent from 75,000 in June 1997 to 64,000 at the end of December 2000 (Bala Shanmugam & Mahendran Nair, 2003; Kasipillai, 2003; Vikram Chakravarty & Chua, 2012).

This consolidation exercise ensured that the right and the very best trained, experienced and performing bank staff were expected to be retained and deployed to the right jobs in the right Malaysian domestic banks. This very well managed and successful VSS was a human resource success factor that contributed to the success of the acquisitions of the Malaysian domestic banks as there was no social disturbances by the retrenched bank staff because their emotions and their careers were very well managed as they had found

employment in other companies (Bala Shanmugam & Mahendran Nair, 2003; Kasipillai, 2003; Vikram Chakravarty & Chua, 2012).

## **2.14 The Success of the Acquisitions of the 10 (8 in 2011) Malaysian**

### **Domestic Banks**

After the Asian Financial Crisis and the Malaysian Financial and Currency Crisis, the acquisitions to form the 10 (8 in 2011) Malaysian domestic banking groups are successful as there are so far no major problems, no bank runs, no failures and no closing down of the Malaysian domestic banks and the Malaysian economy has come out of its economic recession and is stabilized and booming. The measurements of key performance indicators (KPIs), like their assets sizes, market capitalizations, Profit After Tax And Minority Interest (PATAMI), market shares, efficiency and performance and profitability are very encouraging and positive (Refer to 3.5 Dependent Variable - Success of the Directed Acquisitions of the Malaysian Domestic Banks).

## **2.15 The Directed Acquisitions of 58 Domestic Banking Institutions after the Asian Financial Crisis**

The Malaysian Government's directed acquisitions of the 58 Malaysian domestic banking and financial institutions was announced on 29 July 1999 by the Governor of Bank Negara Malaysia (BNM) and was the first of its kind in this region, thus providing a very strong motivation and reason for the researcher to conduct this study. According to a research by Chong, Liu and Tan (2006), forced bank and guided acquisitions, which are

the result of direct government interventions in the acquisitions of the banking industry, are generally rare in the world (Chong, Liu & Tan, 2006; Mahani Zainal Abidin, 1999; Mahathir Mohamad, 2003; Rasidah Mohd Said, Fauzias Mat Nor, Low & Aisyah Abdul Rahman, 2008).

Subsequently, the Malaysian Government and Bank Negara Malaysia increased the 6 domestic banking groups to 10 domestic banking groups on October 20, 1999. The banks were allowed to form their own acquisition banking groups and choose their own leaders and their own respective targeted acquiree banking and financial institutions for the process of the banking group acquisitions on February 14, 2000. The directed consolidation plan was implemented on December 31, 2000 and the acquisitions exercise was completed in 2002. For the first time in Malaysian banking history, Malaysia witnessed the massive consolidation of its domestic banking industry that was successfully completed from 1999 to 2002 (Chong, Liu & Tan, 2006; Rubi Ahmad, Mohamed Ariff & Skully, 2007; Tan & Hooy, 2003).

Below is Table 2.1 showing the 58 Malaysian banking and financial institutions that were acquired and consolidated to form the 10 Malaysian domestic banking groups (Bala Shanmugam & Mahendran Nair, 2003; Oh, 2010).

**Table 2.1 – Ten Malaysian Domestic Banking Groups**

<b>No.</b>	<b>Acquirer Banking Group</b>	<b>Acquiree Banking Institutions</b>	<b>Resultant Entity After Acquisitions</b>
1.	<b>Affin Bank Berhad Group</b> Perwira Affin Bank Berhad Asia Commercial Finance Berhad Perwira Affin Merchant Bank Berhad	BSN Commercial (M) Berhad BSN Finance Berhad BSN Merchant Bankers Berhad	Affin Bank Berhad Affin ACF Finance Berhad Affin Merchant Bank Berhad
2.	<b>Alliance Bank Berhad Group</b> Multi-Purpose Bank Berhad	International Bank Malaysia Berhad Sabah Bank Berhad Sabah Finance Berhad Bolton Finance Berhad Amanah Merchant Bank Berhad Bumiputra Merchant Bankers Berhad	Alliance Bank Berhad Alliance Finance Berhad Alliance Merchant Bank Berhad
3.	<b>Arab-Malaysian Bank Berhad Group</b> Arab-Malaysian Bank Berhad Arab-Malaysian Finance Berhad Arab-Malaysian Merchant Bank Berhad	MBF Finance Berhad	Arab-Malaysian Bank Berhad Arab-Malaysian Finance Berhad Arab-Malaysian Merchant Bank Berhad
4.	<b>Bumiputra-Commerce Bank Berhad Group</b> Bumiputra Commerce Bank Berhad Bumiputra Commerce Finance Berhad Commerce International Merchant Bankers Berhad	38	Bumiputra Commerce Bank Berhad Bumiputra Commerce Finance Berhad Commerce International Merchant Bankers

			Berhad
5.	<b>EON Bank Berhad Group</b>  EON Bank Berhad EON Finance Berhad	Oriental Bank Berhad EON Finance Berhad Perkasa Finance Berhad Malaysian International Merchant Bankers Berhad	EON Bank Berhad EON Finance Berhad Malaysian International Merchant Bankers Berhad
6.	<b>Hong Leong Bank Berhad Group</b>  Hong Leong Bank Berhad Hong Leong Finance Berhad	Wah Tat Bank Berhad Credit Corporation (Malaysia) Berhad	Hong Leong Bank Berhad Hong Leong Finance Berhad
7.	<b>Malayan Banking Berhad Group</b>  Malayan Banking Berhad Mayban Finance Berhad Aseambankers Malaysia Berhad	The Pacific Bank Berhad PhileoAllied Bank (M) Berhad Sime Finance Berhad Kewangan Bersatu Berhad	Malayan Banking Berhad Mayban Finance Berhad Aseambankers Malaysia Berhad
8.	<b>Public Bank Berhad Group</b>  Public Bank Berhad Public Finance Berhad	Hock Hua Bank Berhad Advance Finance Berhad Sime Merchant Bankers Berhad	Public Bank Berhad Public Finance Berhad Public Merchant Bank Berhad
9.	<b>RHB Bank Berhad Group</b>  RHB Bank Berhad RHB Sakura Merchant Bankers Berhad	Delta Finance Berhad Interfinance Berhad	RHB Bank Berhad RHB Delta Finance Berhad RHB Sakura Merchant Bankers Berhad

10.	<b>Southern Bank Berhad</b>  Southern Bank Berhad	Ban Hin Lee Bank Berhad United Merchant Finance Berhad Perdana Finance Berhad Cempaka Finance Berhad Perdana Merchant Bankers Berhad	Southern Bank Berhad Southern Finance Berhad Southern Investment Bank Berhad
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(Source – Bank Negara Malaysia Annual Report, 2001)

In the year 2002, RHB Banking Group was acquired by the Utama Banking Group. Currently, the Malaysian Employees Provident Fund (EPF) has bought over the controlling shares from UBG but the name of the banking group still remains as RHB Banking Group (RHB Bank, 2002; Wong, Jomo & Chin, 2006).

The Malaysian banking and financial system has gone through the first wave and second wave of acquisitions and consolidation of banks and financial institutions to form the 9 Malaysian domestic banks when CIMB Bank acquired Southern Bank. Under a friendly acquisition exercise, the year 2011 saw Hong Leong Banking Group acquired EON Bank, thus reducing the number of Malaysian domestic banking groups to the current 8 domestic banking groups. The owners, shareholders and directors of Hong Leong Banking Group and EON Bank were given the permission by Bank Negara Malaysia to engage in friendly, not hostile, communications and negotiations concerning the acquisition exercise. Here the bank respondents randomly selected to answer the survey

instruments are grouped under the friendly bank acquisitions category of bank respondents and not under the Malaysian Government directed acquisitions category of bank respondents (Bala Shanmugam & Mahendran Nair, 2003; Oh, 2010).

## **2.16 Major Reasons for the Consolidation of the Malaysian Banking Sector**

The major objectives of the consolidation exercise were to strengthen the industry positions of the Malaysian domestic banking and financial institutions by increasing their market share and market control, widening their branch networks, improving their financial performances, increasing higher liquidity, strengthening their balance sheets, increasing more tax savings, reducing competitions, increasing their research and development capabilities, gaining more competitive advantages, expanding and enhancing their services and products and minimising disruptions of their banking services to their customers (Bank Negara Malaysia, 2001; Kasipillai, 2003; Rubi Ahmad, Mohamed Ariff & Skully, 2007; Tan & Hooy, 2003; Xu, Ariff & Yap, 2001).

## 2.17 Current Scenario of Malaysian Banking and Financial Institutions

**Table 2.2 – Number of Licensed Banking and Financial Institutions in Malaysia  
as at 2015**

<b>Malaysian Banking and Financial Institutions</b>	<b>Total</b>	<b>Malaysian Controlled Banking and Financial Institutions</b>	<b>Foreign Controlled Banking and Financial Institutions</b>
Commercial banks	27	8	19
Investment banks	12	12	0
Islamic banks	16	10	6
International Islamic banks	4	0	4
Development Financial Institutions	6	6	0

(Source – Bank Negara Malaysia, 2015)

**Table 2.3 – Total Assets, Total Loans and Total Deposits of  
Malaysian Domestic Banks as at 2014**

<b>Malaysian Domestic Banks</b>	<b>RM Millions</b>	<b>Percentage Increase (yoy – December 2013 compared to December 2014)</b>
<b>Total assets</b>	2,251,973.00	8.60 %
<b>Total loans</b>	1,317,630.00	8.72 %
<b>Total deposits</b>	1,641,600.10	68.0 %

(Source – Bank Negara Malaysia, 2014)

**Table 2.4 - Top Malaysian Domestic Banks Performance  
Before (1999) and After (2013) Acquisitions**

Malaysian Domestic Banks	Assets (RM billions)		Profit After Tax And Minority Interest (PATAMI) (RM billions)		Return On Assets (ROA) (%)	
	1999	2013	1999	2013	1999	2013
Maybank	117.5	560.4	0.97	6.55	0.83	1.17
Public Bank	43.2	305.7	0.62	5.66	1.44	1.85
CIMB Bank	76.7	370.9	0.44	4.61	0.57	1.24
RHB Bank	58.2	191.1	- 0.25	1.84	- 0.43	0.96
Hong Leong Bank	24.5	163.6	0.12	1.86	0.49	1.14
AM Bank	38.2	127.0	0.29	1.69	0.76	1.33
Affin Bank	24.5	60.0	0.14	0.65	0.57	1.08
Alliance Bank Malaysia	0.9	43.7	- 0.54	0.54	- 0.60	1.24
Total	383.7	1822.4	1.79	23.40	3.63	10.01

(Source – Financial statements of the 8 Malaysian domestic banks, 1999 and 2013)

**Table 2.5 - Top Malaysian Domestic Banks by Market Share  
Before (1999) and After (2013) Acquisitions**

Malaysian Domestic Banks	Assets (RM billions)		% of Total Assets		Customer deposits (RM billions)		% of Total customer deposits	
	1999	2013	1999	2013	1999	2013	1999	2013
Maybank	117.5	560.4	30.6	30.8	77.6	395.6	30.9	29.5
Public Bank	43.2	305.7	11.3	16.8	33.1	250.9	13.2	18.7
CIMB Bank	76.7	370.9	20.0	20.4	43.9	263.0	17.5	19.6
RHB Bank	58.2	191.1	15.2	10.5	35.8	137.7	14.3	10.3
Hong Leong Bank	24.5	163.6	6.4	9.0	20.7	123.6	8.3	9.2
AM Bank	38.2	127.0	10.0	7.0	15.6	84.8	6.2	6.3
Affin Bank	24.5	60.0	6.4	3.3	16.1	47.4	6.4	3.5
Alliance Bank Malaysia	0.9	43.7	0.2	2.4	8.0	36.0	3.2	2.7
Total	383.7	1822.4	100	100	250.8	1339.0	100	100

(Source – Financial statements of the 8 Malaysian domestic banks, 1999 and 2013)

## 2.18 Chapter Summary

Chapter 2 describes the Asian Financial Crisis, the causes and its impacts on the Malaysian Banking and Financial System that led to the acquisitions and consolidation of the Malaysian banking sector.



## CHAPTER 3

### LITERATURE REVIEW

#### 3.0 Definition of Acquisition

According to Hitt, Hoskisson and Ireland (2007), an acquisition of a domestic bank is defined as “a business strategy whereby the acquiring domestic bank buys a controlling stake or a 100 per cent interest and makes the acquired bank its own subsidiary”. Acquisitions can be Government directed, friendly or hostile (Buono & Bowditch, 1989).

#### 3.1 Success Factors of Acquisitions

Researchers have documented the important and critical roles played by numerous non-financial factors, such as due diligence, corporate and business strategies, key leadership and management staff, friendly acquisitions, synergy, corporate work cultures, complementary assets, strategic fit (Galpin & Herndon, 2007) and other financial factors, like gearing ratio and profitability (Vikram Chakravarty & Chua, 2012) of the acquiring and acquired banks, that have significantly contributed towards the success or failures of the consolidations of banking and financial institutions in USA, Britain, European Union (EU), Japan and other nations of the world.

**3.2 Independent Variables of the Research Framework are Adapted from Past Researches**

**Table 3.1 - Summary of Literature Review on the Acquisitions of Banks**

<b>No.</b>	<b>Authors</b>	<b>Objective of Study</b>	<b>Findings of the Study</b>
1.	Leeamornsiri, 2005; Lin, 2006.	Study on whether the independent variable of human resource competencies contributed to the success of the acquisitions of banks.	Human resource competencies contributed to the success of the acquisitions of banks
2.	Leeamornsiri, 2005; Lin, 2006.	Study on whether the independent variable of human resource development programmes contributed to the success of the acquisitions of banks.	Human resource development programmes contributed to the success of the acquisitions of banks

3.	Hoang and Lapumnuaypon, 2007.	Study on whether the independent variable of corporate work cultures contributed to the success of the acquisitions of banks.	Corporate work cultures contributed to the success of acquisitions of the banks.
4.	Hoang and Lapumnuaypon, 2007.	Study on whether the independent variable of leadership style contributed to the success of the acquisitions of banks.	Leadership style contributed to the success of the acquisitions of banks.

The independent variables of human resource competencies and human resource development programmes are adopted and adapted from a research by Leeamornsiri (2005) entitled “The Perceptions of Human Resource Professionals in Five Thai Banks About the Human Resource Development Competencies and Programs used during the Merger and Acquisition Process” and a research by Lin (2006) entitled “The Perceptions of Human Resource Development Professionals in Taiwan Regarding Their Working Relationships with Subject Matter Experts (SMEs) During the Training Design Process” (Leeamornsiri, 2005; Lin, 2006).

The independent variables of corporate work cultures and leadership style are adopted and adapted from a research by Hoang & Lapumnuaypon (2007) entitled “Critical Success Factors in Merger and Acquisition Projects – A study from the perspectives of Advisory Firms” (Hoang & Lapumnuaypon, 2007).

### **3.3 Past Empirical Studies on the Four Independent Variables and the Dependent Variable of the Research Framework**

#### **a. Independent Variable 1 - Human Resource Competencies**

According to Leeamornsiri (2005), human resource competencies refer to the personal capabilities that enable an employee to perform his or her job responsibilities successfully and to achieve his or her desired work outcomes and which reflect his or her individual technical knowledge, practical skills, working experiences, abilities, attitudes, mindsets, relationship skills, soft skills and communication skills.

Leeamornsiri (2005) found that there was a significant relationship between human resource competencies, in the four stages of the acquisition process, and the abilities of human resource professionals to perform their job responsibilities successfully during the integration and post acquisition phases. His finding shows that human resource competencies are critical to help the organizations to achieve their intended goals of their acquisitions and to bridge the gaps of cultural differences, management practices and work processes between the acquirer and the acquiree organizations.

## **b. Independent Variable 2 - Human Resource Development Programmes**

The research findings of Leeamornsiri (2005) on the success factors for the acquisitions of corporations showed that there is a significant relationship between the involvement of human resource development programmes and employees in the integrations of corporate work cultures and the process of change management and the success of acquisitions.

A research by Rizvi (2011) also established that there is a strong, significant, positive and direct correlation between human resource development programmes and the success of acquisitions of a corporation, like a bank. The research showed that human resource development programmes in an organisation contributed significantly to its organisational competencies and further enhanced its organizational performances and innovativeness. Rizvi (2011) proposed that human resource factors played a very important part during the acquisitions of corporations. Human resource professionals play the strategic roles of strategic partners, consultants, change agents and problem solvers during the process of the acquisitions of corporations. The researcher, McIntyre (2004), reported that acquisitions often fail because of the lack of involvement of human resource development programmes during the acquisitions process (Leeamornsiri, 2005; Rizvi, 2011).

### **c. Independent Variable 3 - Corporate Work Cultures**

A study by Hewitt Associates revealed that people related issues is a most critical factor in the success or failures of acquisitions. According to Vikram Chakravarty and Chua (2012), the Hewitt Associates study recommended that an audit on the corporate work cultures, business cultures and the management styles of the acquiring and the acquired corporation be conducted as part of the due diligence process so as to understand their compatibilities or incompatibilities (Galpin & Herndon, 2007).

Leeamornsiri (2005) researched and concluded that the critical success factors that influence the success of acquisitions included the creation of a right match of cultural compatibility and cultural values, developing a shared vision and a careful integration of management styles, business policies and technologies. A study by Kephart (2010) showed that the success of the acquisitions of corporations is often due to the successful blending of corporate work cultures. He believed that cultural integration is a critical success factor for the leaders who are involved in the acquisitions process.

It is necessary to prevent conflicts when the acquirer and the acquiree companies commence to work together. During the process of consolidations, the cultures of the corporations follow one of these three paths – cultural blending, cultural separation or cultural dominance. Successful cultural blending or integration is a process whereby the corporate work cultures of the acquiring company and the acquired company are successfully assimilated, integrated and become a single combined corporate work

culture. This is a critical success factor that results in the successful consolidations of corporations. Cultural separation or cultural dominance leads to problems and ultimately the failures of the acquisitions of firms (Kephart, 2010; Leeamornsiri, 2005).

According to Galpin and Herndon (2007), a British Institute of Management survey (1996) found that the difficulties involved in integrating two work cultures was a major factor in the failures of acquisitions of corporations. A study by A. T. Kearney consulting company (2007) showed that most of the failures in acquisitions are caused by people issues. A research by Schuler and Jackson (2001) showed that human resource issues (like corporate work culture clashes, incompatibility and differences, human capital and peoples issues, losses and mismanagement of key talents, over confidence, corporate arrogance, poor human resource integration strategy and the failure of transition management), were cited as the most frequent reasons and causes for the failures of the acquisitions of banks and corporations.

According to Galpin and Herndon (2007), a Watson Wyatt's survey results revealed that people issues occur during the various phases of acquisitions, for example during the integration phase. People issues, like communications, retention of key talents and key managers and the integration of corporate cultures issues, will decide whether the integrations of banks or corporations will succeed or fail. Poor integration between two banks or two companies results in the attritions of leadership, employee dissatisfaction and productivity dropping and low morale.

Effective integration management results in the retention of the leaders and key employees of the acquired company and hence results in a speedier achievement of its business goals. Galpin and Herndon (2007) and Schuler and Jackson (2001) are of the view that critical people issues encompass cultural developments, leaderships, staffings and selections, performance management, rewards, recognitions and benefits, employees communications, trainings and continuous learning.

Based on their research, Stahl and Voigt (2008) found out that a substantive body of theory and research on the role of cultures in the acquisitions of corporations suggested that cultural differences can create major problems in achieving the benefits and success of the integrations of the acquirer and acquiree corporations. The findings of a meta-analysis of 46 studies, with a combined sample size of 10,710 acquisitions exercises, suggested that cultural differences affected the socio-cultural integrations, shareholder values and synergy realizations of the integrated corporations in different ways. .

According to a research by Leeamornsiri (2005), it is very evident that when human resource development issues are not addressed and managed well, corporations, like banks, are more likely to suffer from increased cultural clashes, lessened ability to attract and retain talented and key staff and decreased ability to compete. Incompatibility of corporate work cultures can create mismatches among the objectives, goals, designs and management of the corporations. Corporate work culture values are embedded in the organizational structures and policies, which reflect the beliefs, norms and work processes of its employees. The difficulties and problems in changing and integrating the

culture of an acquiring firm, like an acquiring bank, with that of the acquired firm, like the acquired bank, become a big challenge during the acquisition process (Leeamornsiri, 2005).

Towers Perrin (2006), in a survey of Forbes 500 CFOs, identified incompatible work cultures as the number one factor that contributed to the failures of acquisitions. According to Galpin and Herndon (2007), a 1998 Watson Wyatt Worldwide study of 190 CEOs, CFOs and other top executives who were experienced in global acquisitions, cultural incompatibility is rated as the greatest barrier to successful integrations and that researches and audits on cultural factors are least likely to be conducted as part of due diligence. Schmidt (2002) reported that incompatibility of corporate work cultures ranked as high as 80 percent as a failure factor that led to the failures of acquisitions of corporations (Leeamornsiri, 2005).

#### **d. Independent Variable 4 - Leadership Style**

In a research by Galpin and Herndon (2007), a University of Dallas Graduate School of Management survey identified leadership and decision making, together with communication, to be the two most common areas of acquisitions that needed to be improved. A research by Schuler and Jackson (2001) showed that leadership style is a critical factor that contributed to the success or failure of the acquisitions of banking and financial institutions and corporations.

According to Schuler and Jackson (2001), successful leaders possess the traits of being visionary, transformational, good listeners, sensitive to cultural differences, flexible, open-minded, able to recognize the strengths and weaknesses of both banks or companies, able to provide strategy to the integrated corporation, possessing excellent change management skills, managing the change processes well, retaining and motivating key talents, possessing solid technical knowledge about the acquired company and communicating well with all their stakeholders.

Galpin and Herndon (2007) stated that a Coopers and Lybrand (1992) study showed that in one hundred failed acquisitions, 85 per cent of the executives who were surveyed said that differences in leadership and management styles and practices was a major problem. Galpin and Herndon (2007) are of the opinion that an active change leadership style is required to ensure the success of the acquisitions of corporations. Any change effort will fail if there is no active support and full commitment from the top leadership of the acquiring and acquired corporation.

A survey and an interview by Daniel (1999) of all the players in the acquisitions of Asian banks revealed that leadership is becoming crucial and critical to the success of the acquisitions of banks in Asia because of the emphasis on universal banking in Asia. The culture of leadership will evolve into one that demands very high calibre CEOs. There are not many high calibre CEOs available to lead Asian banks through their bank acquisitions.

According to Daniel (1999), the leadership of Brian Pitman as Chairman and Peter Ellwood as CEO of the UK Lloyds Bank transformed the Lloyds banking empire, via acquisitions, into one of the most profitable shareholders driven banking institutions in the world, averaging Return On Investments (ROIs) of 30 per cent. Likewise, the leadership of Rashid Hussain as the owner and founder and Yvonne Chia as the CEO of the Malaysian RHB Bank followed the successful leadership and partnership of Brian Pitman and Peter Ellwood, who used transformational leadership style to successfully implement the acquisitions (Daniel, 1999).

### **3.4 Other Success Factors of Acquisitions of Banks**

Epstein (2005) conducted a study and found out that there are many other critical success factors that determine the success of the acquisitions of banks - for example strategic, vision, financial, synergy and organizational fit; deal structure, pre acquisition planning, post acquisition integration, post acquisition human resource integration, post acquisition Information Communication Technology (ICT) systems integration, effective integration manager and transition teams, prudent management policies, effective human resource management and policies, retaining and rewarding key talents, cost savings measures and adaptations to the changing banking, economic and political environment (Daniel, 1999; Kasipillai, 2003; Schuler & Jackson, 2001).

According to the Bank CIMB Niaga “Merger Process and Achievement Report January 2009” (2009) and in the researches of Vikram Chakravarty and Chua (2012), other

factors that contributed significantly to the success of the acquisitions of banks, included employing experienced acquisition consultants as their project managers and team members (like external or in-house investment bankers, corporate lawyers, tax and regulatory experts and accountants) to advice and implement their acquisitions according to a master acquisition plan and scanning, screening and negotiating diligently and thoroughly with their potential acquisition candidates.

Other critical success factors of acquisitions of banks include using an effective and comprehensive communication system to communicate well, openly, timely, frequently, honestly and ethically with all their affected stakeholders (like their affected employees, customers, vendors, suppliers, shareholders, financiers, bankers, investors and regulators); managing sympathetically and empathetically the emotions (like low morale, low motivations, anxieties, depressions, conflicts, anger, betrayal, insecurity and frustrations) of their affected employees; managing successfully the training and reskilling and finding other jobs for their retrenched staff and implementing effective post acquisition master and ICT integration plans (Vikram Chakravarty & Chua, 2012).

According to Hitt, Hoskisson and Ireland (2007), critical success factors, such as key leadership and management staff, corporate and business strategies, friendly acquisitions, synergy, complementary assets and other financial factors of the acquiring and acquired banks, have significantly contributed towards the success of the acquisitions of banking and financial institutions in USA, Britain, Japan and other nations of the world.

### **3.5 Dependent Variable - Success of the Directed Acquisitions of the Malaysian Domestic Banks**

Based on the reported financial statements of the affected banks and the Standard & Poor's Report (2009), the acquisitions of the Malaysian domestic banks are successful as measured by the following key performance indicators (KPIs) :-

- a. Assets sizes and Profit After Tax And Minority Interest (PATAMI) of the Malaysian domestic banks
- b. Market shares of the Malaysian domestic banks
- c. Efficiency and performance of the Malaysian domestic banks
- d. Profitability of the Malaysian domestic banks

#### **3.5.1 Efficiency and Performance of the Malaysian Domestic Banks**

Sink and Tuttle (1989) stated that the performance of an organization is measured by the complex inter-relationships between seven performance criteria – profitability, efficiency, effectiveness, productivity, innovation, quality and quality of work life as quoted in Hazlina Abd-Kadir, Zarehan Selamat & Muzlifah Idros (2010) and Muhammad Hafiz Desa (2007).

Hazlina Abd-Kadir, Zarehan Selamat & Muzlifah Idros (2010) measured the extent acquisitions affected the productivity and efficiency of Malaysian banking and financial

institutions by using a non-parametric Data Envelopment Analysis (DEA) and Malmquist Productivity Index (MPI) method over a period from 2003 to 2007. It analyzed the technical efficiency changes and the technological changes (like ICT banking systems) of the Malaysian domestic banks. They found out that the Total Factor Productivity (TFP) had increased in six out of the nine Malaysian banks tested with the mean total TFP for all the banks recording an increase of 10.1% (Hazlina Abd-Kadir, Zarehan Selamat & Muzlifah Idros, 2010; Muhammad Hafiz Desa, 2007).

Muhammad Hafiz Desa (2007) reported in his study that the technical efficiency of the Malaysian domestic banks five years before and five years after their acquisitions were 92.3 per cent and 97.2 per cent respectively and that the average technical efficiency was 100 per cent for the year 2000. He therefore concluded that the Malaysian domestic bank acquisitions are successful (Halkos & Tzeremes, 2013; Hazlina Abd-Kadir, Zarehan Selamat & Muzlifah Idros, 2010; Muhammad Hafiz Desa, 2007).

Based on a research by Geeta Krishnasamy, Alfieya Hanuum Ridzwa and Vigneser Perumal (2003), using the non-parametric Data Development Analysis (DEA) and the Malmquist Total Factor Productivity Index (derived from the usage of the DEAP software version 2.1) to measure the efficiency and productivity changes of individual banks over the period from 2000 to 2001, it was reported that 8 out of the 10 Malaysian acquiring domestic banks enjoyed an increase in the Total Factor Productivity, which was due to technology efficiency change rather than technical efficiency change. This finding supports the findings of Muhammad Hafiz Desa (2007) and Rubi Ahmad (2007).

From 2000 to 2001, the annual means of the Malmquist Productivity Indices (MPI) of the 10 Malaysian domestic banks showed that there was an increase in the Total Factor Productivity of 5.1 per cent. Geeta Krishnasamy, Alfieya Hanuum Ridzwa and Vigneser Perumal (2003), Halkos and Tzeremes (2013), Muhammad Hafiz Desa (2007) and Rubi Ahmad (2007) used other parametric methods like the Thick Frontier Approach (TFA), the Stochastic Frontier Approach (SFA) and the Distribution Free Approach (DFA) to study efficiency and productivity analysis and frontier analysis.

According to Mohd Said, Mat Nor, Low and Abdul Rahman (2008) and Muhammad Hafiz Desa (2007), their empirical findings (based on the Data Envelopment Analysis [DEA] analysis) on the efficiency effects of the acquisitions of the 10 Malaysian domestic banking and financial institutions showed an average efficiency score of 1 or unity during the pre acquisitions and post acquisitions period for the Malaysian domestic banks, such as AmBank, Alliance Bank, RHB Bank and Southern Bank. An efficiency score of 1 means that the banks are on the efficiency frontier and thus are technically efficient and successful in their acquisitions. Three banks, EON Bank, Affin Bank and Public Bank, recorded improvements in their efficiency scores after their acquisitions.

### **3.5.2. Profitability of the Malaysian Domestic Banks**

To determine the impact of acquisitions on bank profitability, traditional measures of bank profitability (relative to peer groups of banks that did not engage in acquisitions) were used in a number of researches (Bala Shanmugam & Mahendran Nair, 2003).

Some researchers, like Rhoades (1998), found that profitability ratios improved after the acquisitions of corporations, like banks. According to Bala Shanmugam and Mahendran Nair (2003), the Malaysian domestic banking system recorded a significant increase of 107.5 per cent in pre-tax profit for the year 2000 after the acquisitions process had started, thus proving that the Malaysian domestic banking system had recovered from the Asian Financial Crisis and the Malaysian Financial and Currency Crisis and there was a perceived improvement in productivity. The acquisitions have eliminated excess capacity more efficiently than bankruptcy or other means of exit, thus preserving the products and services of the Malaysian banking and financial institutions. Despite lower growth in real GDP, the growth of total loans and advances was sustained at RM24.6 billion in 2000 and RM20.5 billion in 2001 (Bala Shanmugam & Mahendran Nair, 2003).

A study by Epstein (2005) revealed that there are other measurement systems for measuring the success of the consolidations of banking and financial institutions in Malaysia, USA and other countries in the world. For the merger between J. P. Morgan and Chase Manhattant Bank, the Key Performance Indicators (KPIs) are financial, technical, client and people measurement metrics. The financial measures included revenue, profitability, pricing and productivity measures. The technical measures included risk management, process and control measures. The internal and external client focused measures included client retention, acquisition and client satisfaction measures. The employee focused measures included the measures of employee retention, training, diversity and resolution of differences between the two banks.

Chow and Chee (2001) conducted a survey of their respondents on their perceptions of the success or failure of a corporate consolidation. The respondents responded that the criteria for measuring the success or failure of a corporate acquisition exercise are share price trend, meeting performance objectives, financial returns/cost effectiveness, employee/corporate cultures mixing well, speed of integration, improvement of competitive positioning, extent of customer retention and key employee retention.

Galpin and Herndon (2007) stated that other measurement systems that are used to measure the success of acquisitions included financial measurement, integration measurement, process measurement, operational measurement and cultural measurement systems.

### **3.6 Underpinning Theories that Support the Research**

The underpinning theories include the Psychology Theory which supports the success factors of human resource competencies and human resource development programmes. The Human Resource Competency Model and the Human Resource Development Programme Model support the success factors of human resource competencies and human resource development programmes respectively. The Organizational Behaviour Theory and the Human Resource Management Theory underpin the Independent Variable of corporate work cultures (Ebimobowei & Sophia, 2011). The Transformational Leadership Theory and the Change Management Theory support the success factors of leadership style. The Corporate Finance Theory underpins the Dependent Variable of the Success of the Directed acquisitions of the Malaysian domestic banks (Burke, 2008; Leeamornsiri, 2005; Lin, 2006).

### **3.7 Psychology Theory**

Based on the researches by Leeamornsiri (2005) and Lin (2006), the underpinning theory of the acquisitions of banks viewed from the Human Resource perspective is based on the Psychology Theory. The Psychology Theory describes the core human aspects of developing human resources and the social and technical interplay between the bank staff and the banking systems that led to the successful acquisitions of the 10 (8 in 2011) Malaysian domestic banks. The Psychology Theory contributes to the development of the goals, incentives, reinforcement, feedback, career counseling and personal environmental interactions of the employees of the 10 (8 in 2011) Malaysian domestic banks (ASTD, 2007).

### **3.8 Human Resource Competency Model**

The Human Resource Competency Model and the Human Resource Development Programme Model are based on the American Society for Training and Development (ASTD) models. The human resource competencies independent variable contains the following components of bank staff that significantly contributed to the success of the acquisitions of the 10 (8 in 2011) Malaysian domestic banks :-

- a. their relevant qualifications
- b. their working experiences
- c. their technical knowledge, Intelligence Quotient (IQ), practical and problem solving skills

- d. their right mindsets, attitudes, characters, discipline and Emotional Quotient (EQ)
- e. and their social, relationship, communication and soft skills.

(Leeamornsiri, 2005).

The American Society for Training and Development Model (2007) and the Human Resource Competency Model, based on the researches by Leeamornsiri (2005) and Lin (2006), suggest that the following are the four core human resource competencies that are critical to the success or failures of the acquisitions of the 10 (8 in 2011) Malaysian domestic banks :-

a. Business competencies

These competencies include strong business, management, financial, economic and administrative competencies for the management staff of the 10 (8 in 2011) Malaysian domestic banks to use during the organizational development and change management process.

b. Technical competencies

These competencies include the technical knowledge, practical skills and working experiences that are required to be used by the employees of the 10 (8 in 2011) Malaysian

domestic banks to perform their technical tasks and job responsibilities successfully and efficiently (ASTD, 2007; Leeamornsiri, 2005; Lin, 2006).

c. Intellectual competencies.

These competencies include the intellectual knowledge, abilities, skills, thinking power and IQ used by the employees of the 10 (8 in 2011) Malaysian domestic banks in ensuring the success of the bank acquisitions.

d. Interpersonal competencies

These competencies include interpersonal communication skills, EQ, soft skills and relationship skills used by the employees of the 10 (8 in 2011) Malaysian domestic banks in the successful acquisitions of the banking institutions.

### **3.9 Human Resource Development Programme Model**

McLagan (1989) defined Human Resource Development (HRD) programmes as programmes of the integrated use of training and development, organizational development and career development to improve individual, group and organizational performances and effectiveness that significantly resulted in the success of the acquisitions of an organization, like a Malaysian domestic bank. Therefore, the

programmes of training and development, organizational development and career development become the three major components of HRD programmes (Lin, 2006).

The human resource development programmes independent variable contains the following components concerning the bank staff of the 10 (8 in 2011) Malaysian domestic banks :-

- a. their training and development programmes
  - b. their careers development programmes
  - c. their rewards and compensations schemes
  - d. the improvement of their job performances
  - e. the redesigning and improvement of their work processes
  - f. the development of conducive working environments to enhance their job satisfactions
  - g. their performance evaluation and appraisal systems
  - h. their retention programmes
  - i. their knowledge management (KM) programmes
  - j. their organizational systems
  - k. the redesigning of their organizational structures, organizational policies and management practices
  - l. their change management programmes
  - m. the allocation of their resources
  - n. their counselling and mentoring programmes
- (Leeamornsiri, 2005; Lin, 2006; McLagan, 1989).

In his research, Leeamornsiri (2005) stated that human resource development programmes involve the functional process of developing and unleashing organizational work performances, work processes and individual performance through human resource development components, like organizational development, career development, training and development and performance management.

Human resource development programmes is about recruiting, supporting and investing in the employees of an organization. This is done through education, training (in-house or outsourced), orientations, seminars, conferences, workshops, internships, industrial trainings, mentorings, coachings and executive management development of the employees of an organization (Rizvi, 2011).

### **3.10 Organizational Behaviour Theory**

The Organizational Behaviour Theory underpins the factor of Corporate Work Cultures and explains the post integration process, especially corporate work cultural clashes and conflict resolutions while the Human Resource Management Theory explains the psychological effects of acquisitions on the individual staff, such as feelings of tension, alienation and uncertainty (Ebimobowei & Sophia, 2011).

### **3.11 Transformational Leadership Theory and the Change Management Theory**

The success factor of leadership style is underpinned and explained by the Transformational Leadership Theory and the Change Management Theory. The CEO of

a Malaysian domestic banking group is expected to be a successful transformational leader and a change agent who plays the key role of a strong and powerful transformational leader. He/she exercises his/her transformational leadership and change management leadership and uses his/her hierarchical, organizational, legitimate, positional and personal power to lead, manage and influence his/her followers (bank staff) in order to perform the planned, major and transformational organizational changes so as to achieve and advance the vision, mission, corporate strategies, objectives and goals and to make profits, create and increase the values of the shares of the shareholders and to expand and grow the Malaysian domestic anchor banking group (Burke, 2008; Eisenbach, Watson & Pillai, 1999).

According to Galpin and Herndon (2007), the Change Management Theory encompasses the change management issues of addressing the “me” issues (like salary, benefits, job responsibilities, reporting relationships, work locations, etc), applying defined and clear leaderships, making tough decisions, creating focused initiatives, ensuring a focus on customers; providing clear, constant, extensive and open communications; collaborations and managing resistance at every level in the Malaysian domestic banks.

### **3.12 Other Theories that Support the Research**

The Capital Structure Theory in Corporate Finance underpins the Dependent Variable. The theory deals with the sources of funding (debt or equity funding) and the capital structure of a company and the actions that its managers take to maximize the value of its

shareholders. It also includes investment analysis (capital budgeting) - the planning of long-term investment funding for big corporate financial projects, like the acquisitions of companies (Ebimobowei & Sophia, 2011; Leeamornsiri, 2005; Lin, 2006).

Ebimobowei and Sophia (2011) stated that the Economic and Finance Theory is focused on the efficiency impact of acquisitions on the economy, through market power and economies of scale, with emphasis on market for corporate control. According to Andrade, Mitchell and Stafford (2001), the Economic Theory has provided many reasons why acquisitions take place/took place – for example the reasons of economies of scale or synergies, to create market power by creating oligopolies or monopolies, market discipline (like removing the incompetent and non-performing management of the acquiree target companies) and diversifications. The Market for Corporate Control Theory states that the economic value created through acquisitions is decided by market characteristics, such as competitiveness.

### **3.13 Rationale for Mergers and Acquisitions of Banks in the Global Banking**

#### **Arena**

##### **a. Synergy and Mergers and Acquisitions**

Derived from the Greek word “synergos”, which means working together, synergy refers “to the ability of two or more units or companies (for example banking and financial institutions) to generate greater value working together than they could working apart”.

Synergy means the sum (for example the merged banking and financial institution) is greater than the components (for example the acquiring and the targeted acquired banking and financial institution/s). Simply stated, synergy refers to the phenomenon of  $2 + 2 = 10$  (Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Hoang, & Lapumnuaypon, 2007; Huang, 2010; Peloquin, 2011).

The market value of the banking and financial institution after the consolidation exercise was larger than the total market value of the two banking and financial institutions before the merger and acquisition exercise. The combined merged banking and financial institution creates strategic business advantages that increase its valuation and the wealth of its shareholders and is more profitable than the individual banking and financial institutions before the merger and acquisition exercise (Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Hoang, & Lapumnuaypon, 2007; Huang, 2010; Peloquin, 2011).

#### **i. Types of Synergy**

Synergy occurs when the acquiring banking and financial institution purchases and merges the acquired banking and financial institution's complementary assets, like its customer base, equipments and goodwill (like brand recognition). The Efficiency Theory theorizes that mergers and acquisitions are planned and executed to achieve three types of synergies - operational synergy, financial synergy and collusive synergy. Synergy leads to economic and financial gains and benefits, like higher bank profits, for the acquiring

bank through the improvements of operating efficiency based on economies of scale or scope and the sharing of one or more skills between the acquiring bank and the targeted acquired bank (Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Hoang, & Lapumnuaypon, 2007; Huang, 2010; Kilic *et al.*, 2011; Weitzel & McCarthy, 2009).

## **ii. Synergy, Complementarity and Friendly Mergers and Acquisitions**

Friendly mergers and acquisitions between banks that have complementary assets and resources produce a friendly environment where friendly cooperations among the top management and staff of the banks lead to an easier and faster integration of the merged banks, thus resulting in a higher probability of achieving synergies. The complementary assets or resources may entail the banks operating in related but different markets that feed each other (Hitt, Harrison & Ireland, 2001).

## **iii. Synergy, Complementarity, Citicorp, JP Morgan Chase and Chase Manhattan**

The US \$70 billion merger between Citicorp and Travelers resulted in the combining of different but yet complementary and supportive resources that created synergy and a competitive megabank with over US \$700 billion in assets and a financial institution that is the first global franchised universal retail bank in the world. The merged Citigroup is the product of combining a global bank (Citicorp) with an insurance corporation (Travelers Life and Annuity) and a brokerage related products and services corporation (Salomon Smith Barney) (Hitt, Harrison & Ireland, 2001).

The acquiring and acquired bank's complementary resources permit the newly created merged bank to create synergy through the filling of geographic or product gaps that existed in the acquiring and acquired banks. The takeover of Bank One by JP Morgan Chase in 2004, which combined JP Morgan Chase's strengths in investment and retail banking in the northeast of USA with Bank One's commercial banking presence in the Midwest of USA, and the merger of Bank of America with Fleet Boston in 2003 created the two largest US banks in USA (Hagendorff, Collins & Keasey, 2007; Hitt, Harrison & Ireland, 2001).

Wall Street reacts favorably when it believes that a merger and acquisition will create synergy and increase the value of the merged bank's stock. For example, the announcement of the merger between Chemical Banking and Chase Manhattan resulted in Chase Manhattan's share price increasing by 11 percent while Chemical Banking's share price increased by 9.6 percent. The sharing of the complementary resources of the 2 banks resulted in significant cost reductions, thus increasing the operational efficiency of the newly created merged bank. The combined bank became a huge multinational banking institution with leading businesses in retail banking, wholesale lending, loan syndications, underwriting, trading, advisory and venture capital (Hitt, Harrison & Ireland, 2001).

#### **iv. Synergy and the Valuation Theory and Investment Theory**

The Valuation Theory and Investment Theory hypothesize that mergers and acquisitions are planned and executed by the top management of the acquiring bank who have better information about the values of the targeted banks rather than the stock market. In free market economies, the main objective of the bank's agents is to increase and create maximum value for their bank's shareholders when they seek to create synergy through consolidations (Daniel & Metcalf, 2001; Hitt, Harrison & Ireland, 2001; Hoang & Lapumnuaypon, 2007; Knapp, Gart & Becher, 2005; Pasiouras & Zopounidis, 2008).

#### **v. Synergy and Four Foundations**

The creation of synergy in a merged bank is based on four foundations - strategic fit, organizational fit, managerial actions and value creation. Strategic fit refers to the effective matching of organizational capabilities between the acquiring and acquired bank. Resource complementarity is an important type of strategic fit which can lead to synergy through the combining of the operations, marketing, R&D or management of the acquiring and the acquired bank. Strategic fit through operations synergy focuses on how the newly merged bank integrates its functional activities through economies of scale and scope. Organizational fit occurs when the acquiring and the acquired banks have similar cultures, management processes, systems and structures. A reasonably high degree of compatibility can facilitate communication, learning and sharing of activities, skills and resources between the acquiring and acquired banks (Hitt, Harrison & Ireland, 2001).

## **vi. Synergy and Performance**

A merger and acquisition can boost financial performance through the eliminations of redundant facilities (like branches and buildings), staff, ICT systems and other resources and through the consolidations of skills, technologies and resources. The combined market shares of the merged banking and financial institution are larger, thus leading to the benefits of economy of scale, reduced operating costs, improvements in bank efficiency and productivity, reduced risks, assets restructurings, increased debt capacities, lower interest rates and tax savings (Rasidah Mohd Said, Fauzias Mat Nor, Low & Aisyah Abdul Rahman, 2008).

### **b. Other Rationale for Mergers and Acquisitions**

#### **i. Mergers and Acquisitions and Deregulations**

There are significant empirical evidences to show that mergers and consolidations are higher in deregulated industries (like the financial services, telecommunications, media, health care, utilities and defence industries) compared to regulated industries, because deregulations break down artificial barriers and stimulated competitions. Historically, banking and financial institutions in USA, European Union, China and other countries of the world have operated in a highly regulated environment which has affected the size and number of banking and financial institutions in the banking and financial industry. With recent deregulations of the industry, banking and financial institutions have responded by increasing their takeover activities. The actual sustainable growth rate that

a banking and financial institution can achieve depends on the growth of the market in which it operates and the actions and reactions of its competitors (DePamphilis, 2010; Hagendorff, Collins & Keasey, 2007; Olson & Pagano, 2005).

## ii. Mergers and Acquisitions and Agency Theory

According to DePamphilis (2010), agency problems and mismanagement occur when there is a difference between the current managers and the shareholders of the corporation. Due to the Agency Theory, banking and financial institutions perform consolidations because of the selfish interests of their top executives who wanted to increase their influence in managing the resources of their banking and financial institutions at the cost of the welfare of their shareholders. In line with the Agency Theory, Berle and Means (1932) developed the Corporate Control Hypothesis, which suggests that managers control their banking and financial institutions and have no significant shareholdings in their banks (DePamphilis, 2010; Hoang & Lapumnuaypon, 2007; Huang, 2010).

## iii. Mergers and Acquisitions and Managerialism Theory

The Managerialism Theory, according to DePamphilis (2010), states that managers perform mergers for their own selfish motives – like the incentive and lure of personal selfish ego, wealth, fortune and money for the top management of an acquiring banking and financial institution. More than half of all takeover deals are today financed by stock transactions and not by cash (Daniel & Metcalf, 2001; DePamphilis, 2010).

#### iv. Mergers and Acquisitions and the Managerial Hubris Theory

Some mergers and acquisitions are motivated by the Managerial Hubris Theory, which states that the top management of the acquiring banking institution exhibit managerial pride and overconfidence, arrogance and overestimation of their own competence and capabilities by overestimating the expected synergies from the mergers and acquisitions. They thus overestimate the value of and overpay for the targeted acquired banking and financial institution. This results in a loss in value for the acquiring firm and its stock price and financial performance will decrease after the deal, thus leading to the “Winners Curse” problem (DePamphilis, 2010; Huang 2010; King, Slotegraaf & Kesner, 2008; Weitzel & McCarthy, 2009).

#### v. Mergers and Acquisitions and Financial Theory

According to DePamphilis (2010), Hoang and Lapumnuaypon (2007), Knapp, Gart and Becher (2005 and Weitzel and McCarthy (2009), the Financial Theory suggests that banks perform their mergers and acquisitions of other banking institutions so as to enhance the value, wealth and reputations of their shareholders and to build up the spheres of influence of their CEOs and their top management team, who will then receive higher compensations as a result of having more assets and more employees under their management.

#### vi. Mergers and Acquisitions and Empire-building Theory

According to the Empire-building Theory, the top executives of banking and financial institutions also want to maximize their own benefits, instead of their shareholders' values, by building their own banking empires and managing their bigger and larger merged banking and financial institution, and thus acquiring more financial powers. Another motive for mergers and consolidations is the desire of managers to defend their bank from being acquired and for their banking institution to become "too big to fail" (DePamphilis, 2010; Dymski, 2002; Hoang & Lapumnuaypon, 2007; Knapp, Gart & Becher, 2005; Mcleod, 2010; Promptak, 2009; Weitzel & McCarthy, 2009).

According to Rubi Ahmad, Mohamed Ariff and Skully (2007), top bank executives perform the consolidations of their banks so as to diversify away and reduce their risks of unemployment because the merged banking and financial institutions are bigger, richer, stronger, more stable, more robust and less likely to fail (DePamphilis, 2010; Dymski, 2002; Hernando, Nieto & Wall, 2009; Hoang & Lapumnuaypon, 2007; Knapp, Gart & Becher, 2005; Mcleod, 2010; Promptak, 2009; Weitzel & McCarthy, 2009).

#### vii. Mergers and Acquisitions and the Managerial Efficiency Theory

The researcher Vennet (1996) stated that according to the Managerial Efficiency Theory, bank takeovers occur as answers to the failure of internal monitoring mechanisms, whereby the market for bank control can be perceived as the ultimate disciplinary tool to align the interests of the shareholders and the managers of the banks. It is hypothesized

and testable that poorly performing banks are more likely to be targets of takeovers by better managed and better performing banks (Vennet, 1996).

#### viii. Mergers and Acquisitions and Market Power Theory

The Market Power Theory hypothesises that market power exists when a merged bank can sell its products and services above the existing competitive market prices or when its service costs are lower than the costs of its competitors. Market power is the product of the merged bank's size, the degree of sustainability of its current competitive advantages and its ability to make decisions today that will yield new competitive advantages tomorrow (Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Weitzel & McCarthy, 2009).

#### ix. Mergers and Acquisitions and Monopoly Theory

According to the Monopoly Theory, banks perform mergers and acquisitions so as to increase their market powers, defend their market positions and overcome capital market inefficiencies through cross-border mergers or acquisitions, create maximum value and wealth for their shareholders and increase their global competitiveness in the global economy by acquiring banks which compete in the same banking industry (a horizontal acquisition), or a supplier or distributor firm (a vertical acquisition), or a financial institution in a related industry (a related acquisition). A horizontal merger has a greater chance of creating synergy, like cost-based synergy, and higher performance because the acquiring and the acquired banks have similar managerial styles, similar strategies and

similar resource allocations (Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Hoang & Lapumnuaypon, 2007).

x. Mergers and Acquisitions and Maximization of Shareholders' Value

Berger, Demsetz and Strahan (1999) and Rubi Ahmad, Mohamed Ariff and Skully (2007), researched and concluded that one of the major incentives for banks to merge is that the merger maximises the value of shareholders by increasing the merged bank's market power, efficiency and risk diversification. A bank consolidation enables costs to be reduced due to economies of scale or scope because redundant facilities and personnel are eliminated after the merger and acquisition exercise (Prompitak, 2009).

xi. Mergers and Acquisitions and Established Customer Base

Some banking institutions believe that developing new products, new services and new businesses internally can be expensive, time intensive, time consuming and risky. Hence, by acquiring an existing banking institution, the merged banking institution acquired an established sales volume, customer base, ready made business operation, successful financial performance, reduced costs and immediate, rapid and significant presence in the banking and financial market (Hitt, Harrison & Ireland, 2001; Jeyapalan Kasipillai, 2003).

## xii. Mergers and Acquisitions and Net Gains for Financial Sectors

Through mergers and acquisitions, banks and financial institutions have grown bigger and market more diverse products and services to their customers in many more countries in the world. Bank regulators believe that the consolidations of banks and financial institutions result in net gains for the financial sectors of the countries in the world. This is because the merged banks become larger and have better access to capital markets that lead to lower costs of capital, exploit cost-based synergies to lower transaction costs, achieve cost advantages due to their expansions, increase higher market liquidity, increase better risk diversifications, absorb excess capacity in the banking system and reduce the risks of bank failures (Hagendorff, Collins & Keasey, 2007; Hoang & Lapumnuaypon, 2007; Mcleod, 2010).

## xiii. Mergers and Acquisitions benefit Top Executives, Investment banks and Wall Street

A researcher, Dymski (1999), discovered that banks performed mergers and acquisitions because the main beneficiaries of the takeovers were their top executives, investment bankers and Wall Street, and not their shareholders, customers, regulators or small businesses. The top executives paid themselves higher salaries, bonuses and other remunerations like share options (Dymski, 2002; Mcleod, 2010; Rubi Ahmad, Mohamed Ariff & Skully, 2007).

### **3.14 Rationale for the Acquisitions of Malaysian Domestic Banks in the Malaysian Banking Arena**

Bala Shanmugam and Mahendran Nair (2003) stated that the creation of the 10 (8 in 2011) Malaysian domestic banking groups was to ensure that the larger, more efficient, more competitive and better capitalized Malaysian domestic banking and financial institutions can withstand the pressures, challenges and competitions that arise from the more deregulated, liberalized, globalized and competitive global banking environment.

According to Yu, Xu, Ariff and Yap (2001), Malaysia was regarded by many industry analysts as over-banked and fragmented, with too many financial institutions operating and hence they were not able to tap economies of scale and the benefits of Information Communication Technology (ICT) systems. Rubi Ahmad, Mohamed Ariff and Skully (2007) stated that Malaysian policy makers were of the view that Malaysia had too many banks for a small economy because of the very high banking density (total population divided by total number of bank branches) in the small Malaysian economy. Based on a research by Geeta Krishnasamy, Alfieya Hanuum Ridzwa and Vignes Perumal (2003), Malaysia was reported in 1999 to be over-banked with resources wasted due to the replications of the 2,712 branches of the 58 Malaysian domestic banks in the same locality.

The other reasons are to increase their strategic competitiveness, earn above average returns, maximize and increase their profits and corporate wealth, consolidate and

increase their market shares, gain competitive advantages over their competitors, increase the values of their shareholders, acquire more assets and capital, increase their market powers and defend their market positions, create synergy, create economies of scale and scope, create cross sellings, transfer resources and assets, create and build banking empires, increase their operating efficiencies and productivities, increase their financial health and prevent bankruptcies and become stronger through bigger capitalizations (Bala Shanmugam & Mahendran Nair, 2003; Dymski, 2007; Gaughan, 2005; Hitt, Harrison & Ireland, 2001; Hitt, Hoskisson & Ireland, 2007; Huang, 2010; International Labour Organization, 2001).

### **3.15 Problems of Mergers and Acquisitions of Banking and Financial Institutions in the Global Banking Arena**

- a. Reasons for the Failures of Mergers and Acquisitions
  - i. Failures of Mergers and Acquisitions due to Clashes between Employees and Corporate Work Cultures

Hitt, Harrison and Ireland (2001) found that the merger and acquisition of a banking institution fails because there is no thorough due diligence done on the corporate cultural compatibility and human resource and capital issues of the two banking institutions. Conflicts and differences in the corporate work cultures and DNAs, leadership and management styles, operating systems and philosophies, human resource policies and practices, processes, corporate structures, communication styles, employee relations

climate and remuneration and compensation schemes between the two banking institutions lead to problems, animosities, fights and the eventual failure of the consolidation exercise.

## ii. Failures of Mergers and Acquisitions due to Ethical Problems

Ethical problems, such as deceptions, dishonesty and opportunisms, can cause problems and failures of mergers and acquisitions. For example, the top executives involved in the takeover exercise "cook the books", hide and manipulate relevant but damaging financial information or lie about their actual motives. They put their own selfish personal interests above and at the expense of other stakeholders, like their employees or their shareholders. However, the acquiring bank can provide incentives, like stock options or cash compensations, to motivate its executives to take actions that are consistent with the best interests of its stakeholders. The main responsibility for ensuring ethical behaviors of its executives falls on the vigilant board of directors of the acquiring banking institution, who can discover unethical problems early (Hitt, Harrison & Ireland, 2001).

The targeted acquired bank's resistance and differences with the acquiring bank's top executives and staff can result in a high turnover and resignations of key executives of the targeted acquired bank. This is due to the "we (acquiring bank) win, you (acquired bank) lose mentality" that is so common in mergers and acquisitions. The resignations of

key executives will affect the performance of the merged banks (Buono & Bowditch, 1989; Hitt, Harrison & Ireland, 2001; Kephart, 2010; King, Slotegraaf & Kesner, 2008).

### **3.16 Chapter Summary**

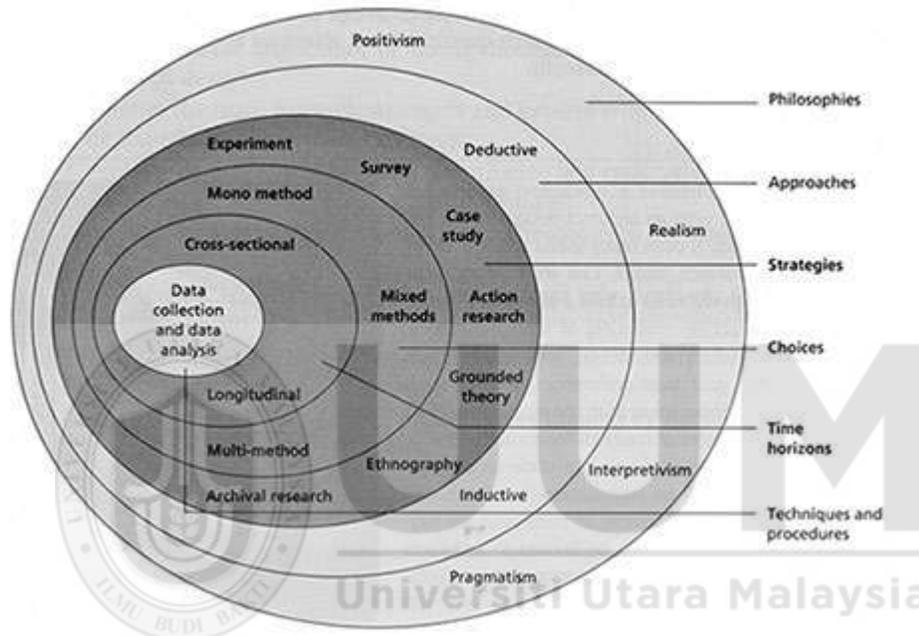
Chapter 3 Literature Review documents the reviews of the literature and past studies that are related to the variables and the elements of human resource used in this study. This chapter also reviews the related theories on acquisitions and the variables.



## CHAPTER 4

### RESEARCH METHODOLOGY

#### 4.0 Research Philosophy and Approach



**Figure 4.1 – The Research Onion**

(Source – Saunders, Lewis and Thornhill, 2012)

According to Saunders, Lewis and Thornhill (2012), the first layer of the Research Onion shows the realism, interpretivism and positivism research philosophies; the second layer shows the inductive or deductive research approaches; the third layer shows the survey, case study, grounded theory, experiment, action and ethnography research strategies; the fourth layer shows the longitudinal and cross-sectional time horizons; the fifth layer

shows the secondary and primary data collection methods and sixth layer shows the measurement of the reliability and validity of the research.

In this study, the researcher used the Positivism research philosophy that applied the use of the natural sciences approach to the social reality research. Positivism research philosophy used the Deductivism approach, where the researcher developed a theory and hypotheses and designed a research strategy to test the hypotheses. According to Bryman and Bell (2013), the process of deductive research is as follows :-

1. Theory
2. Hypothesis/ Hypotheses
3. Data collection
4. Findings
5. Hypothesis confirmed or rejected
6. Revision of theory

#### **4.1 Research Design**

The researcher used the quantitative research methodology. The research process begins with a literature review of the research topic, the success factors and the underpinning and supporting theories and the secondary data on the research topic from books and journals from University of Malaya Library and Bank Negara Malaysia Sasana Kijang Resource Centre, the Internet and the Sultanah Bahiyah [www.cmslib.uum.edu.my](http://www.cmslib.uum.edu.my) e-

library. The primary data were collected via the structured survey questionnaires and structured interviews were then conducted with the respondents. The data were tested using SPSS version 20.

The 4 independent variables (IVs), and the 1 dependent variable (DV) are all based on, chosen from and adapted from past researches by Leeamornsiri (2005), Lin (2006), Hoang and Lapumnuaypon (2007), Hazlina Abd-Kadir, Zarehan Selamat and Muzlifah Idros (2010), Muhammad Hafiz Desa (2007) and Bala Shanmugam and Mahendran Nair (2003) and are also underpinned and supported by the necessary underpinning and supporting theories.

Likewise, the 3 measuring instruments (1 structured survey questionnaires, 1 demographic data questionnaires and 1 structured interview) and the 26 survey questions of the structured survey questionnaires are all based on and adapted from past researches by Leeamornsiri (2005), Lin (2006) and Hoang and Lapumnuaypon (2007). The 3 self-administered primary data measuring instruments were given to and answered by the sampling size of 139 randomly chosen bank staff respondents who know/knew or are/were directly/indirectly involved in the acquisitions and are currently working in the Headquarters of the 8 Malaysian domestic banks that are physically located in the Klang Valley of Malaysia.



### 4.3 Hypotheses Development

The 4 hypotheses are based on the 4 research questions and the 4 research objectives.

#### 4.3.1 Development of Hypothesis 1

Leeamornsiri (2005) stated that there is a significant relationship between human resource competencies and the abilities of staff to perform their job responsibilities successfully during the acquisition processes. His finding showed that Human Resource competencies are critical to enable the organizations to achieve the objectives of their acquisitions. Based on this research, the researcher hypothesized that :-

*Ha1: There is a positive and significant relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks.*

#### 4.3.2 Development of Hypothesis 2

According to Leeamornsiri (2005) and Rizvi (2011), there is a strong, significant, positive and direct correlation between human resource development programmes and the success of acquisitions of a corporation. Hence, the researcher hypothesized that :-

*Ha2: There is a positive and significant relationship between human resource development programmes and the success of the acquisitions of the Malaysian domestic banks.*

### 4.3.3 Development of Hypothesis 3

A study by Kephart (2010) showed that the successful acquisitions of corporations is because of the successful integration of corporate work cultures. Likewise, Leeamornsiri (2005) concluded that the factors that influence the success of acquisitions included cultural compatibility and the blending of management styles. Thus, it is hypothesized that :-

*Ha3: There is a positive and significant relationship between corporate work cultures and the success of the acquisitions of the Malaysian domestic banks.*

### 4.3.4 Development of Hypothesis 4

Past researches by Schuler and Jackson (2001), Galpin and Herndon (2007) and Daniel (1999), showed that leadership style is a critical success factor that contributed to the success or failure of the acquisitions of banks. Therefore, the following hypothesis is stated as :-

*Ha4: There is a positive and significant relationship between leadership style and the success of the acquisitions of the Malaysian domestic banks.*

## **4.4 Operational Definition and Instrumentation**

The operational definition of the Dependent Variable (DV) of the success of the acquisitions of the Malaysian domestic banks is defined as the measurements of 4 Key Performance Indicators (KPIs) of (i) assets sizes, market capitalizations and Profit After

Tax And Minority Interest (PATAMI) of the Malaysian domestic banks, (ii) market shares of the Malaysian domestic banks, (iii) efficiency and performance of the Malaysian domestic banks and (iv) profitability of the Malaysian domestic banks, as per the researches of Hazlina Abd-Kadir, Zarehan Selamat and Muzlifah Idros (2010), Muhammad Hafiz Desa (2007) and Bala Shanmugam and Mahendran Nair (2003).

The 4 independent variables (factors) are the (i) Human Resource competencies, (ii) Human Resource development programmes, (iii) corporate work cultures and (iv) leadership style.

The operational definition for each independent variable is as follows :-

a) The Human Resource competencies

It is adopted and adapted from Leeamornsiri (2005) and Lin (2006) and is defined as the measurements of competencies like technical knowledge, practical skills and working experiences, staff and personal relationship and communication skills, technical expertise in ICT systems and Human Resource expertise in legal matters such as the post acquisition integration of the salaries, compensation schemes and employment agreements of the staff of the acquiring and the acquired banks that contributed significantly to the success of the acquisitions of the Malaysian domestic banks.

b) The Human Resource development programme

It is defined as the measurements of programmes, like company training programmes for their staff, staff pursuing their academic and professional programmes, developing their employees' retention programmes, sending their staff for counselling sessions to reduce their resistance to changes in the Malaysian domestic banks and developing performance, evaluation and compensation schemes to reward their employees, that contributed significantly to the success of the acquisitions of the Malaysian domestic banks, as according to Leeamornsiri (2005) and Lin (2006).

c) Corporate Work Cultures

According to Hoang and Lapumnuaypon (2007), the Corporate Work Cultures are the measurements of the rewarding, complementary and compatible corporate work cultures between the Malaysian acquiring domestic banks and the Malaysian acquired domestic banks that contributed significantly to the success of the acquisitions of the Malaysian domestic banks.

d) Leadership Style

As per Hoang and Lapumnuaypon (2007), the Leadership Style is defined as the measurements of the leadership style, like the Transformational leadership and change management styles, with strong, effective, visionary, motivational and team work leadership styles, that contributed significantly to the success of the acquisitions of the Malaysian domestic banks.

For the instrumentation, the demographic questionnaires comprised of 6 demographic questions. The structured survey questionnaires consisted of 20 questions (items) – 5 questions each measuring each of the 4 Independent Variables and 6 questions measuring the 1 Dependent Variable.

Each of the 4 Independent Variables is measured directly using 5 appropriate questions that use the following 5 point Likert scale :-

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

The 1 Dependent Variable is measured directly by using 6 questions that use the following 5 point Likert scale :-

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                      5 = very successful

(Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

**Table 4.1 – Summary of Operational Definition**

No.	Factor	Operational Definition
1.	Dependent Variable (DV) – Success of the acquisitions of the Malaysian banks.	This DV is measured by 6 items.
2.	Independent Variable (IV) – Human Resource competencies.	This IV is measured by 5 items.
3.	Independent Variable (IV) – Human Resource development programmes.	This IV is measured by 5 items.
4.	Independent Variable (IV) – Corporate Work Cultures.	This IV is measured by 5 items.
5	Independent Variable (IV) – Leadership style.	This IV is measured by 5 items.

**Table 4.2 – Factors and Items and Researchers**

<b>No.</b>	<b>Factor</b>	<b>No. of Items</b>	<b>Researchers who Constructed the Survey Questionnaires</b>
1.	Factor – Success of the Acquisitions of the Malaysian domestic banks.	6	Hazlina Abd-Kadir, Zarehan Selamat & Muzlifah Idros, 2010; Muhammad Hafiz Desa, 2007; Bala Shanmugam & Mahendran Nair, 2003.
2.	Factor – Human Resource Competencies.	5	Leeamornsiri, 2005; Lin, 2006.

3.	Factor – Human Resource Development Programmes.	5	Leeamornsiri, 2005; Lin, 2006.
4.	Factor – Corporate Work Cultures.	5	Hoang and Lapumnuaypon, 2007.
5.	Factor – Leadership Style.	5	Hoang and Lapumnuaypon, 2007.

**Table 4.3 – Measurements of Demographic Data of the Bank Respondents**

Section A. Question No.	Items	Researchers who Constructed the Demographic Questions
1.	Grouping of current job position of the respondent in his/her current Malaysian domestic bank.	Leeamornsiri, 2005; Lin, 2006.
2.	No. of years the respondent works in his/her current job position in his/her current Malaysian domestic bank.	Leeamornsiri, 2005; Lin, 2006.
3.	Highest qualification acquired by the respondent.	Leeamornsiri, 2005; Lin, 2006.
4.	The age bracket of the respondent.	Leeamornsiri, 2005; Lin,

		2006.
5.	During the acquisitions of the respondent's own Malaysian domestic bank, is/was the respondent's bank the acquiring bank or the acquired bank ?	Leeamornsiri, 2005; Lin, 2006.
6.	The acquisitions of the respondent's own Malaysian domestic bank occur after the year 2001 under a friendly bank acquisition exercise.	Leeamornsiri, 2005; Lin, 2006.

**Table 4.4 - Measurements of the Success of the Acquisitions of the  
Malaysian Domestic Banks**

<p><b>Section C. Survey Question No.</b></p>	<p><b>Measurements of the Dependent Variable – the Success of the Acquisitions of Malaysian Domestic Banks.</b></p>
<p>1.</p>	<p>To what extent does the respondent perceive the success of the acquisitions of the 10 (now 8 in 2011) Malaysian domestic banks.</p>
<p>2.</p>	<p>To what extent does the respondent perceive the success of the acquisitions of the respondent’s own Malaysian domestic bank.</p>
<p>3.</p>	<p>Based on the assets size, the market capitalization and Profit After Tax And Minority Interest (PATAMI) of the respondent’s own Malaysian domestic bank, to what extent does the respondent perceive the success of the acquisitions of the respondent’s own Malaysian domestic bank.</p>

4.	Based on the market share of the respondent's own Malaysian domestic bank, to what extent does the respondent perceive the success of the acquisitions of the respondent's own Malaysian domestic bank.
5.	Based on the efficiency and performance of the respondent's own Malaysian domestic bank, to what extent does the respondent perceive the success of the acquisitions of the respondent's own Malaysian domestic bank.
6.	Based on the profitability of the respondent's own Malaysian domestic bank, to what extent does the respondent perceive the success of the acquisitions of the respondent's own Malaysian domestic bank.

#### 4.5 – Measurements of the Human Resource Competencies

<b>Section B.</b> <b>Survey</b> <b>Question</b> <b>No.</b>	<b>Measurements of Human Resource Competencies</b>
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<p>1 a.</p>	<p>Human resource competencies, like technical knowledge, practical skills and working experiences, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>1 b.</p>	<p>Human resource competencies, like staff and personal relationship and communication skills, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>1 c.</p>	<p>Human resource competencies, like practical skills and technical experiences and expertise in ICT systems, contributed significantly to the success of the post acquisition integration of the ICT systems and hence contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>1 d.</p>	<p>Human resource competencies, like practical skills and technical experiences and expertise in Human Resource, contributed significantly to the success of the post acquisition integration of the Human Resource practices and corporate work cultures of the acquiring and acquired banks and hence contributed significantly to the success of the</p>

	acquisitions of the Malaysian domestic banks.
1 e.	Human resource competencies, like practical skills and technical experiences and expertise in legal matters in Human Resource, contributed significantly to the success of the post acquisition integration of the salaries, compensation schemes and employment agreements of the staff of the acquiring and the acquired banks and hence contributed significantly to the success of the acquisitions of the Malaysian domestic banks.

**Table 4.6 – Measurements of Human Resource Development Programmes**

<b>Section B. Survey Question No.</b>	<b>Measurements of Human Resource Development Programmes</b>
2 a.	Human resource development programmes, like in-house company training and external company training programmes for their staff, contributed significantly to the success of the acquisitions of the

	Malaysian domestic banks.
2 b.	Human resource development programmes, like staff pursuing their certificate, diploma, degree, master or doctorate programmes, professional programmes and blended e-learning programmes, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.
2 c.	Human resource development programmes, like developing their employees' retention programmes to ensure that talented and performing staff remain and are retained within the Malaysian domestic banks, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.
2 d.	Human resource development programmes, like sending their staff for counselling sessions to reduce their resistance to changes in the Malaysian domestic banks, contributed significantly the to the success of the acquisitions of the Malaysian domestic banks.

<p>2 e.</p>	<p>Human resource development programmes, like developing performance evaluation and rewarding and compensation systems/schemes to ensure that the employees' performances are fairly recognized and rewarded, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
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**Table 4.7 – Measurements of Corporate Work Cultures**

<p><b>Section B. Survey Question No.</b></p>	 <p><b>Measurements of Corporate Work Cultures.</b></p>
<p>3 a.</p>	<p>Complementary, compatible, friendly and similar corporate work cultures between the Malaysian acquiring domestic banks and the Malaysian acquired domestic banks contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>

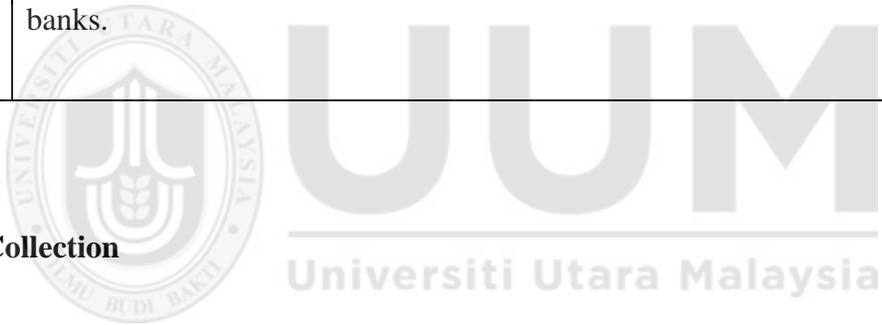
<p>3 b.</p>	<p>Excellent corporate work cultures, like motivating, recognizing and rewarding innovative and profit making ideas, opinions and contributions from their employees, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>3 c.</p>	<p>Good corporate work cultures, like creating a positive and rewarding working environment to enhance the satisfactions and performances of their employees, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>3 d.</p>	<p>Promoting and enhancing the newly integrated, good, friendly and compatible corporate work cultures in the Malaysian domestic banks significantly lead to the success of the acquisitions of the Malaysian domestic banks.</p>
<p>3 e.</p>	<p>Hostile, clashing, incompatible and different corporate work cultures between the Malaysian acquiring domestic banks and the Malaysian acquired domestic banks will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic</p>

	banks.
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**Table 4.8 – Measurements of Leadership Style**

Section B. Survey Question No.	Measurements of Leadership Style
4 a	Transformational leadership and change management styles, like strong, effective and visionary leadership styles, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.
4 b.	Transformational leadership and change management leadership styles, like motivational leadership styles, engaging and team work leadership styles, contributed significantly to the success of the acquisitions of the Malaysian domestic banks.
4 c.	Transformational and change management leadership styles, like the planning, training and grooming of talented, top performing and promising employees for the succession of leaderships, contributed significantly to the success of the acquisitions of the Malaysian domestic

	banks.
4 d.	Wrong leadership style, like autocratic, coercive and non-consultative leadership style, will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic banks.
4 e.	Poor and weak leadership style, like weak, disengaged and poor communication leadership style, will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic banks.



**4.5 Data Collection**

**4.5.1 Population and Sampling**

According to the Association of Banks in Malaysia (2014), the population size is 220 bank respondents. They are bank staff (clerks, secretaries, executives, officers, managers, general managers, Heads of Departments, Vice-Presidents, Directors, CEOs, Chairman) from the Human Resource Department or staff from other departments, who know/knew about or are/were involved directly or indirectly in the acquisitions of their own Malaysian domestic banks and are now currently working in the Headquarters of the 8 Malaysian domestic banks that are physically located in the Klang Valley of Malaysia. According to

the Table for Determining Sample Size from a Given Population given by Krejcie and Morgan (1970), based on the population size of 220 bank respondents working in the Headquarters of the 8 Malaysian domestic banks in the Klang Valley, the sampling size is determined to be 139 bank respondents by using a systematic random sampling method, where every bank staff in the population of 220 bank staff has a known and equal probability of being selected.

The sampling size is calculated from the Krejcie-Morgan formula :-.

$$s = \frac{X^2 NP(1-P)}{d^2 (N-1) + X^2 P(1-P)}$$

where

$s$  = required sample size.

$X^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

$N$  = the population size.

$P$  = the population proportion (assumed to be 0.50 since this would provide the maximum sample size).

$d$  = the degree of accuracy expressed as a proportion (0.05).

(Krejcie & Morgan, 1970).

The unit of sampling is the individual bank staff, and not the bank itself. The respondent is the bank staff who was directly or indirectly involved in the directed bank acquisitions and who is readily accessible and can voluntarily answer the questions in the structured

survey instruments. Hence, those bank staff who are working for less than 7 years were excluded from the sample (Krejcie & Morgan, 1970; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

Regarding the procedures of collecting the data, the sampling size of 139 bank respondents were randomly chosen from those bank staff who were involved in the First Wave (1999), Second Wave (2002) and Third Wave (2011) of the acquisitions of the Malaysian domestic banks. In 1999, the First Wave of the acquisitions occurred when Bank Negara Malaysia directed the consolidations of the 58 Malaysian banking and financial institutions to form 6 (later 10) core banking groups. In 2002, the Second Wave of the acquisitions occurred when Utama Banking Group acquired RHB Banking Group. Currently, the Malaysian Employees Provident Fund (EPF) has bought over the controlling shares from UBG (RHB Bank, 2002; Wong, Jomo & Chin, 2006). In 2006, CIMB Bank bought over Southern Bank Berhad. The Third Wave of the acquisitions occurred in 2011, when under a friendly acquisition exercise, Hong Leong Banking Group acquired EON Bank, thus reducing the number of Malaysian domestic banking groups to the current 8 domestic banking groups (Bala Shanmugam & Mahendran Nair, 2003; Oh, 2010).

In view of the fact that some bank respondents may not answer and return their answered survey instruments to the researcher and also there may be some missing data (responses) in the survey instruments, the researcher decided to send the survey instruments to 192 bank respondents for them to answer the survey instruments and return them to the researcher

According to Sekaran (2006), for the Pilot Testing of the structured survey instruments, the minimum sampling size is 30 bank staff and hence the researcher chose 40 bank respondents by randomly choosing those that met the sampling criteria from the Headquarters of the 8 Malaysian merged domestic banks.

#### **4.5.2 Data Collection Procedures**

##### **a. Survey Questionnaires**

The 3 major methods of primary data collection used for this doctoral dissertation were one self administered structured survey questionnaires, one self administered demographic data questionnaires and one self administered interview. The 20 questions for the 4 independent variables and the 6 questions for the 1 dependent variable, the one demographic data questionnaires and the one self administered interview were all created by the researcher himself but were based on and modified from other researchers' tested and proven measuring instruments and are attached in Appendix 2 (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Leeamornsiri, 2005; Sekaran, 2000).

### **b. Time Horizon Snap-shot Cross-sectional Data Collection Method**

The data collection method is the time horizon snap-shot cross-sectional studies method. It is a primary data collection method that permitted primary quantitative data (collected once only using one self administered and self explanatory structured survey questionnaires and one self administered demographic data questionnaires) to be collected from the 192 randomly chosen bank staff respondents (Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

### **c. Confidentiality of Bank Staff Respondents' Responses**

The bank staff respondents were assured and guaranteed that utmost privacy, confidentiality and anonymity were maintained to protect them and the data that were collected from them. No names were mentioned in the Proposal Defence and the Viva Voce of the dissertation. The responses that were collected from them were solely for academic and research purposes. They were assured and guaranteed that the structured survey instruments were conducted and administered in total compliance with the laws of Malaysia and international laws, with utmost honesty and complying with the highest ethical standards in business research (the International Code of Marketing and Social Research Practice set by the International Chamber of Commerce and ESOMAR) (Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

**d. Steps to Perform the Self Administered Structured Survey Instruments**

i. The telephone number and the physical address of each of the Headquarters of the 8 Malaysian domestic banks were found by viewing the Contact Us web page of its website.

ii. The researcher then travelled personally to the Headquarters of each of the 8 Malaysian domestic banks and handed in personally to the Head of the Corporate Communications Department who then gave to the randomly chosen 192 bank staff respondents, the Letter of Authorization from the Director of UUM Kuala Lumpur and the structured survey instruments.

During this session, the researcher explained the technical terms to the Head of the Corporate Communications Department, who then explained the technical terms to the bank respondents, for example, the profitability ratios.

iii. The researcher gave them one month to answer the structured survey instruments.

iv. After the one month, the researcher then telephoned the Head of the Corporate Communications Department to inquire whether they had finished answering the questions of the structured survey instruments.

- v. If the answer was a yes, the researcher then travelled to his/her bank Headquarters office and personally collected the answered survey instruments from the Head of the Corporate Communications Department..

(Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

## **4.6 Techniques of Data Analyses**

### **4.6.1 Steps Taken**

According to Sekaran (2006) and Hair, Money, Page, Mike and Samouel (2007), data analyses in quantitative research involve the following 4 steps :-

- a. Getting the collected data ready for statistical analyses using the SPSS version 20 software
- b. Getting a feel for the collected data
- c. Testing the goodness of the collected data
- d. Testing the hypotheses

### **4.6.2 Data Entry**

After the quantitative data had been collected from the answers to the structured survey instruments, they were edited, coded, categorized and entered into the variable view and

data view of the SPSS version 20 software. They were examined and edited by the researcher to ensure their completeness, validity and consistency. Data screening and transformation techniques were used to ensure that the data had been entered correctly and that the distribution of the variables that were used in the data analysis were normal. Missing data were dealt with by using the SPSS version 20 software to replace the missing data by inputting the mean into the database file or the respondents (cases) were rejected and deleted (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2006).

#### **4.6.3 Empirical Statistical Tests**

The following SPSS version 20 empirical statistical tests were used :-

- a. Normality Tests
- b. Descriptive Statistics
- c. Cronbach's Alpha Test
- d. Bivariate Pearson product-moment correlation test
- e. Hypotheses Testings using Standard multiple linear regression analysis

(Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

### **a. Normality Tests**

According to Coakes and Steed (2007), to conduct parametric tests, using SPSS version 20, the data collected were tested and proven to be normally distributed using the various Normality Tests, like the Histogram and Bell Shaped Curve Test, Descriptive Statistics (Skewness and Kurtosis) Tests, Kolmogorov-Smirnov (with a Lilliefors significance level) and Shapiro-Wilk Statistics Test, Stem and Leaf Plot Test, Normal Q-Q Plot Test, Detrended Normal Q-Q Plot Test and Boxplot Test. Also, to conduct parametric tests on the data collected, the collected data must be randomly collected, Likert scale data, linearly distributed, exhibited no auto-correlation, no multicollinearity, no multivariate outliers and exhibited homoscedasticity, thus proving that the sample data collected correctly represented the population. Thus the findings from the resulting data analyses in this research were generalized to the population with confidence. If these assumptions were not met and were seriously violated, then parametric tests cannot be used, but instead non-parametric tests, like the Chi-square Test, Mann-Whitney U Test, Wilcoxon Signed-rank Test, Kruskal-Wallis Test, Friedman Test and Spearman Rank-order Correlation Test must be used. Non-parametric tests must be used and conducted on categorical data, like nominal or ordinal data, and cannot be used and cannot be conducted on Likert scale data (Coakes and Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2007).

## **b. Descriptive Statistics**

Descriptive statistics, including frequency, percentage, cumulative percentage and standard deviation were used to summarize the data that were collected from the structured survey questionnaires. The measures of central tendency (mean, median and mode) and measures of variability (variance, standard deviation, range and inter-quartile range) were used to describe the variability in the distribution of numbers. They allowed the researcher to acquire the feel for the collected quantitative data - that is the mean, range, standard deviation and variance, told the researcher a good idea (feel) of how the 139 bank respondents had reacted to all the items in the 4 independent variables and the 1 dependent variable survey instruments, how good were all the items and the measuring instruments and that there were no biases in the answers. Statistical tests using the SPSS version 20 software were used to assess the relationships that were being examined using descriptive statistics (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

## **c. Cronbach's Alpha Reliability Test**

According to Coakes and Steed (2007), there are many reliability analyses, like the Split-half reliability test, Guttman reliability test, Parallel reliability test and the Strictly parallel test. However, the most frequently used reliability test is the Cronbach's alpha reliability test.

The Cronbach's alpha test is used to test the goodness of the measure and the goodness of data. It is the testing of the reliability (consistency) and validity (accuracy) of the instruments of measures. Reliability and validity are the psychometric properties of an instrument of measure (a structured survey questionnaires). It is established by using item analysis, reliability test and validity test in order to ensure that the instruments of measures used to measure the variables for empirical parametric statistical analyses by SPSS version 20 software in rigorous business research are reliable and valid. An item analysis is done to ensure that all the items belong to the instruments of measures (Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

The Cronbach's alpha reliability test is an inter-item consistency reliability test. The Cronbach's alpha reliability test was conducted to test that the items (questions) in the survey questionnaires were highly correlated. This was to test that the 26 items (questions) in the survey questionnaires have reliability and internal consistency. It tested the internal reliability and the consistency of the 139 randomly chosen bank respondents' answers to all the 26 items in the survey questionnaires. Internal consistency referred to how accurately a test measured a single variable. Cronbach's alpha is a number indicating the degree of internal reliability. It ranges from 0 to 1. It is a function of the number of test items and the average inter-correlations among them (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

According to Nunnally (1978), a Cronbach Alpha value ranging from 0.7 to 0.9 is required. An alpha value ranging from 0.6 to 0.9 is acceptable. A Cronbach's alpha value

above 0.7 indicated a closer level of correlations among the 26 questions and a high level of their reliability and internal consistency. It indicated that the 139 bank staff respondents were answering the 26 questions in the survey questionnaires in a consistent manner and were free from bias, random or unstable errors. If the Cronbach's alpha value was 1, then it was wrong, because it showed that the questions (items) were measuring against themselves (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2000).

According to Hair *et al.* (2003), the Cronbach's Alpha value is interpreted as shown in Table 4.9.

**Table 4.9 – Cronbach's Alpha value Interpretations**

<b>Cronbach's Alpha Value</b>	<b>Interpretation</b>
< 0.6	Weak
0.6 – 0.7	Moderate
0.7 – 0.8	Good
0.8 – 0.9	Very Good
> 0.9	Excellent

#### **d. Factor Analysis**

According to Coakes and Steed (2007), factor analysis, particularly Principal Axis Factoring (PAF) or Principal Component Analysis (PCA) in Confirmatory Factor Analysis (CFA), is used to reduce a large number of variables (factors) to a smaller set of underlying variables (factors) that summarise the important information in the variables. It is a type of reliability test that determines whether the items are tapping into the same construct (dimension, variable or factor).

However, Field (2005) stated that the minimum sample size required is at least 300 cases in order to use factor analysis. Since the sample size of this research is 139 bank respondents, therefore factor analysis is not conducted.

#### **e. Bivariate Pearson Product-moment Correlation Testing**

The researcher used the bivariate Pearson Product-moment Correlation Test, which is a parametric inferential statistical test, to test and to examine the directions and the strengths of the relationships (correlations) between the 4 Independent Variables and the 1 Dependent Variable (Coakes & Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Lau, 2009).

A parametric bivariate Pearson Product-moment Correlation Analysis is the most common measure that describes the linear relationship (correlation) between 2 continuous variables. The Pearson correlation coefficient ( $r$ ) values range from -1 to +1. A negative sign in front indicates a negative correlation while a positive sign in front indicates a positive correlation. The size of the absolute value shows the strength of the linear relationship. To be significant (sig), 1-tailed  $p$  is less than 0.05 (Coakes & Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Lau, 2009).

According to Davis (1971), the strengths of the relationships between the independent variables and the dependent variable, are interpreted in Table 4.10.

**Table 4.10 - Interpretations of Relationships between Variables and  $r$  values**

<b>Correlation Value, <math>r</math></b>	<b>Strength of Relationship</b>
$\pm 0.70$ or higher	Very high relationship
$\pm 0.50$ to $\pm 0.69$	High relationship
$\pm 0.30$ to $\pm 0.49$	Moderate relationship
$\pm 0.10$ to $\pm 0.29$	Low relationship
$\pm 0.01$ to $\pm 0.09$	Very low relationship
0.0	No relationship at all

The Pearson Correlation Analysis has the following assumptions :-

- a. Data must be collected from related pairs.
- b. Use Likert interval scale.
- c. Each variable is normally distributed.
- d. Linear relationship between the 2 variables.
- e. Exhibits homoscedasticity (how the data of a variable cluster uniformly about the regression line (Coakes & Steed, 2007)

The linearity between 2 variables can be described as a straight line passing through the cloud of the data. Homoscedasticity is defined as the assumption that the Dependent Variable shows an equal of variance across the range of the Predictor Variables. The violation of this assumption is called heteroscedasticity (Hair, Black, Babin, Anderson & Tatham, 2006).

**e. Hypotheses Testings - Standard Multiple Linear Regression Analysis**

The researcher used the parametric standard Multiple Linear Regression Analysis to analyse and to obtain a simultaneous linear equation that described the relationships between the 4 predictor Independent Variables and the 1 criterion Dependent Variable and proved that the 4 hypotheses are correct and true and hence are accepted (Coakes &

Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Hair, Money, Page, Mike & Samouel, 2007; Lau, 2009; Sekaran, 2006).

The underpinning assumptions of the standard multiple simultaneous linear regression analysis were met and not violated - there were 5 times more cases (139 respondents) than the 4 Independent Variables (4 predictor IVs), no multivariate outliers were detected using Mahalanobis distance and the residuals did not exhibit multicollinearity and auto-correlation, but instead exhibited normality, linearity, homoscedasticity and independence of residuals. The critical Chi-square values of the Mahalanobis distance were all less than 13.8. See the Normal P-P Plot of Regression Standardized Residual and the Scatterplot in the attached Appendix 3 (Coakes & Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Lau, 2009).

The Durbin-Watson (DW) statistical test is a SPSS statistical test that tests for auto-correlation in the residuals of a Multiple Linear Regression Analysis. The value of a DW test statistics can be between 0 and 4. A DW value of approximately 2 means that the residuals are not correlated (no auto-correlation in the residuals), which satisfies the assumption of the Multiple Linear Regression Analysis that the residuals (observations) are independent of each other and are not correlated. A DW value close to 0 means a positive correlation, while a DW value of 4 means a negative correlation (Coakes & Steed, 2007; Lau, 2009; Ringim, Mohd Razalli & Norlena Hasnan, 2012).

Collinearity (or multicollinearity) is the undesirable situation where the correlations among the Predictor Independent Variables are strong. Multicollinearity increases the

standard errors of the regression coefficients. The Predictor Independent Variables that are highly correlated can cause problems in the estimation of the regression coefficients. Two or more Predictor Independent Variables that are highly correlated with each other will result in the problem of understanding which Independent Variable contributes to the variance explained in the criterion Dependent Variable (Hair, Black, Babin, Anderson & Tatham, 2006; Lau, 2009).

The Variance Inflation Factors (VIF) measure how much the variance of the estimated regression coefficients are increased over the case of no correlation among the Predictor Independent Variables. All the Variance Inflation Factors (VIF) will have the values of less than 5 if there is no correlation between the two Predictor Independent Variables (Hair, Black, Babin, Anderson & Tatham, 2006; Ringim, Mohd Razalli & Norlena Hasnan, 2012).

If two or more Predictor Independent Variables have Variance Inflation Factors (VIF) greater than 5, then that two Predictor Independent Variables exhibit collinearity and hence one of these two Predictor Independent Variables must be deleted from the Multiple Regression Model (Hair, Black, Babin, Anderson & Tatham, 2006).

#### **4.7 Pilot Testing**

The researcher conducted a Pilot Testing of the structured survey instruments by sending out 40 sets of the survey instruments to 40 randomly chosen bank staff respondents from the 8 Malaysian domestic banks. The 40 respondents were given 1 month to answer the

questions. The response rate was 100 per cent, chiefly due to fact that the researcher was assisted by a helpful friend and staff from Maybank Headquarters.

The responses were keyed into the variable view and data view of the SPSS version 20. A SPSS version 20 Cronbach's alpha testing was conducted on the responses of the 40 bank respondents. The Cronbach's alpha based on Standardised Items was found to be good (alpha = 0.789) and this proved that the 18 survey questions were constructed correctly and consistently.

**Table 4.11 – Cronbach's Alpha Reliability Test Result**

Case Processing Summary			
		N	%
Cases	Valid	40	100.0
	Excluded <sup>a</sup>	0	.0
	Total	40	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.786	.789	18

Hence, a full scale survey and data collection of the structured survey instruments were later conducted on the sampling size of  $s = 139$  bank staff respondents who were randomly selected from the 8 Malaysian domestic banks. In view of the possibility that not all the 139 bank staff respondents would respond 100 per cent to the survey instruments, the researcher decided to survey 192 bank staff respondents of the population. The necessary and relevant SPSS version 20 parametric statistical tests were then conducted on the data collected to test the 4 hypotheses.

For the full-scale survey of the bank respondents, the researcher distributed the survey instruments to 192 randomly chosen bank respondents to answer within 1 month. The researcher could only use 139 sets of the survey instruments that were obtained and answered correctly. This represented a response rate of 72.4 per cent, which is a good response rate. According to Sekaran (2006), a response rate of 30 per cent is sufficient to be used in statistical analysis, like regression analysis.

#### **4.8 Chapter Summary**

Chapter 4 explains the research philosophy and approach, research design, research framework, hypotheses development, operational definition and instrumentation, data collection (sampling and data collection procedures), techniques of data analyses, Pilot Testing and Full-scale Testing and data collection of the structured survey questionnaires, structured demographic questionnaires and structured interview.

## **CHAPTER 5**

### **RESULTS AND DISCUSSIONS**

#### **5.0 Introduction**

Chapter 5 presents the findings of the study. The data collected from the sampling size of 139 randomly chosen bank respondents have been tested to ensure that they are linear and normally distributed, the residuals (observations) are independent of each other and are not auto-correlated, there is no multicollinearity between and among the Independent Variables, there are no multivariate outliers and the variance of the residuals at each level of the 4 Predictor Variables are constant (homoscedasticity), before parametric analyses, like regression analysis, were conducted (Coakes & Steed, 2007). The results include the Descriptive Statistics of the demographic data of the respondents and the results from the Pearson Product-moment Correlation Test and the Multiple Linear Regression Analysis.

#### **5.1 Descriptive Analysis of the Bank Respondents**

The demographic data of the 139 bank respondents, representing 72.4 per cent response rate, were analysed. The Descriptive Statistics are explained and shown below :-

**Table 5.1 – Statistics on Job Position**

**Statistics**

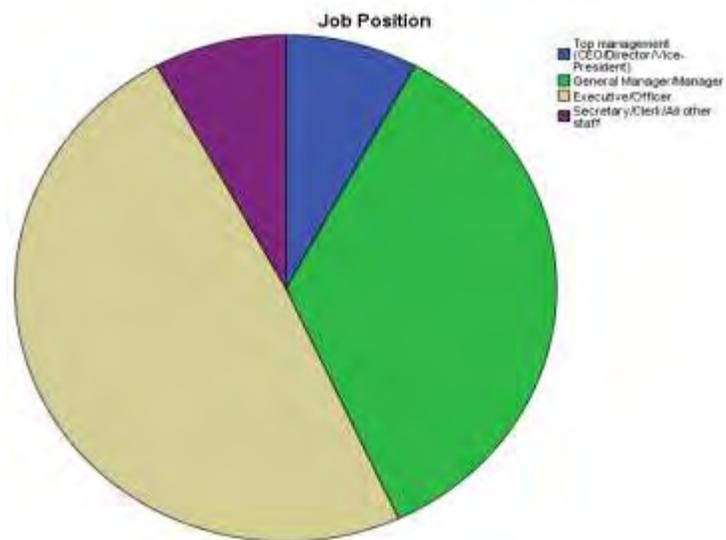
Job Position

N	Valid	139
	Missing	0
Mean		2.57
Median		3.00
Mode		3
Std. Deviation		.752
Variance		.566
Range		3
Minimum		1
Maximum		4
Percentiles	25	2.00
	50	3.00
	75	3.00

**Table 5.2 – Frequencies of Job Position**

**Job Position**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Top management(CEO/Director/Vice-President)	11	7.9	7.9	7.9
Valid General Manager/Manager	49	35.3	35.3	43.2
Valid Executive/Officer	68	48.9	48.9	92.1
Valid Secretary/Clerk/All other staff	11	7.9	7.9	100.0
Total	139	100.0	100.0	



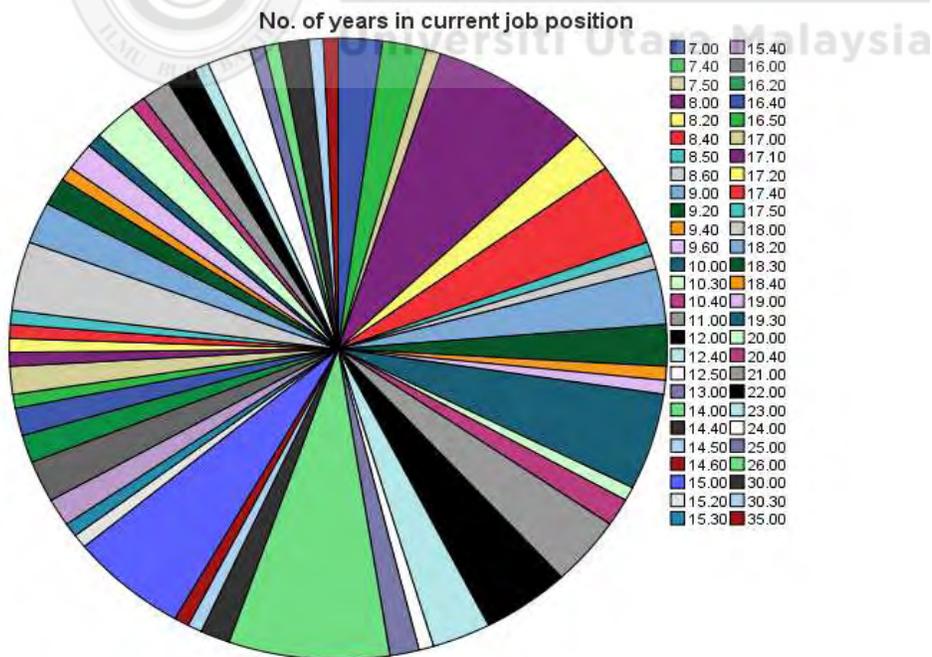
**Figure 5.1 – Pie Chart of Job Position**

Based on Table 5.2 – Frequencies of Job Position, the majority of the bank respondents are Executives and Officers (48.9 per cent), followed by General Managers and Managers (35.3 per cent). Secretaries, clerks and all other staff constituted 7.9 per cent of the bank respondents, while Top Management Staff (CEOs, Directors and Vice-Presidents) made up 7.9 per cent of the bank respondents.

**Table 5.3 – Statistics of No. of Years in Current Job Position**

Statistics		
No. of years in current job position		
N	Valid	139
	Missing	0
Mean		14.0309
Median		14.0000
Mode		8.00 <sup>a</sup>
Std. Deviation		5.47267
Variance		29.950
Range		28.00
Minimum		7.00
Maximum		35.00
Percentiles	25	9.2000
	50	14.0000
	75	17.2000

a. Multiple modes exist. The smallest value is shown



**Figure 5.2 – Pie Chart of No. of Years in Current Job Position**

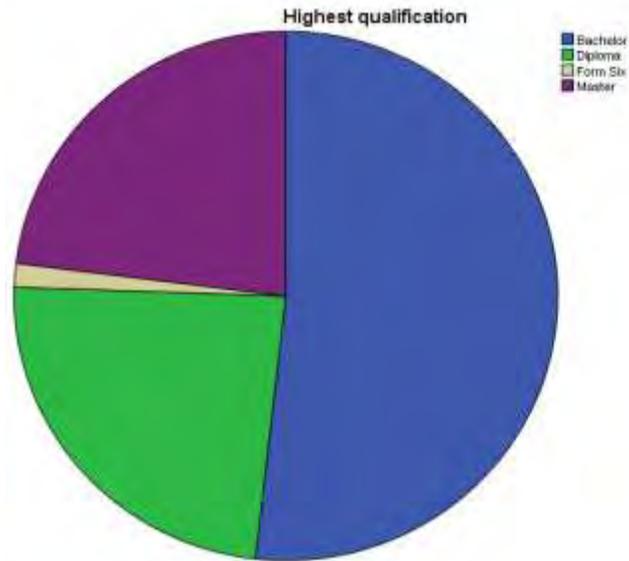
Table 5.3 – Statistics of No. of Years in Current Job Position showed that the average number of years that a bank staff worked in his current job in his current bank is 14.0 years. The maximum number of years is 35 years while the minimum is 7 years.

**Table 5.4 – Statistics of Highest Qualifications**

Statistics		
Highest qualification		
N	Valid	139
	Missing	0

**Table 5.5 – Frequency of Highest Qualification**

Highest qualification				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Bachelor	72	51.8	51.8
	Diploma	33	23.7	75.5
Valid	Form Six	2	1.4	77.0
	Master	32	23.0	100.0
	Total	139	100.0	100.0



**Figure 5.3 – Pie Chart of Highest Qualification**

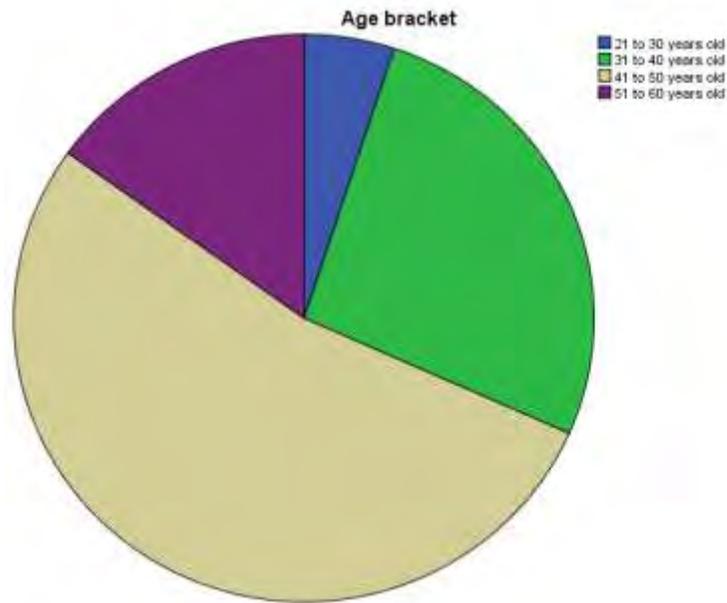
Table 5.5 – Frequency of Highest Qualification showed that the majority of the bank respondents possessed Bachelor Degree qualifications (51.8 per cent), while 23.7 per cent of the bank respondents possessed Diploma qualifications, followed by 23.0 per cent of the bank respondents who possessed Master Degree qualifications. Only 1.4 per cent of the bank respondents held Form Six qualifications.

**Table 5.6 – Statistics on Age Bracket**

Statistics		
Age bracket		
N	Valid	139
	Missing	0
Mean		2.78
Median		3.00
Mode		3
Std. Deviation		.759
Variance		.576
Range		3
Minimum		1
Maximum		4
Percentiles	25	2.00
	50	3.00
	75	3.00

**Table 5.7 – Frequency of Age Bracket**

Age bracket				
	Frequency	Percent	Valid Percent	Cumulative Percent
	21 to 30 years old	7	5.0	5.0
	31 to 40 years old	37	26.6	31.7
Valid	41 to 50 years old	74	53.2	84.9
	51 to 60 years old	21	15.1	100.0
	Total	139	100.0	100.0

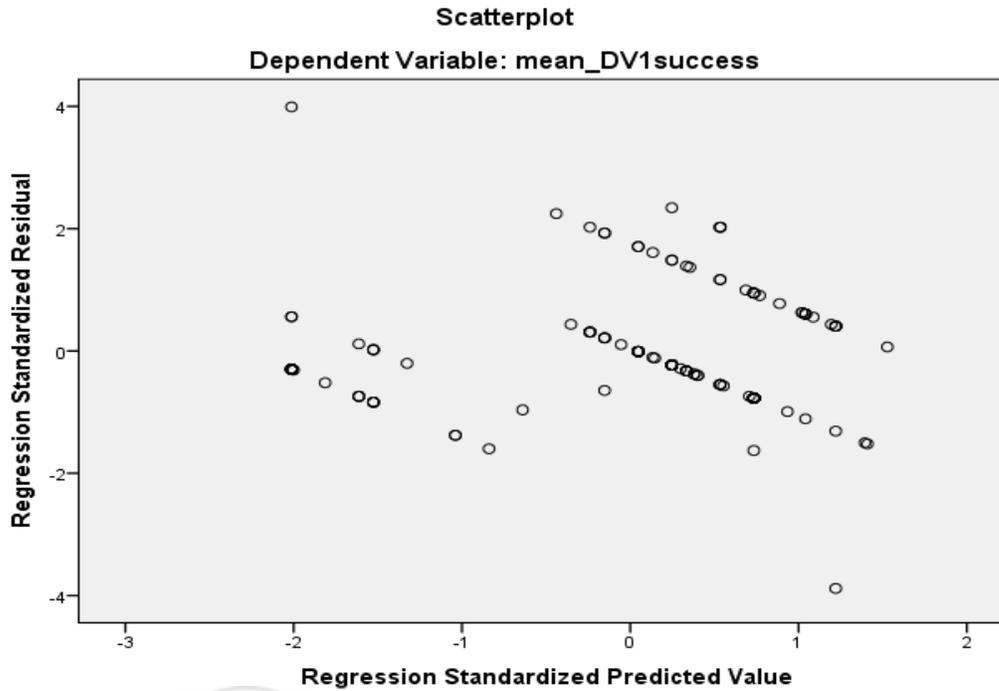


**Figure 5.4 – Pie Chart on Age Bracket**

Table 5.7 – Frequency of Age Bracket showed that 53.2 per cent of bank respondents are from the age bracket of 41 to 50 years old, while 26.6 per cent of the bank respondents are from the 31 to 40 years old age bracket. 5.0 per cent of the bank respondents are between 21 to 30 years old, followed by 15.1 per cent who are from 51 to 60 years old.

## 5.2 Scatterplot Test for Linearity and Homoscedasticity

Figure 5.5 - Scatterplot Test showed that there was no clear relationship between the residuals and the predicted values. According to Hair *et al.* (2006), this proved the linearity, homoscedasticity and the independence of the residuals.



**Figure 5.5 – Scatterplot Test**

### 5.3 Normality Tests

The results from the Normality tests, using the Histogram and Bell Shaped Curve Test, Skewness and Kurtosis Tests, Kolmogorov-Smirnov (with a Lilliefors significance level) and Shapiro-Wilk Statistics Tests, Stem and Leaf Plot Test, Normal Q-Q Plot Test, Detrended Normal Q-Q Plot Test and Boxplot Test are reported in the subsequent sections.

#### 5.3.1 Histogram Test

The results from the Histogram Test showed that all the means of the 4 Independent Variables (Human Resource Competencies, Human Resource Development Programmes,

Corporate Work Cultures and Leadership Style) and the mean of the Dependent Variable (Success of the Acquisitions of the Malaysian domestic banks) are shown to be normally distributed because they all showed normally distributed Bell shaped curves. **The Histograms are shown in the attached Appendix 3.**

### **5.3.2 Skewness and Kurtosis Tests**

**The attached Appendix 3** showed the values of the Skewness Test and the Kurtosis Test. Since the values of the Skewness and the Kurtosis Tests fall between the normal range of - 2 and + 2, the mean data collected are shown to be normally distributed (Coakes & Steed, 2007; Hair, Black, Babin, Anderson & Tatham, 2006; Sekaran, 2006).

### **5.3.3 Kolmogorov-Smirnov Test and Shapiro Wilk Test**

The Kolmogorov-Smirnov Test (with a Lilliefors significance level) and the Shapiro Wilk Test were conducted on the 4 Independent Variables and the 1 Dependent Variable and the significance level is 0.00, which is greater than 0.05 (Coakes & Steed, 2007). All the Kolmogorov-Smirnov Test (with a Lilliefors significance level) and the Shapiro Wilk Test statistics showed that the data collected are normally distributed (**see Appendix 3 for Kolmogorov-Smirnov Test [with a Lilliefors significance level] and the Shapiro Wilk Test**).

#### 5.3.4 Stem and Leaf Plot

The **Stem and Leaf Plots in the attached Appendix 3** showed that the mean of the data collected are normally distributed (Coakes & Steed, 2007).

#### 5.3.5 Normal Q-Q Plot and Detrended Normal Q-Q Plot

In the **Normal Q-Q Plots in the attached Appendix 3**, the points are located around reasonably straight diagonal lines from the bottom left to the top right, thus confirming that the mean of the data collected are normally distributed (Coakes & Steed, 2007).

In the **Detrended Normal Q-Q Plots in the attached Appendix 3**, the points are located around horizontal lines through zeroes, thus confirming that the mean of the data collected are normally distributed (Coakes & Steed, 2007).

#### 5.3.6 Boxplot

The **Boxplots in the attached Appendix 3** showed that the median horizontal lines are positioned around the middle centres of the Boxplot boxes, thus confirming that the mean of the data collected are normally distributed. The Boxplot for the Dependent Variable (DV1) in the attached Appendix 3 showed that the median horizontal line is positioned at the bottom of the Boxplot, thus showing that the collected data are also normally distributed, but are skewed positively (Coakes & Steed, 2007).

#### 5.4 Cronbach's Alpha Reliability Test

**Table 5.8 - Reliability Statistics**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.893	.893	26

For the full-scale survey, the Cronbach's Alpha Reliability Test was conducted on all the 26 survey questions. The Cronbach's Alpha Statistics based on the Standardised Items shown in Table 5.8 – Reliability Statistics indicated very good and high reliability based on  $\alpha = 0.893$ . This proved that the 20 questions of the 4 Independent Variables and the 6 questions of the Dependent Variable were constructed correctly and are very reliable and very consistent (Coakes & Steed, 2007; Hair, Money, Page, Mike & Samouel, 2007; Sekaran, 2006).

Hence, the Cronbach's alpha correlation coefficient of 0.893 indicated a closer level of correlations among the 26 questions and a very good and high level of reliability, internal consistency and goodness of the collected data. It indicated that the 139 bank staff respondents answered the 26 questions in the survey questionnaires in a consistent manner and were free from bias, random and unstable errors. It also indicated that the adaptations and modifications of the questionnaires from past empirical studies were

correct and applicable in this research (Coakes & Steed, 2007; DeVellis, 2003; Hair, Black, Babin, Anderson & Tatham, 2006; Sekaran, 2006).



## 5.5 Bivariate Pearson Product-moment Correlation Test

**Table 5.9 – Results of Pearson Correlation Analysis**

		<b>Correlations</b>				
		mean_IV1com	mean_IV2prog	mean_IV3cwculture	mean_IV4leader	mean_DV1success
mean_IV1com	Pearson Correlation	1	.736**	.896**	.882**	.645**
	Sig. (1-tailed)		.000	.000	.000	.000
	N	139	139	139	139	139
mean_IV2prog	Pearson Correlation	.736**	1	.676**	.672**	.723**
	Sig. (1-tailed)	.000		.000	.000	.000
	N	139	139	139	139	139
mean_IV3cwculture	Pearson Correlation	.896**	.676**	1	.990**	.556**
	Sig. (1-tailed)	.000	.000		.000	.000
	N	139	139	139	139	139
mean_IV4leader	Pearson Correlation	.882**	.672**	.990**	1	.559**
	Sig. (1-tailed)	.000	.000	.000		.000
	N	139	139	139	139	139
mean_DV1success	Pearson Correlation	.645**	.723**	.556**	.559**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	139	139	139	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

mean\_IV1com – Mean of Human Resource Competencies.

mean\_IV2prog – Mean of Human Resource Development Programmes.

mean\_IV3cwculture – Mean of Corporate Work Cultures.

mean\_IV4leader – Mean of Leadership Style.

mean\_DV1success – Mean of Dependent Variable 1 - success of the acquisitions of the Malaysian domestic banks.

Table 5.9 - Pearson Correlation Table showed that the Pearson correlation coefficients of all the 4 Independent Variables (Human Resource Competencies, Human Resource Development Programmes, Corporate Work Cultures and Leadership Style) and the 1 Dependent Variable (Success of the Acquisitions of the Malaysian domestic banks) are all significant at the 0.01 level (1-tailed) and the Significant (1-tailed) values (p) are all equal to 0.000, thus proving and confirming that there are positive and significant relationships (correlations) between each of the individual Independent Variable and the 1 Dependent Variable and to each other. The 1-tailed test is chosen because the positive hypothesis is a directional hypothesis testing (Coakes & Steed, 2007).

The Pearson correlation matrix showed that all the variables are positively correlated and significant. The majority of the variables are correlated to each other, with the Pearson correlation  $r$  values less than 0.9, except for Corporate Work Cultures and Leadership Style, where the Pearson correlation  $r = 0.990$ . Since only these 2 variables are highly correlated, no variables were deleted as they have not yet surpassed the threshold level of 1.0 (Hair *et al.*, 2006). The Variance Inflation Factors (VIF) in Table 5.16 do not show any multicollinearity problem.

**Table 5.10 - Correlation between Human Resource competencies and the success of the acquisitions of the Malaysian domestic banks.**

		<b>Correlations</b>	
		mean_IV1com	mean_DV1success
mean_IV1com	Pearson Correlation	1	.645**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.645**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The result of the Pearson correlation analysis showed that there is a positive and significant relationship between Human Resource competencies and the success of the acquisitions the Malaysian domestic banks. The correlation value of  $r = 0.645$  means that a positive and high relationship exists between the two.

**Table 5.11 - Correlation between Human Resource development programmes and the success of the acquisitions of the Malaysian domestic banks.**

		<b>Correlations</b>	
		mean_IV2prog	mean_DV1success
mean_IV2prog	Pearson Correlation	1	.723**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.723**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The above result showed that Human Resource development programmes has a positive and very highly significant relationship with the success of the acquisitions the Malaysian domestic banks. The correlation value of  $r = 0.723$  indicated that the two variables are positively and very highly correlated.

**Table 5.12 - Correlation between Corporate Work Cultures and the success of the acquisitions of the Malaysian domestic banks.**

		mean_IV3cwculture	mean_DV1success
mean_IV3cwculture	Pearson Correlation	1	.556**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.556**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The result of the analysis showed that there is a positive and significant correlation between Corporate Work Cultures and the success of the acquisitions the Malaysian domestic banks. The correlation value of  $r = 0.556$  indicated that the two variables, the Corporate Work Cultures Variable and the Dependent Variable, have a correlation that is positive and have a high significance.

**Table 5.13 - Correlation between Leadership Style  
and the success of the acquisitions of the Malaysian domestic banks.**

		mean_IV4leader	mean_DV1succ ess
mean_IV4leader	Pearson Correlation	1	.559**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.559**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The result of the analysis showed that there is a positive and significant correlation between Leadership Style and the success of the acquisitions the Malaysian domestic banks. The correlation value of  $r = 0.559$  indicated that the two variables are positively correlated and have a high correlation.

## 5.6 Hypotheses Testings – Results of Multiple Linear Regression Analysis

**Table 5.14 – Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 <sup>a</sup>	.559	.546	.19428	1.864

a. Predictors: (Constant), mean\_IV4leader, mean\_IV2prog, mean\_IV1com, mean\_IV3cwculture

b. Dependent Variable: mean\_DV1success

Adjusted R Square = .546

F = 42.420

p = .000

**Table 5.15 - ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.405	4	1.601	42.420	.000 <sup>b</sup>
	Residual	5.058	134	.038		
	Total	11.462	138			

a. Dependent Variable: mean\_DV1success

b. Predictors: (Constant), mean\_IV4leader, mean\_IV2prog, mean\_IV1com, mean\_IV3cwculture

Table 5.14 Model Summary showed that the Durbin-Watson (DW) test statistics has a value of 1.864, thus proving that there is no auto-correlation between the residuals (observations) and hence that satisfied the assumption of the Multiple Linear Regression Analysis that the residuals are independent of each other and are not auto-correlated (Lau, 2009; Ringim, Mohd Razalli & Norlena Hasnan, 2012).

Table 5.14 Model Summary showed that the value of R is 0.747. R is the regression correlation coefficient that can have values from -1 to +1. R Square is the coefficient of determination, interpreted as the percentage of variance in the criterion Dependent Variable that can be explained by the Predictor Independent Variables. The R Square of 0.559 in Table 5.14 indicated that 55.9 % of the variance in the criterion Dependent Variable is significantly explained by the 4 human resource elements which are the predictors to the success of the Malaysian directed domestic bank acquisitions.

Adjusted R Square is determined by the number of Independent Variables and the sampling size of 139 bank respondents and adjusted based on the degrees of freedom (df) in the Multiple Linear Regression Analysis. The value of 0.546 of the Adjusted R Square provided evidence that the 4 Predictor Independent Variables on the adjusted basis, significantly contributed to 54.6 % of the success of the acquisitions of the Malaysian domestic banks.

**Table 5.16 – Multiple Linear Regression Results**

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.100	.281		3.919	.000		
	mean_IV1com	.381	.137	.392	2.777	.006 ***	.247	4.055
	mean_IV2prog	.524	.082	.543	6.382	.000***	.455	2.198
	mean_IV3cwculture	.584	.432	.589	1.352	.079*	.210	4.765
	mean_IV4leader	.419	.400	.431	1.046	.098*	.240	4.165

a. Dependent Variable: mean\_DV1success

\*,\*\*,\*\*\* denotes 10%, 5% and 1% significant level respectively

mean\_IV1com – Mean of Human Resource Competencies.

mean\_IV2prog – Mean of Human Resource Development Programmes.

mean\_IV3cwculture – Mean of Corporate Work Cultures.

mean\_IV4leader – Mean of Leadership Style.

mean\_DV1success – Mean of Dependent Variable 1 - success of the acquisitions of the Malaysian domestic banks.

Table 5.16 – Multiple Linear Regression Results of the Multiple Linear Regression Analysis showed that the 4 Variance Inflation Factors (VIF) of all the 4 Predictor Independent Variables have values of less than 5, thus proving that there is no collinearity (multicollinearity) between and among the 4 Predictor Independent Variables (Lau, 2009; Ringim, Mohd Razalli & Norlena Hasnan, 2012). Also the tolerance values of the 4 Independent Variables ranged from 0.210 to 0.455. According to Hair *et al.* (2006), tolerance is defined as the variability in a variable that is not accounted for by other variables. The VIF is a reciprocal of the tolerance variable.

The results of the Multiple Linear Regression Analysis in the attached Appendix 3 showed that the maximum Mahalanobis distance is 7.364, thus proving that there are no multivariate outliers among the 4 Independent Variables, since there are no values that are equal to or greater than the critical Chi-Square value of 13.8.

Based on the results shown in Table 5.16, the resultant multiple linear regression equation is :-

$$\text{success} = \beta_0 + \beta_1\text{com} + \beta_2\text{prog} + \beta_3\text{cwcultures} + \beta_4\text{leader} + \text{eit}$$

$$\text{success} = \mathbf{1.100} + \mathbf{0.381}\text{com} + \mathbf{0.524}\text{prog} + \mathbf{0.584}\text{cwcultures} + \mathbf{0.419}\text{leader} + \text{eit}$$

where,

success – the success of the acquisitions of the 8 Malaysian domestic banks

$\beta_0$  - the constant unstandardized regression coefficient

com – Human Resource competencies

prog – Human Resource development programmes

cwcultures – Corporate work cultures

leader - Leadership style

eit - error term

The constant unstandardized regression coefficient,  $\beta_0$ , is equal to 1.100. The regression coefficient of 0.381 of the Human Resource Competencies (0.006) proved that it positively and significantly contributed to the success of the acquisitions of the Malaysian domestic banks at the 1 per cent significant level. This regression coefficient showed that as Human Resource Competencies increase by 0.381 unit, the success of the directed acquisitions increases by 1 unit. This finding suggests that all the staff, from the top

management down to the lowest level of the staff of the acquiring and acquired Malaysian banks, should possess human resource competencies like work experiences, technical knowledge, practical skills, right attitudes, right mindsets, excellent relationship skills, soft skills and communication skills to make the acquisitions successful. This finding supports the result of Leeamornsiri (2005).

The Human Resource Development Programmes have the regression coefficient of 0.524 (0.000). This proved that it positively and significantly influenced the success of the acquisitions of the banks. This result showed that as Human Resource Development Programmes increases by 0.524 unit, the success of the acquisitions increases by 1 unit, since this variable is significant at the 1 per cent level. This finding suggests that it is very important for the top management of the acquiring Malaysian banks to have human resource development policies in place to motivate their staff to study and acquire relevant academic and professional qualifications on banking or to attend in-house or external training programmes, conferences, seminars or workshops on banking management related areas. The past researches by Rizvi (2011) and Leeamornsiri (2005) are supported by the finding of this research.

For Corporate Work Cultures, the regression coefficient of 0.584 provided evidence that it significantly and positively contributed to the success of the acquisitions of the Malaysian domestic banks at the 10 per cent significant level. This regression coefficient showed that the improvement in Corporate Work Cultures by 0.584 unit resulted in an increase by 1 unit in the success of the acquisitions. This result suggests that successful

and smooth integration, blending and harmonizing of the corporate work cultures of the acquiring and the acquired Malaysian domestic banks are highly important in achieving the success of the acquisitions. This finding supports the findings from previous researches that were conducted by researchers like Kephart (2010), Leeamornsiri (2005), Vikram Chakravarty and Chua (2012), Galpin and Herndon (2007) and Rizvi (2011). This finding is also supported by the Organizational Behaviour Theory and the Human Resource Management Theory.

The result of Leadership Style showed that it significantly and positively contributed to the success of the acquisitions of the Malaysian domestic banks at the 10 per cent significant level. The result indicated that an increase of 0.419 unit in the leadership style resulted in 1 unit increase in the success of the acquisitions of the Malaysian domestic banks. This finding reveals that Transformational Leadership Style is needed in order to transform, innovate, renovate and manage the acquiring and the acquired Malaysian domestic banks into a successful banking group. Past studies by researchers, such as Schuler and Jackson (2001), Daniel (1999) and Galpin and Herndon (2007), supported the result of this research. The Transformational Leadership Theory and the Change Management Theory are both found to support the finding of this research.

### 5.7 All the 4 Hypotheses are Accepted as True

Based on the Multiple Linear Regression Analysis, the hypotheses testing results are summarized in Table 5.17 :-

**Table 5.17 – Hypotheses – Accepted/Rejected**

<b>No.</b>	<b>Hypotheses</b>	<b>Accepted/Rejected</b>
<b>Ha1</b>	There is a positive and significant relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks.	<b>Accepted (at 1 per cent significant level)</b>
<b>Ha2</b>	There is a positive and significant relationship between human resource development programmes and the success of the acquisitions of the Malaysian domestic banks.	<b>Accepted (at 1 per cent significant level)</b>
<b>Ha3</b>	There is a positive and significant relationship between corporate work cultures and the success of the acquisitions of the Malaysian domestic banks.	<b>Accepted (at 10 per cent significant level)</b>
<b>Ha4</b>	There is a positive and significant relationship between leadership style and the success of the acquisitions of the Malaysian domestic banks.	<b>Accepted (at 10 per cent significant level)</b>

## 5.8 Chapter Summary

All the Normality Tests conducted proved that the data collected are normally distributed. The Cronbach's Alpha Reliability Test confirmed that all the measuring instruments are reliable. The Pearson Correlation Analysis showed all the variables in the research model are positively and significantly correlated to each other. On the other hand, the results from the regression analysis provided evidence that all the 4 alternative hypotheses are accepted. This study provided empirical evidence of the significance of human resource elements in the success of the directed acquisitions of the Malaysian domestic banks where each of them - human resource competencies, human resource development programmes, corporate work cultures and leadership style, positively and significantly influence the success of the acquisitions of the Malaysian domestic banks. Overall, the model yields an adjusted R square of 0.546, which indicated that, on an adjusted basis, the 4 human resource elements significantly contributed to 54.6 % of the success of the acquisitions of the Malaysian domestic banks.

## CHAPTER 6

### CONCLUSION AND RECOMMENDATIONS

#### 6.0 Introduction

This chapter concludes the thesis on the investigation of the perceived human resource factors that contributed to the success of the acquisitions of the Malaysian domestic banks. Although the directed acquisitions of the local Malaysian banks took place from 1999 to 2002, and had been a success as evident from the stronger performance of the banks after the acquisitions, little investigation has been done to assess the influence of human resource elements on the success of the directed bank acquisitions. This provides a new and fresh aspect of the evaluation of the first time directed acquisitions exercise on the Malaysian domestic banks.

The results of the research proved and confirmed that the 4 Human Resource elements (Human Resource Competencies, Human Resource Development Programmes, Corporate Work Cultures and Leadership Style) positively and significantly contributed to the success of the acquisitions of the 8 Malaysian domestic banks. The results of the research also supported past researches and the relevant underpinning theories.

Section 6.1 of this chapter presents the findings based on the Research Objectives followed by the Implications of the Results in Section 6.2. Section 6.3 writes about the

Contributions of the Study while Section 6.4 concludes the Chapter with Recommendations for Future Research.

## 6.1 Research Objectives

- a. To investigate the relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks.

The results of the research proved that there is a positive and significant relationship between human resource competencies and the success of the acquisitions of the Malaysian domestic banks.

- b. To study to what extent the relationship between human resource development programmes influence the success of the acquisitions of the Malaysian domestic banks.

The findings of the research proved that human resource development programmes positively and significantly influence the success of the acquisitions of the Malaysian domestic banks.

- c. To examine the relationship of corporate work cultures on the success of the acquisitions of the Malaysian domestic banks.

The findings of the research proved that corporate work cultures positively and significantly impacted the success of the acquisitions of the Malaysian domestic banks.

- d. To examine the significant relationship between leadership style and the success of the acquisitions of the Malaysian domestic banks.

The results of the research proved that leadership style positively and significantly influences the success of the acquisitions of the Malaysian domestic banks.

In summation, the results of the research proved that all the 4 perceived Human Resource success factors positively and significantly influence the success of the acquisitions of the Malaysian domestic banks.

## **6.2 Implications of the Results**

For policy and practical implications, the findings of the research can be used by the top management of the acquiring and the acquired banks as guidelines for them to implement best Human Resource policies and practices - such as employing experienced bank staff, sending and paying for their banking staff to acquire more relevant academic and professional qualifications on banking, inculcating and enculturating good, performing, complementary and compatible corporate work cultures and employing their top management staff who possess and use their transformational leadership style to lead, run and manage the Malaysian domestic banks.

Also, Bank Negara Malaysia, as the regulator of Malaysian banks, and the Malaysian Securities Commission, as the regulator of mergers and acquisitions of banks in Malaysia, can use the findings and the results of the study to assist the Malaysian

Parliament to legislate and amend the necessary laws and to formulate guidelines and Practise Notes on mergers and acquisitions in Malaysia.

### **6.3 Contributions of the Research**

This research contributed new knowledge in terms of the bank staffs' perceptions towards the success of the acquisitions of Malaysian banks. In the past, the opinions of the bank staff on acquisitions were hardly considered by the acquiring and the acquired banks. Banks employ the advice of consultants, like merchant bankers, corporate lawyers and accountants, on their mergers and acquisitions exercises. Hence, the responses from the staff involved in the acquisitions captured in this study provide valuable contributions to the understanding of the significant factors associated with the successful acquisitions of the Malaysian domestic banks.

#### **6.3.1 Practical Contributions**

The findings and recommendations of this research can be practically used by Malaysian and foreign overseas banks to assist them to successfully acquire other banking and financial institutions by using the 4 perceived human resource success factors.

### **6.3.2 Methodological Contributions**

The findings and recommendations of this research can be used to guide future researchers who use other statistical softwares, like the Structural Equation Modelling (SEM) Analysis of Moment Structure (AMOS) software and Smart Partial Least Square (SmartPLS) software, to empirically test their data and their hypotheses.

### **6.3.3 Theoretical Contributions**

The findings and the 4 hypotheses of this research were empirically proven to be true, just like the findings and results of other previous related and relevant researches by other researchers. The theoretical contributions of this research are drawn from the literature review and the findings of this study and past studies and analyses. This study contributed to the literature and the body of knowledge on the perceived success factors of the acquisitions of the Malaysian domestic banks.

This research contributed to a better understanding of the Psychology Theory which supports the 2 perceived human resource success factors of human resource competencies and human resource development programmes, the Organizational Behaviour Theory and the Human Resource Management Theory which underpin the perceived human resource success factor of corporate work cultures, the Transformational Leadership Theory and the Change Management Theory which support the perceived human resource success factor of leadership style and the Corporate Finance Theory which underpins the

Dependent Variable of the Success of the Directed acquisitions of the Malaysian domestic banks.

#### **6.4 Recommendations for Future Research**

The 4 human resource elements contributed 55.9 percent of the variation in the success of the Malaysian domestic banks' directed acquisitions. The findings imply that there are other factors, such as financial factors, ICT factors and government and bank regulatory factors, that need to be investigated to ascertain their contributions to the success of the acquisitions of the Malaysian domestic banks.

Future researches are recommended to be conducted to investigate other underlying concepts (constructs, factors and variables), such as other human resource factors, like the retention of key talented bank employees, an effective and experienced Acquisition Project Management Team and an effective communication system among the employees of the acquired and acquiring banks, that affect the success of the acquisitions of banks.

Other researchers should be encouraged to investigate non-human resource factors, like due diligence, Government directed acquisitions of banks and the post acquisition integration of the ICT systems of the acquired banks to the ICT systems of the acquiring bank.

Future researches should be carried out to research on financial factors, like the gearing ratios and the profitability of the acquiring and the acquired banks, that positively and significantly contribute to the success of the acquisitions of banking and financial institutions in Malaysia and in other countries in the world.

Scholarly and empirical researches should be extended to cover the investigations on the mergers of firms, besides the takeovers and acquisitions of Malaysian and foreign banking and financial institutions.

### **6.5 Limitations of the Study**

This study is limited to the acquisitions of the domestic banks in Malaysia, involving human resource elements. It does not include financial factors in the analysis. Therefore, the findings of this study cannot be generalized to all the banks in other parts of the world.

Another limitation of the study is the constraints to obtain full information from the bank respondents as they are legally bound by the Banking and Financial Institutions Act, 1989 (BAFIA, 1989) and their hectic schedules.

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Your cooperation is highly appreciated. Should you require further information, please do not hesitate to contact his two supervisors or the undersigned.

Thank you.

**"KNOWLEDGE, KINDNESS, DEVOTION"**

Yours faithfully,



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DR. AHMAD RIZAL BIN MAZLAN  
Director  
Universiti Utara Malaysia  
Kuala Lumpur (UUMKL)  
Malaysia

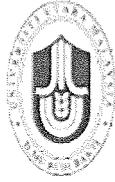
c.c Prof. Dr. Nor Hayati Bte Ahmad

Dr. Jasmani Bte Mohd Yunus



**UUM**

Universiti Utara Malaysia



Othman Yeop Abdullah  
Graduate School of Business

Universiti Utara Malaysia

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26 June 2014

David Sim Huay Chuang

Doctor of Business Administration (DBA) candidate

Othman Yeob Abdullah (OYA) Graduate School of Business

Universiti Utara Malaysia Kuala Lumpur Campus

Kuala Lumpur

Chairmen/CEO/Director/Vice-President/General Manager/Manager/Officer/Executive/  
Secretary/Clerk/Any Staff

Corporate Communications Department/Human Resource Department or any department

All the Headquarters of all the 8 Malaysian domestic anchor banks in Klang Valley

(Maybank Berhad, CIMB Bank Berhad, AM Bank Berhad, Public Bank Berhad, Hong  
Leong Bank Berhad, Affin Bank Berhad, RHB Bank Berhad, Alliance Bank Berhad)

Dear Valued Bank Respondents,

**RE – FULL-SCALE SURVEY OF BANK RESPONDENTS FOR MY**

**DOCTOR IN BUSINESS ADMINISTRATION (DBA) DISSERTATION**

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Referring to the above-matter, attached is an official letter from Dr. Ahmad Rizal Bin Mazlan, Director of Universiti Utara Malaysia Kuala Lumpur (UUM K. L.) Campus confirming that I, David Sim Huay Chuang (MYKAD no. – 531207-01-5895, matric no. - 91543), is an officially registered part-time post-graduate doctoral student pursuing my Doctor of Business Administration (DBA) programme at UUM Kuala Lumpur Campus. I am now doing the above-mentioned full-scale survey of 192 bank respondents of my

survey instruments for my DBA dissertation (BDMZ 8024) as part of the requirement of my DBA programme. The topic of my dissertation is :-

“An Investigation of the Perceived Human Resource Factors that contributed to the Success of the Acquisitions of the Malaysian Domestic Banks”.

My thesis (doctoral dissertation) supervisor is a Professor of Banking and Risk Management and former Dean of Faculty of Banking and Finance, Professor Dr. Nor Hayati bte Ahmad, from my Universiti Utara Malaysia (UUM) Main Campus in Sintok, Kedah, Malaysia.

My co-supervisor is Dr. Jasmani bte Mohd Yunus, who is our Human Resource Lecturer at our UUM Kuala Lumpur Campus.

The 192 bank respondents (24 respondents from each of the Headquarters of the 8 Malaysian domestic anchor banks in the Klang Valley) can be any staff (clerks, secretaries, executives, officers, managers, general managers, Heads of Departments, Vice-Presidents, Directors, CEOs, Chairmen) from the Human Resource Department or any staff from any department, who know/knew about or are/were involved directly or indirectly in the acquisitions of their own Malaysian domestic anchor banks.

Attached are my survey instruments and all of your responses (answers) are very much appreciated. Your responses will be treated with **ABSOLUTE CONFIDENTIALITY, PRIVACY AND ANONYMITY** and solely for academic purposes.

Thank you very much for your co-operation.

Yours faithfully,



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David Sim Huay Chuang, MMIM

Doctor of Business Administration Candidate (Matric no. – 91543)

(H/P - 012-6412792 Office phone – 03-92812372

e-mail - davidhcsim@gmail.com)

Please kindly answer ALL the demographics data questions in Section A, ALL the 20 questions in Section B, ALL the 6 questions in Section C and ALL the interview questions in Section D. *Please DO NOT leave any question unanswered.*

**Section A - One questionnaires about the demographics data of the bank respondents randomly selected from the Malaysian domestic anchor banks.**

Please answer the following questions about yourself in your current job as a bank staff in **your current own** Malaysian domestic anchor bank.

1. What is your grouping for your current job in your current Malaysian domestic anchor bank ?

Top Management (CEO/Director/Vice-President)

Please tick the correct box.

General Manager/Manager

Executive/Officer

Secretary/Clerk/All other staff

Other job position

(please write below)

---

2. How long have you worked in your current job position in your current Malaysian domestic anchor bank ?

Please write down the years and months in the 2 boxes below :-

Years  
 Months

3. What is your highest qualification that you have acquired ?

Please tick the relevant box below or write down your relevant qualifications.

<input type="checkbox"/>	Form Six (STPM, H.S.C. or A Levels)
<input type="checkbox"/>	Diploma
<input type="checkbox"/>	Bachelor Degree
<input type="checkbox"/>	Master degree
<input type="checkbox"/>	Doctorate degree (Phd or DBA)

Other qualifications

(Please write below)

---

4. What is your age bracket ?

Please tick the correct box for your age bracket.

<input type="checkbox"/>	21 to 30 years old
<input type="checkbox"/>	31 to 40 years old
<input type="checkbox"/>	41 to 50 years old
<input type="checkbox"/>	51 to 60 years old
<input type="checkbox"/>	61 to 70 years old

5. During the acquisitions of your own Malaysian domestic anchor bank, is/was your bank the acquiring bank or the acquired bank ?

Please tick the correct box.

Acquiring bank

Acquired bank

6. Does the acquisitions of your own Malaysian domestic bank occur after the year 2001 under a friendly bank acquisition exercise ?

Yes

No

### Instructions

Note –

In answering all the questions in Section B, C and D, please kindly use the following measurements to measure the success of your own Malaysian domestic anchor banks :–

1. the assets size and market capitalization, market share, efficiency and performance and profitability of your own domestic anchor bank.
2. there are no major problems, no bank runs, no failures and no closing down of the Malaysian domestic anchor banks and
3. the Malaysian economy has come out of its economic recession, has recovered and is stabilized .

### Section B. 20 structured questions on the 4 Independent Variables

#### 1. Human Resource Competencies

- 1a. Do you agree that human resource competencies, like technical knowledge, technical and practical skills and working experiences, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

1b. Do you agree that human resource competencies, like staff and personal relationship and communication skills, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

1c. Do you agree that human resource competencies, like practical skills and technical experiences and expertise in ICT systems, contributed significantly to the success of the post acquisition integration of the ICT systems and hence contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

1d. Do you agree that human resource competencies, like practical skills and technical experiences and expertise in Human Resource contributed significantly to the success of the post acquisition integration of the Human Resource practices and corporate work cultures of the acquiring and acquired banks and hence contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

1e. Do you agree that human resource competencies, like practical skills and technical experiences and expertise in legal matters in Human Resource contributed significantly to the success of the post acquisition integration of the salaries, compensation schemes and employment agreements of the staff of the acquiring and the acquired banks, and hence contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

## **2. Human Resource Development Programmes**

2a. Do you agree that human resource development programmes, like in-house company training and external company training programmes for their staff, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

2b. Do you agree that human resource development programmes, like staff pursuing their certificate, diploma, degree, master or doctorate programmes, professional programmes and blended e-learning programmes, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

2c. Do you agree that human resource development programmes, like developing their employees' retention programmes to ensure that talented and performing staff remain and are retained within the Malaysian domestic anchor banks, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

2d. Do you agree that human resource development programmes, like sending their staff for counselling sessions to reduce their resistance to changes in the Malaysian domestic anchor banks, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

2e. Do you agree that human resource development programmes, like developing performance evaluation and rewarding and compensation systems/schemes to ensure that their employees' performances are fairly recognized and rewarded, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

**3. Corporate Work Cultures**

3a Do you agree that complementary, compatible, friendly and similar corporate work cultures between the Malaysian acquiring domestic anchor banks and the Malaysian acquired domestic banks contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

3b. Do you agree that excellent corporate work cultures, like motivating, recognizing and rewarding innovative and profit making ideas, opinions and contributions from their employees, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

3c. Do you agree that good corporate work cultures, like creating a positive and rewarding working environment to enhance the satisfactions and performances of their employees, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

3d. Do you agree that promoting and enhancing the newly integrated, good, friendly and compatible corporate work cultures in the Malaysian domestic anchor banks significantly lead to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

3e. Do you agree that hostile, clashing, incompatible and different corporate work cultures between the Malaysian acquiring domestic anchor banks and the Malaysian acquired domestic banks will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

#### 4. Leadership Style

4a. Do you agree that transformational leadership and change management styles, like strong, effective and visionary leadership styles, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

4b. Do you agree that transformational leadership and change management leadership styles, like motivational leadership styles, engaging and team work leadership styles, contributed significantly to the success of the acquisitions of the

Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

4c. Do you agree that transformational and change management leadership styles, like the planning, training and grooming talented, top performing and promising employees for the succession of leaderships, contributed significantly to the success of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

4d. Do you agree that wrong leadership style, like autocratic, coercive and non-consultative leadership style, will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

4e. Do you agree that poor and weak leadership style, like weak, disengaged and poor communication leadership style, will significantly lead to problems and ultimately the failures of the acquisitions of the Malaysian domestic anchor banks ?

1 = strongly disagree                      2 = disagree                      3 = neither agree nor disagree  
4 = agree                                      5 = strongly agree

**Section C. 6 structured questions on the 1 Dependent Variable**

1. Overall, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of the **10 (now 8 in 2011)** Malaysian domestic anchor banks has been successful ?

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful

2. Overall, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of **your own** Malaysian domestic anchor bank has been successful ?

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful

3. Based on the assets size and market capitalization of **your own** Malaysian domestic anchor bank, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of **your own** Malaysian domestic anchor bank has been successful ?

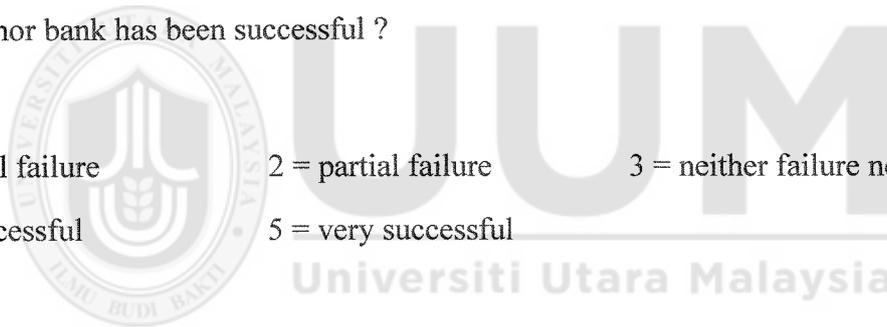
1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful

4. Based on the market share of **your own** Malaysian domestic anchor bank, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of **your own** Malaysian domestic anchor bank has been successful ?

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful

5. Based on the efficiency and performance of **your own** Malaysian domestic anchor bank, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of **your own** Malaysian domestic anchor bank has been successful ?

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful



6. Based on the profitability of **your own** Malaysian domestic anchor bank, to what extent do you perceive the Malaysian Government directed and guided, via Bank Negara Malaysia, acquisitions of **your own** Malaysian domestic anchor bank has been successful ?

1 = total failure                      2 = partial failure                      3 = neither failure nor successful  
4 = successful                          5 = very successful



```

FREQUENCIES VARIABLES=demo1Job
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE
  /PIECHART FREQ
  /ORDER=ANALYSIS.

```

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Statistics

Job Position

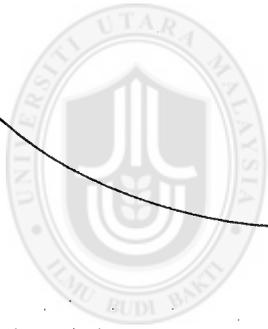
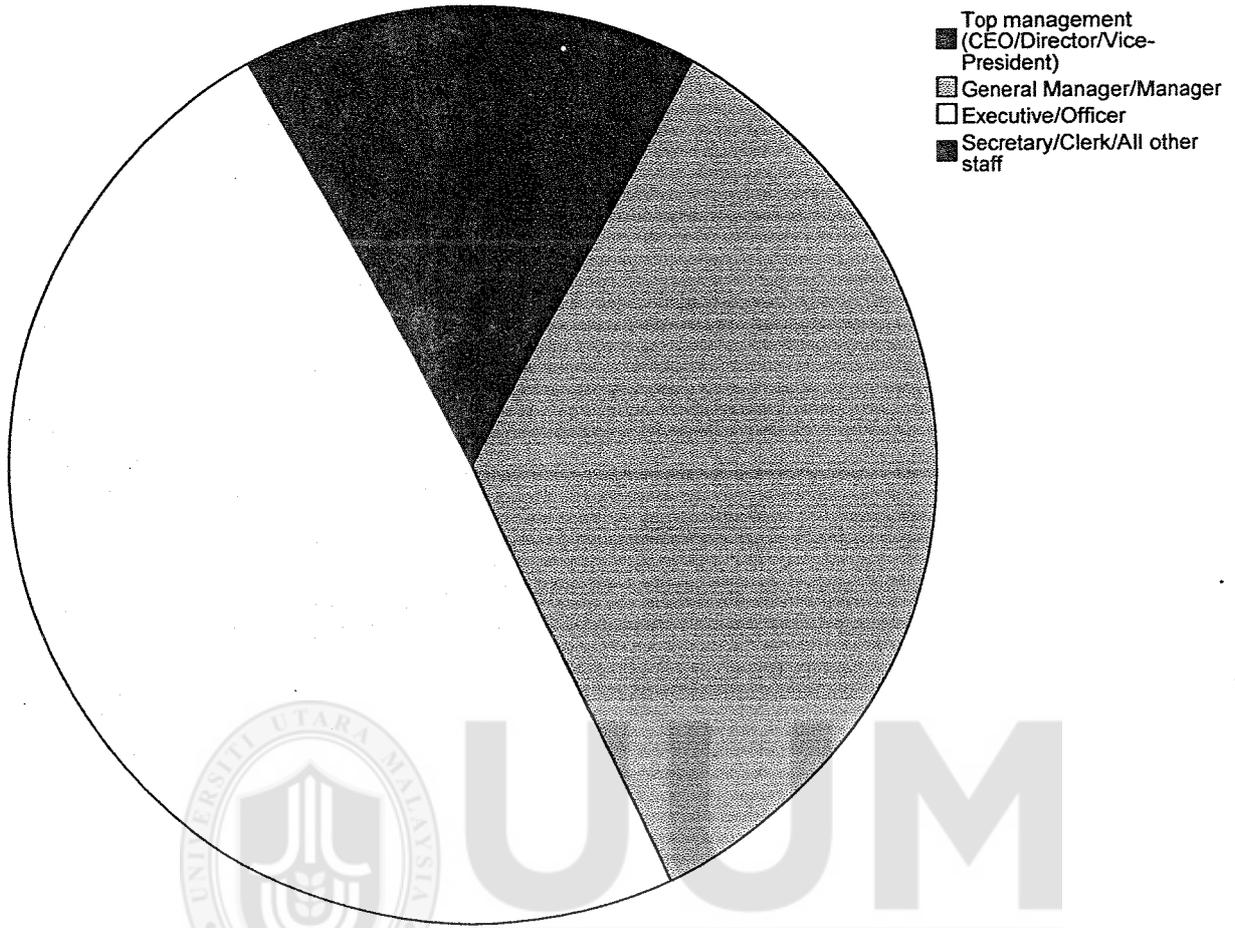
N	Valid	139
	Missing	0
Mean		2.57
Median		3.00
Mode		3
Std. Deviation		.752
Variance		.566
Range		3
Minimum		1
Maximum		4
Percentiles	25	2.00
	50	3.00
	75	3.00



Job Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Top management (CEO/Director/Vice-President)	11	7.9	7.9	7.9
General Manager/Manager	49	35.3	35.3	43.2
Executive/Officer	68	48.9	48.9	92.1
Secretary/Clerk/All other staff	11	7.9	7.9	100.0
Total	139	100.0	100.0	

### Job Position



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FREQUENCIES VARIABLES=demo2Years

/NTILES=4

/STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE

/PIECHART FREQ

/ORDER=ANALYSIS.

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Statistics

No. of years in current job position

N	Valid	139
	Missing	0
Mean		14.0309
Median		14.0000
Mode		8.00 <sup>a</sup>
Std. Deviation		5.47267
Variance		29.950
Range		28.00
Minimum		7.00
Maximum		35.00
Percentiles	25	9.2000
	50	14.0000
	75	17.2000

a. Multiple modes exist. The smallest value is shown

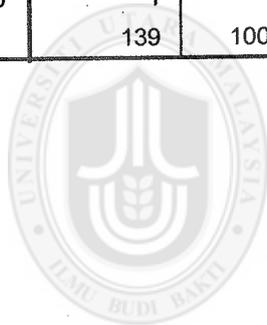


No. of years in current job position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	7.00	3	2.2	2.2	2.2
	7.40	3	2.2	2.2	4.3
	7.50	1	.7	.7	5.0
	8.00	11	7.9	7.9	12.9
	8.20	3	2.2	2.2	15.1
	8.40	6	4.3	4.3	19.4
	8.50	1	.7	.7	20.1
	8.60	1	.7	.7	20.9
	9.00	4	2.9	2.9	23.7
	9.20	3	2.2	2.2	25.9
	9.40	1	.7	.7	26.6
	9.60	1	.7	.7	27.3
	10.00	7	5.0	5.0	32.4
	10.30	1	.7	.7	33.1
	10.40	2	1.4	1.4	34.5
	11.00	5	3.6	3.6	38.1
	12.00	6	4.3	4.3	42.4
	12.40	4	2.9	2.9	45.3
	12.50	1	.7	.7	46.0
	13.00	2	1.4	1.4	47.5
	14.00	11	7.9	7.9	55.4
	14.40	2	1.4	1.4	56.8
	14.50	1	.7	.7	57.6
	14.60	1	.7	.7	58.3
	15.00	8	5.8	5.8	64.0
	15.20	1	.7	.7	64.7
	15.30	1	.7	.7	65.5
	15.40	2	1.4	1.4	66.9
	16.00	3	2.2	2.2	69.1
	16.20	2	1.4	1.4	70.5
	16.40	2	1.4	1.4	71.9
	16.50	1	.7	.7	72.7
	17.00	2	1.4	1.4	74.1
	17.10	1	.7	.7	74.8
	17.20	1	.7	.7	75.5
	17.40	1	.7	.7	76.3
	17.50	1	.7	.7	77.0
	18.00	5	3.6	3.6	80.6

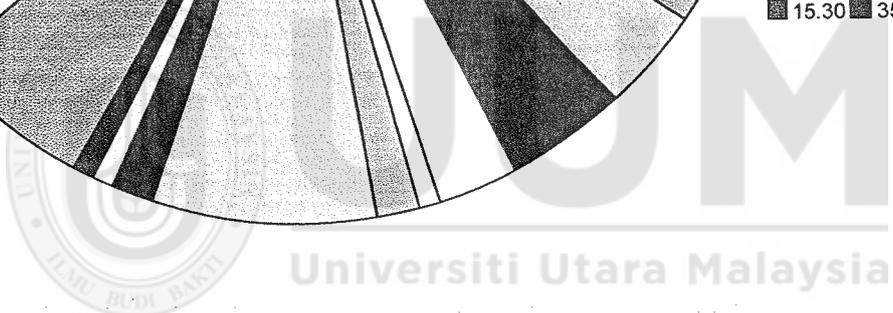
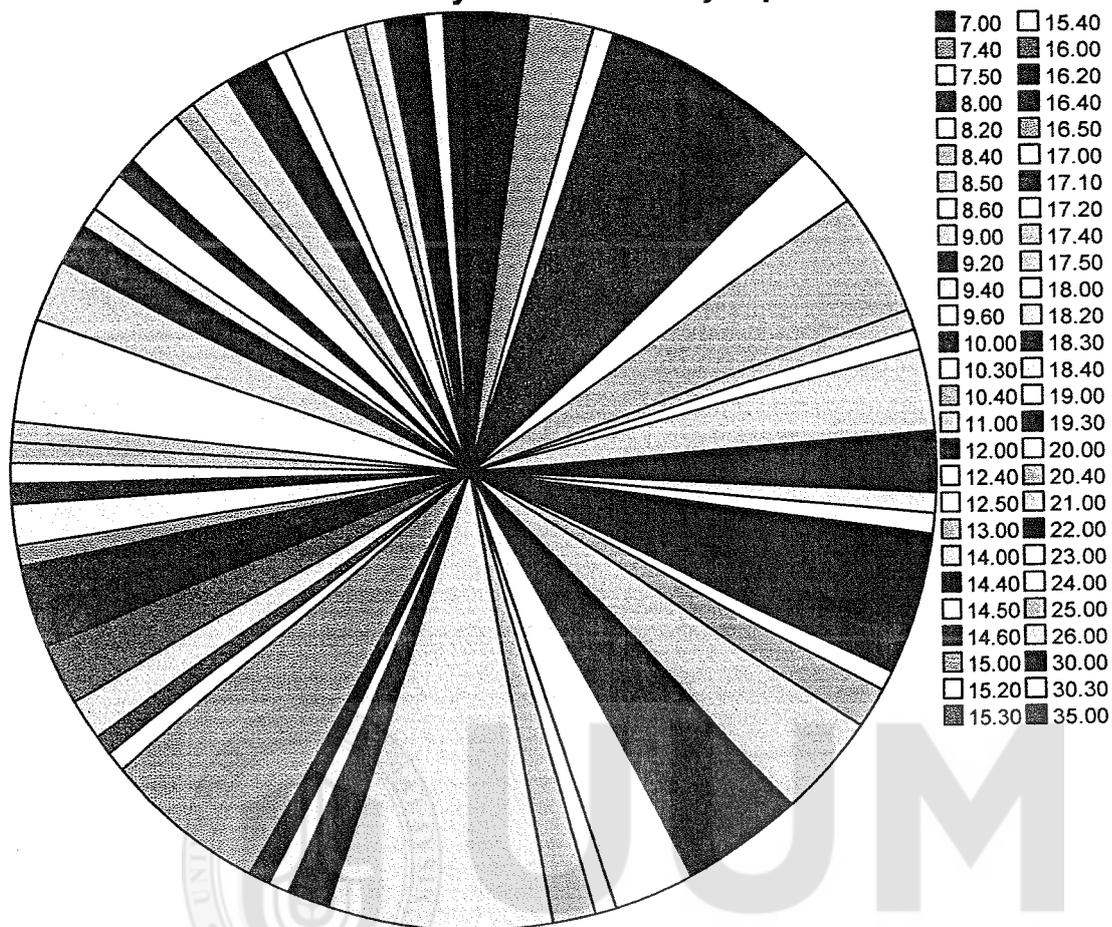
No. of years in current job position

	Frequency	Percent	Valid Percent	Cumulative Percent
18.20	3	2.2	2.2	82.7
18.30	2	1.4	1.4	84.2
18.40	1	.7	.7	84.9
19.00	2	1.4	1.4	86.3
19.30	1	.7	.7	87.1
20.00	3	2.2	2.2	89.2
20.40	1	.7	.7	89.9
21.00	2	1.4	1.4	91.4
22.00	2	1.4	1.4	92.8
23.00	1	.7	.7	93.5
24.00	3	2.2	2.2	95.7
25.00	1	.7	.7	96.4
26.00	1	.7	.7	97.1
30.00	2	1.4	1.4	98.6
30.30	1	.7	.7	99.3
35.00	1	.7	.7	100.0
Total	139	100.0	100.0	



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No. of years in current job position



```

FREQUENCIES VARIABLES=demo3Qualification
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE
  /PIECHART FREQ
  /ORDER=ANALYSIS.

```

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Statistics

Highest qualification

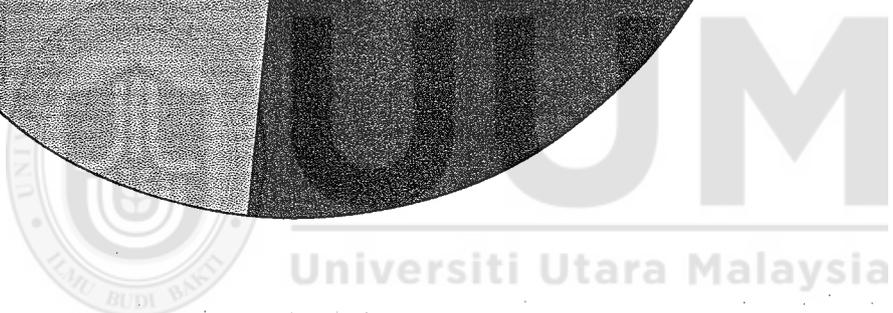
N	Valid	139
	Missing	0

### Highest qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	72	51.8	51.8	51.8
	Diploma	33	23.7	23.7	75.5
	Form Six	2	1.4	1.4	77.0
	Master	32	23.0	23.0	100.0
Total		139	100.0	100.0	

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### Highest qualification



FREQUENCIES VARIABLES=demo4Age

/NTILES=4

/STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE

/PIECHART FREQ

/ORDER=ANALYSIS.

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Statistics

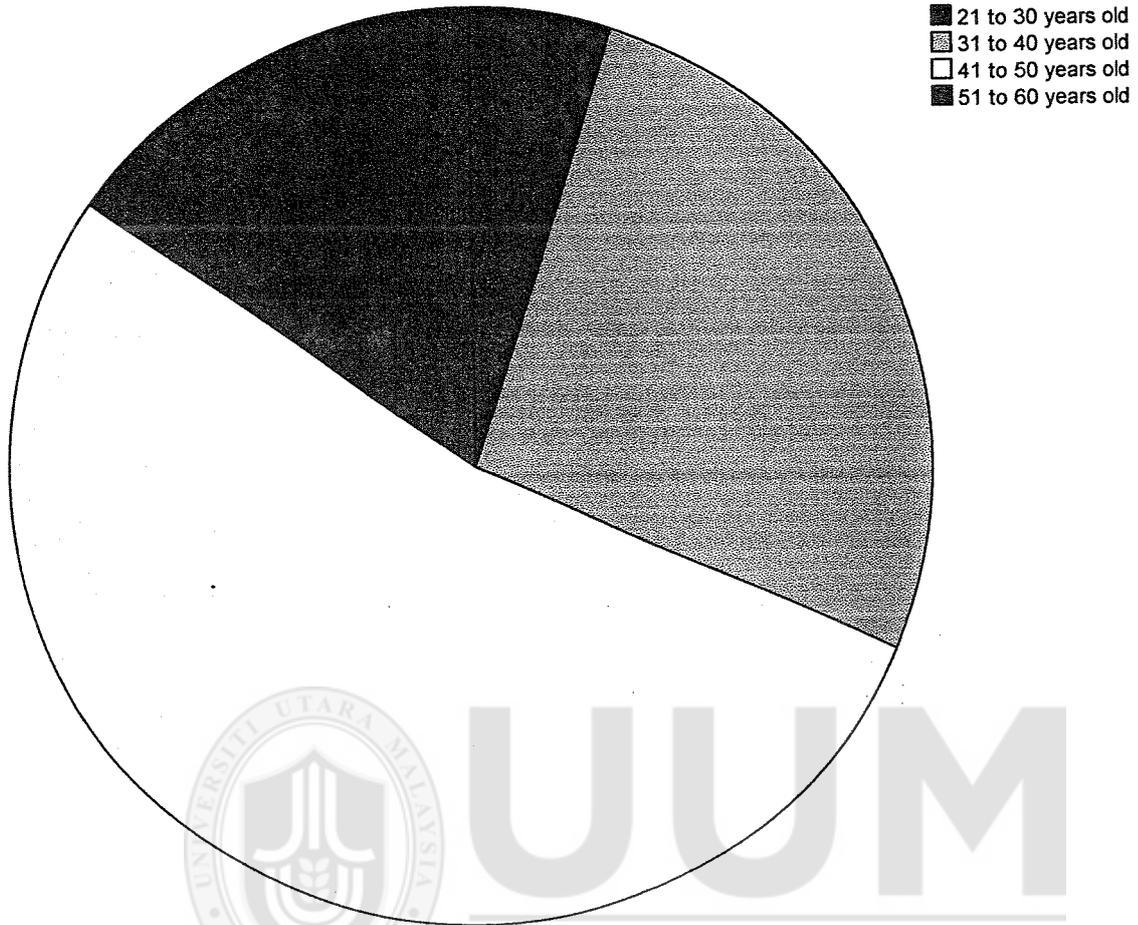
Age bracket

N	Valid	139
	Missing	0
Mean		2.78
Median		3.00
Mode		3
Std. Deviation		.759
Variance		.576
Range		3
Minimum		1
Maximum		4
Percentiles	25	2.00
	50	3.00
	75	3.00

Age bracket

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21 to 30 years old	7	5.0	5.0	5.0
31 to 40 years old	37	26.6	26.6	31.7
41 to 50 years old	74	53.2	53.2	84.9
51 to 60 years old	21	15.1	15.1	100.0
Total	139	100.0	100.0	

### Age bracket



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```

FREQUENCIES VARIABLES=mean_IV1com
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE
  /HISTOGRAM NORMAL
  /ORDER=ANALYSIS.

```

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

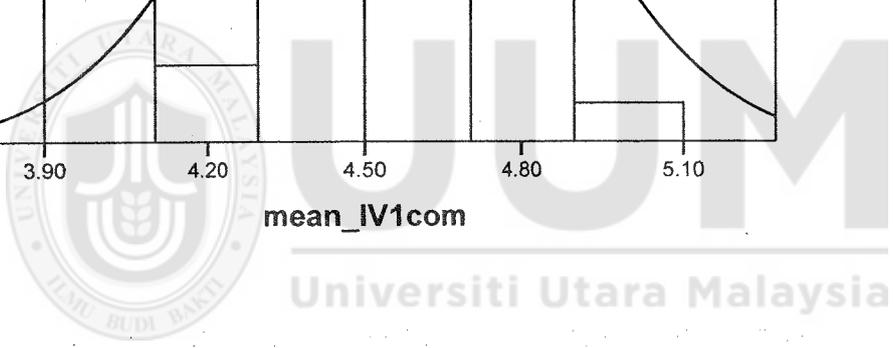
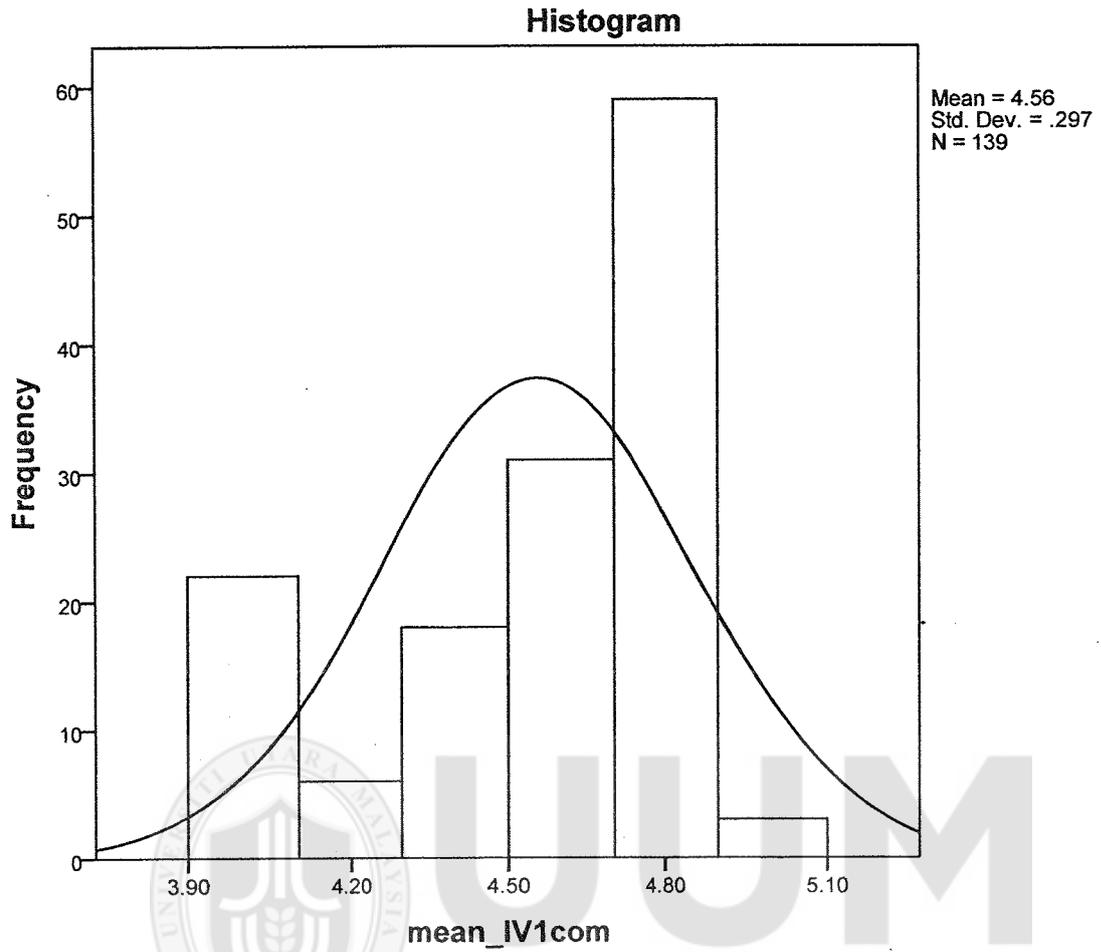
### Statistics

mean\_IV1com

N	Valid	139
	Missing	0
Mean		4.5554
Median		4.6000
Mode		4.80
Std. Deviation		.29689
Variance		.088
Range		1.00
Minimum		4.00
Maximum		5.00
Percentiles	25	4.4000
	50	4.6000
	75	4.8000

mean\_IV1com

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4.00	22	15.8	15.8	15.8
4.20	6	4.3	4.3	20.1
4.40	18	12.9	12.9	33.1
4.60	31	22.3	22.3	55.4
4.80	59	42.4	42.4	97.8
5.00	3	2.2	2.2	100.0
Total	139	100.0	100.0	



```

EXAMINE VARIABLES=mean_IV1com
/PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT
/COMPARE GROUPS
/STATISTICS DESCRIPTIVES
/CINTERVAL 95
/MISSING LISTWISE
/NOTOTAL.

```

## Explore

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
mean_IV1com	139	100.0%	0	0.0%	139	100.0%

### Descriptives

		Statistic	Std. Error
mean_IV1com	Mean	4.5554	.02518
	95% Confidence Interval for Mean	Lower Bound 4.5056	
		Upper Bound 4.6052	
	5% Trimmed Mean	4.5679	
	Median	4.6000	
	Variance	.088	
	Std. Deviation	.29689	
	Minimum	4.00	
	Maximum	5.00	
	Range	1.00	
	Interquartile Range	.40	
	Skewness	-.836	.206
	Kurtosis	-.603	.408

### Tests of Normality

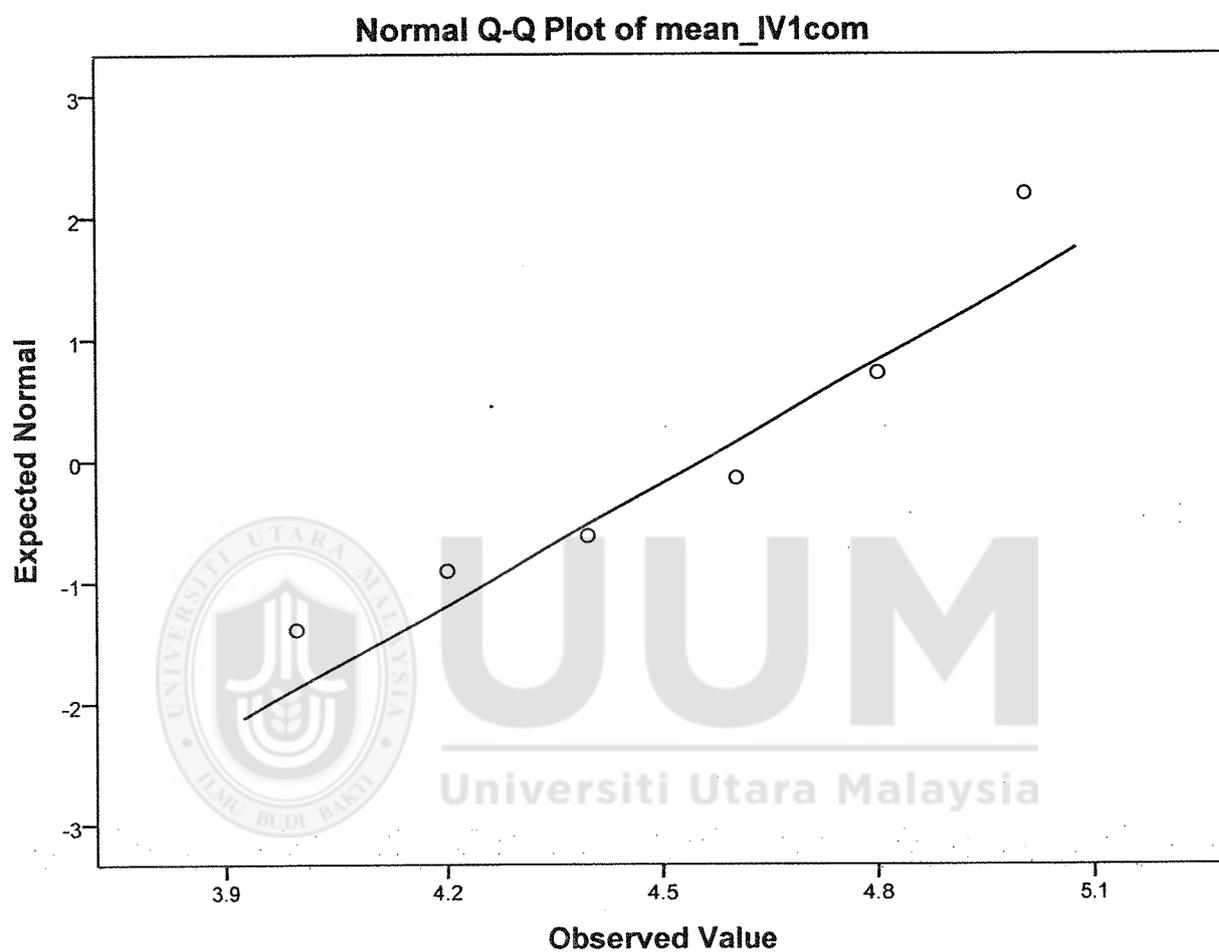
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean_IV1com	.241	139	.000	.811	139	.000

a. Lilliefors Significance Correction

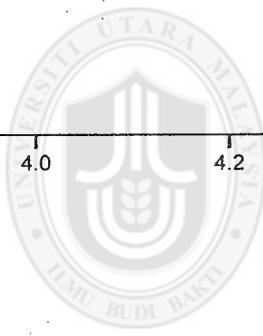
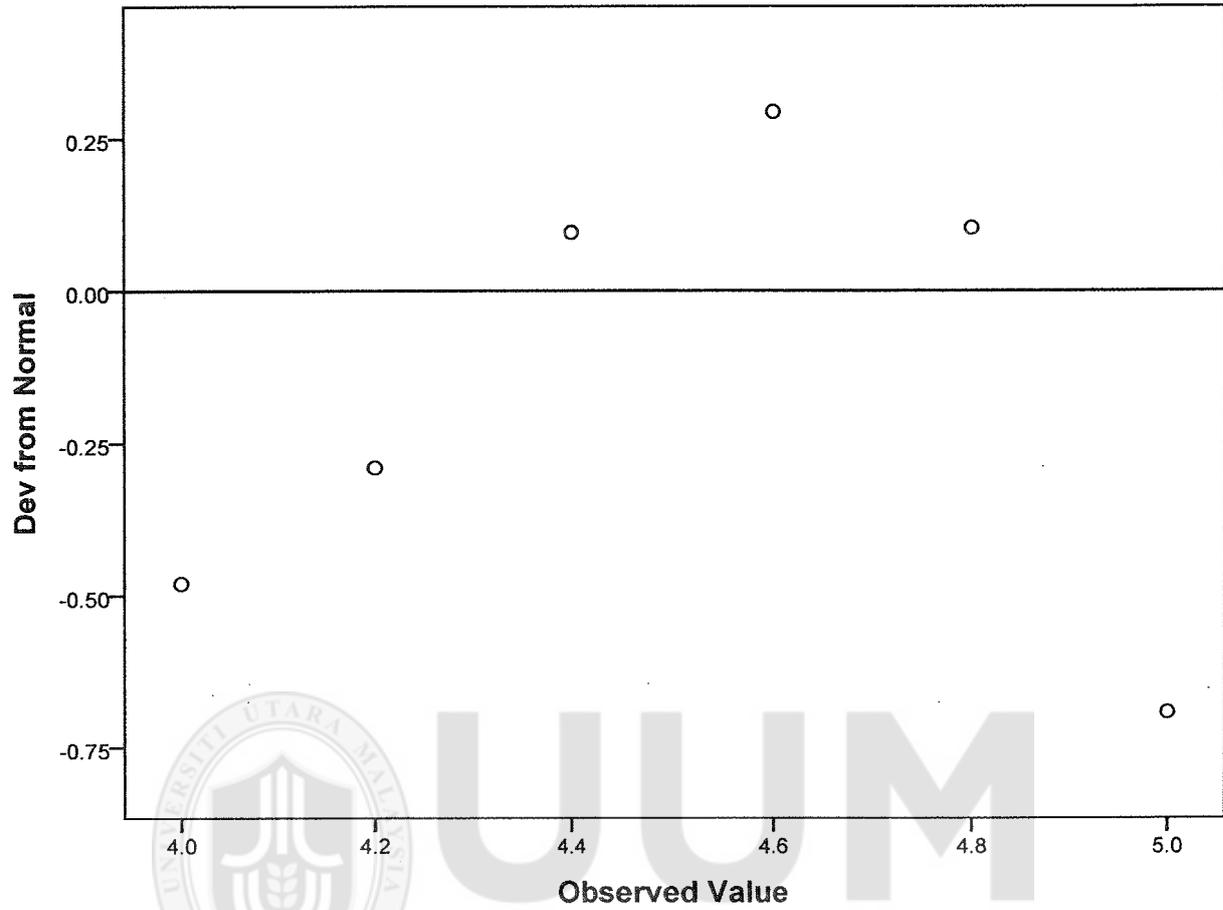
**mean\_IV1com**



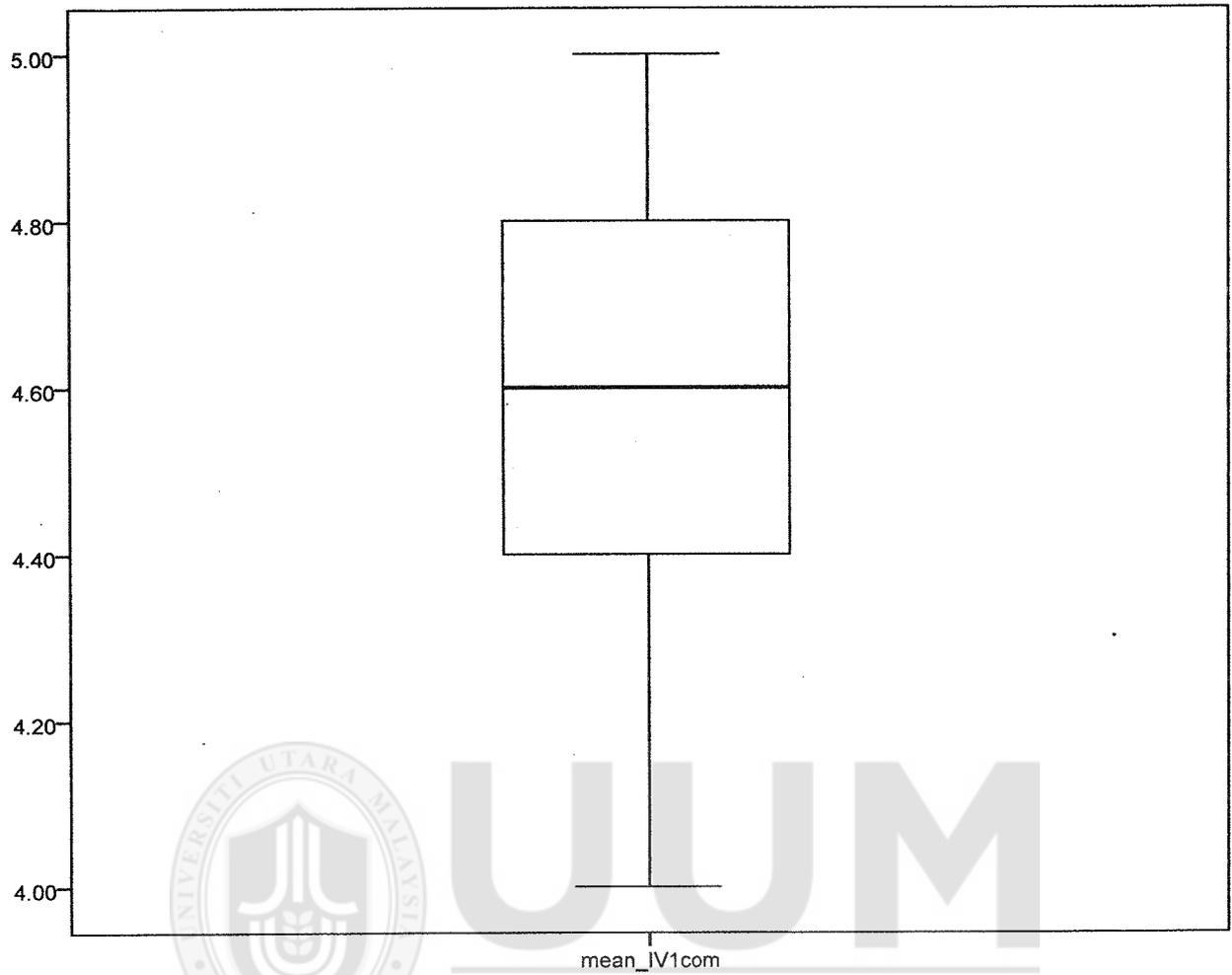
Stem width: .10  
Each leaf: 1 case(s)



Detrended Normal Q-Q Plot of mean\_IV1com



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```

FREQUENCIES VARIABLES=mean_IV2prog
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE
  /HISTOGRAM NORMAL
  /ORDER=ANALYSIS.

```

## Frequencities

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Statistics

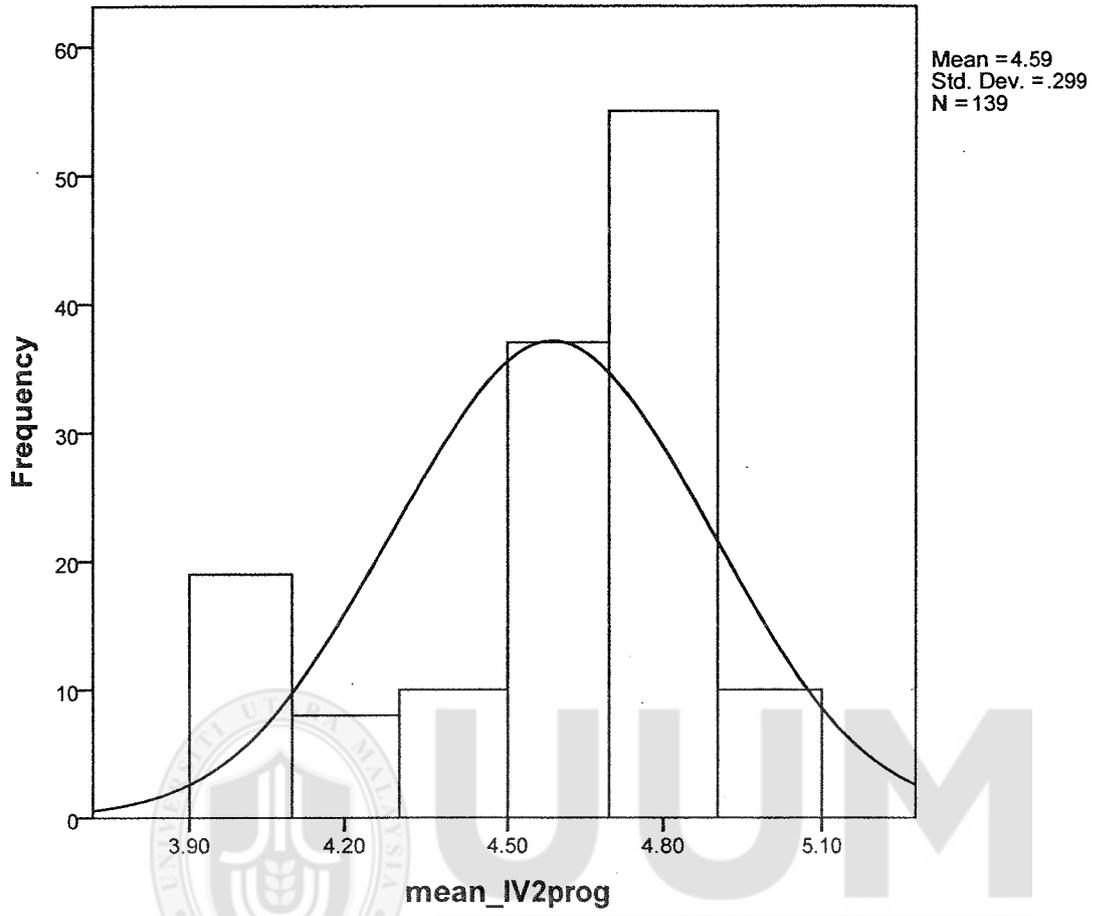
mean\_IV2prog

N	Valid	139
	Missing	0
Mean		4.5885
Median		4.6000
Mode		4.80
Std. Deviation		.29857
Variance		.089
Range		1.00
Minimum		4.00
Maximum		5.00
Percentiles	25	4.4000
	50	4.6000
	75	4.8000

mean\_IV2prog

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4.00	19	13.7	13.7	13.7
4.20	8	5.8	5.8	19.4
4.40	10	7.2	7.2	26.6
4.60	37	26.6	26.6	53.2
4.80	55	39.6	39.6	92.8
5.00	10	7.2	7.2	100.0
Total	139	100.0	100.0	

Histogram



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```

EXAMINE VARIABLES=mean_IV2prog
/PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT
/COMPARE GROUPS
/STATISTICS DESCRIPTIVES
/CINTERVAL 95
/MISSING LISTWISE
/NOTOTAL.

```

## Explore

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
mean_IV2prog	139	100.0%	0	0.0%	139	100.0%

### Descriptives

		Statistic	Std. Error
mean_IV2prog	Mean	4.5885	.02532
	95% Confidence Interval for Mean	Lower Bound 4.5384 Upper Bound 4.6386	
	5% Trimmed Mean	4.5983	
	Median	4.6000	
	Variance	.089	
	Std. Deviation	.29857	
	Minimum	4.00	
	Maximum	5.00	
	Range	1.00	
	Interquartile Range	.40	
	Skewness	-.881	.206
	Kurtosis	-.332	.408

### Tests of Normality

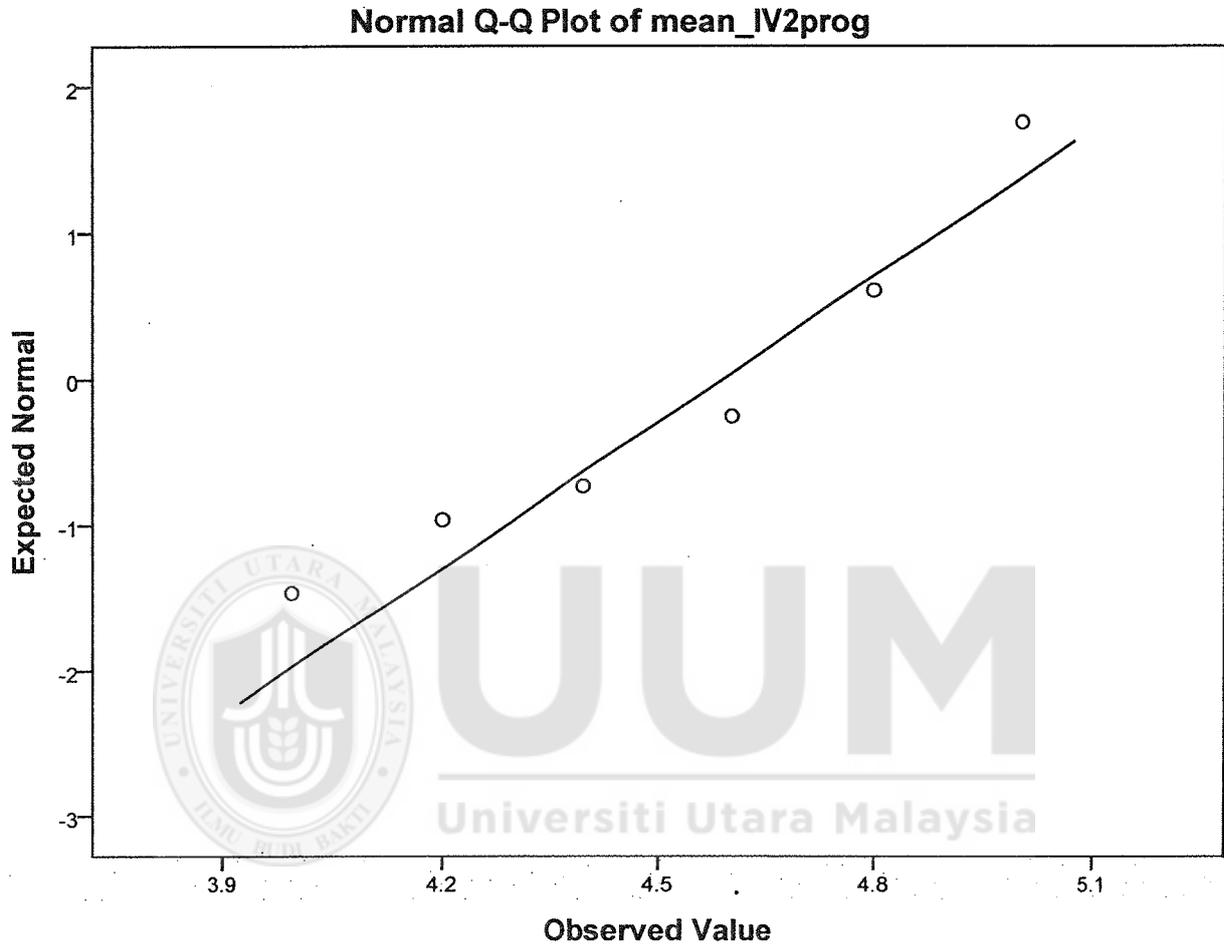
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean_IV2prog	.249	139	.000	.832	139	.000

a. Lilliefors Significance Correction

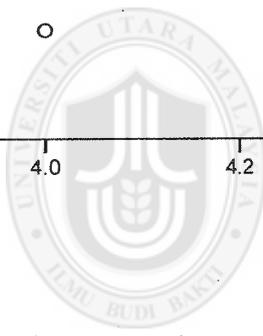
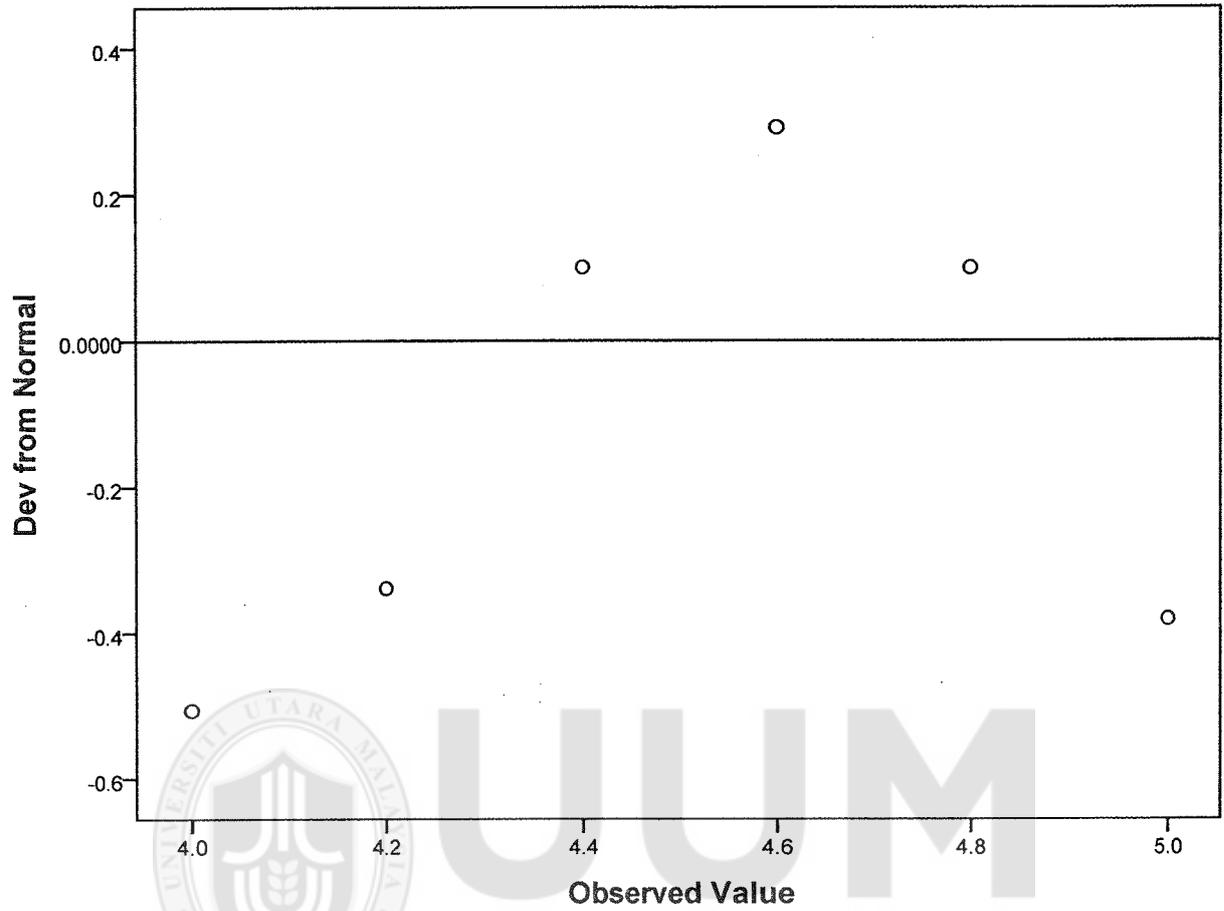
mean\_IV2prog



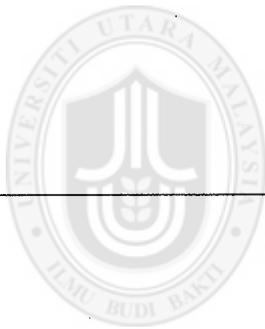
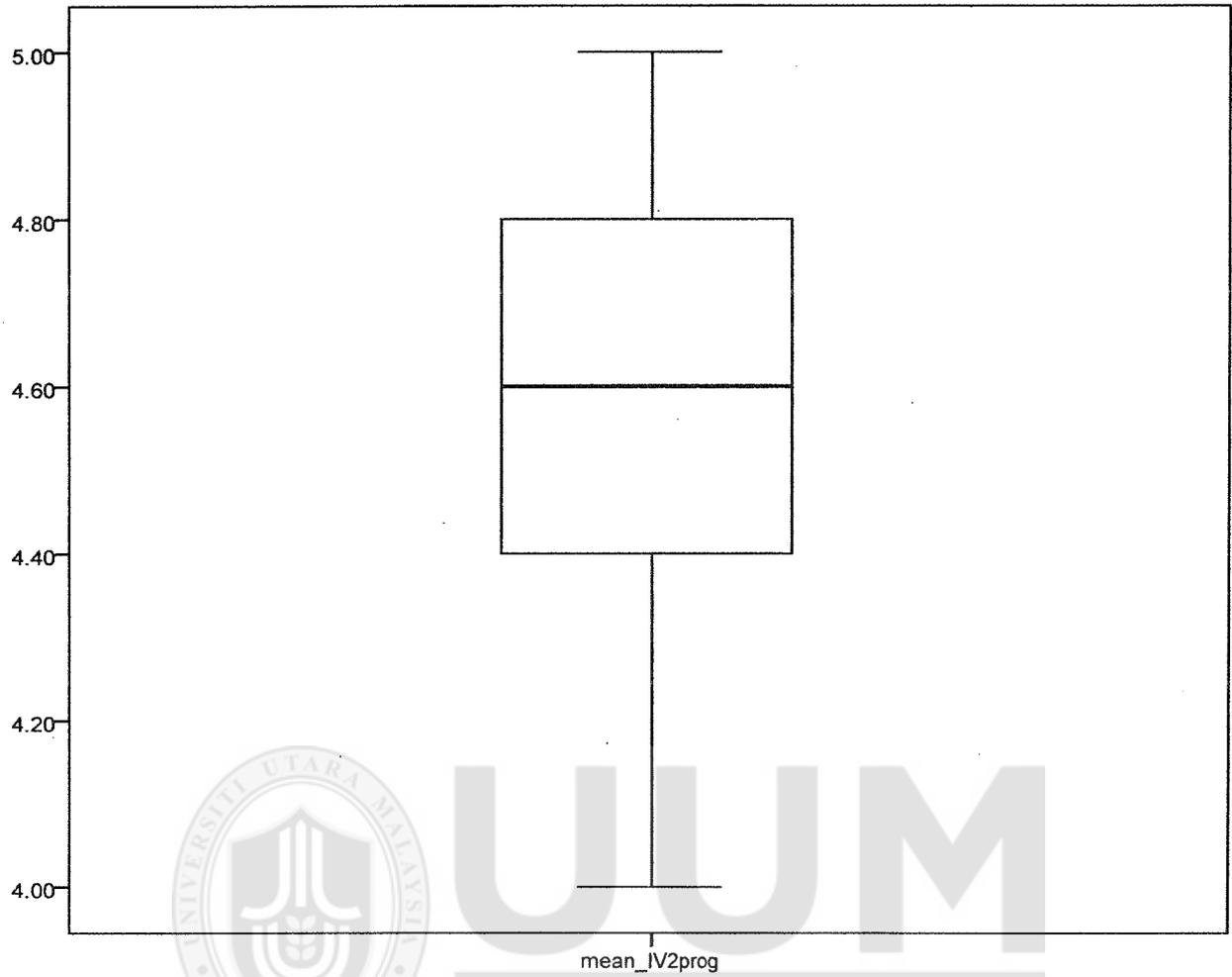
Stem width: .10  
Each leaf: 1 case(s)



Detrended Normal Q-Q Plot of mean\_IV2prog



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```

FREQUENCIES VARIABLES=mean_IV3cwculture
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE
  /HISTOGRAM NORMAL
  /ORDER=ANALYSIS.

```

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
 139 Hayati Reviva correct.sav

### Statistics

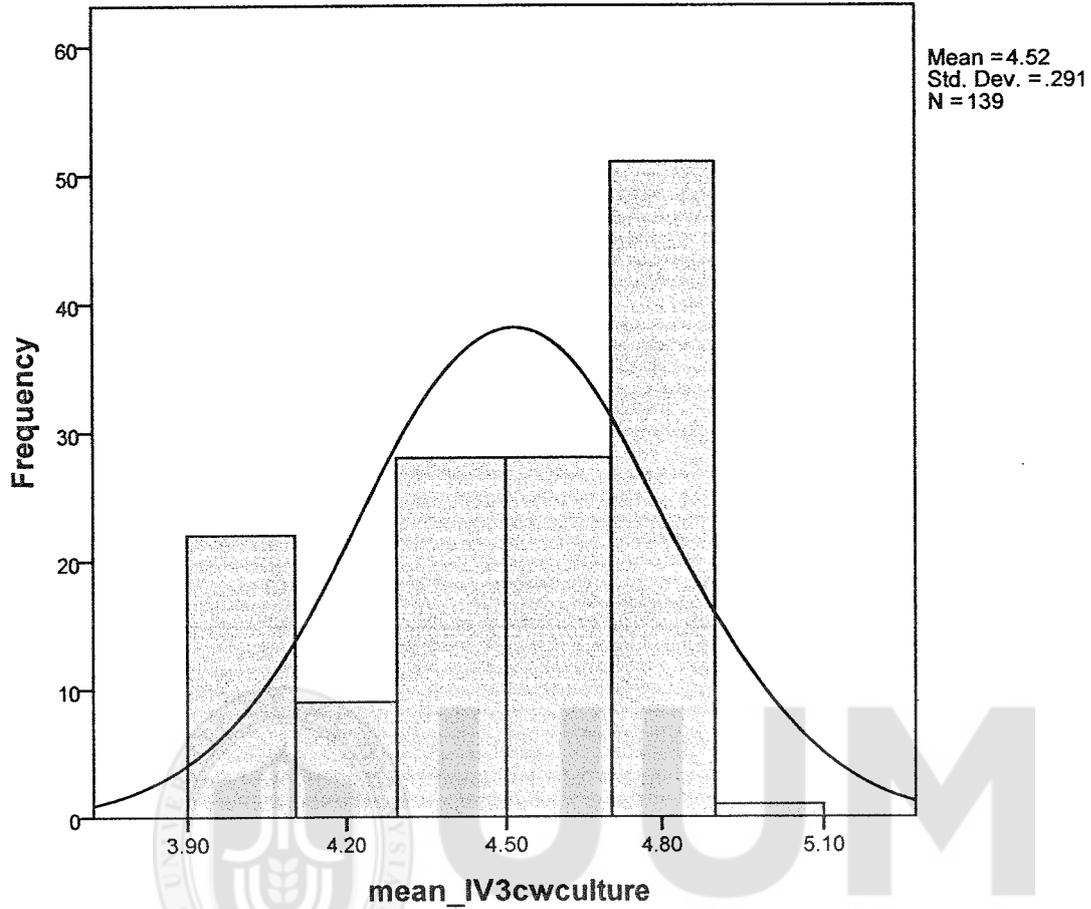
mean\_IV3cwculture

N	Valid	139
	Missing	0
Mean		4.5151
Median		4.6000
Mode		4.80
Std. Deviation		.29090
Variance		.085
Range		1.00
Minimum		4.00
Maximum		5.00
Percentiles	25	4.4000
	50	4.6000
	75	4.8000

mean\_IV3cwculture

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4.00	22	15.8	15.8	15.8
4.20	9	6.5	6.5	22.3
4.40	28	20.1	20.1	42.4
4.60	28	20.1	20.1	62.6
4.80	51	36.7	36.7	99.3
5.00	1	.7	.7	100.0
Total	139	100.0	100.0	

Histogram



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```

EXAMINE VARIABLES=mean_IV3cwculture
/PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT
/COMPARE GROUPS
/STATISTICS DESCRIPTIVES
/CINTERVAL 95
/MISSING LISTWISE
/NOTOTAL.

```

## Explore

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct.sav

### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
mean_IV3cwculture	139	100.0%	0	0.0%	139	100.0%

### Descriptives

		Statistic	Std. Error
mean_IV3cwculture	Mean	4.5151	.02467
	95% Confidence Interval for Mean	Lower Bound 4.4663	
		Upper Bound 4.5639	
	5% Trimmed Mean	4.5263	
	Median	4.6000	
	Variance	.085	
	Std. Deviation	.29090	
	Minimum	4.00	
	Maximum	5.00	
	Range	1.00	
	Interquartile Range	.40	
	Skewness	-.604	.206
	Kurtosis	-.915	.408

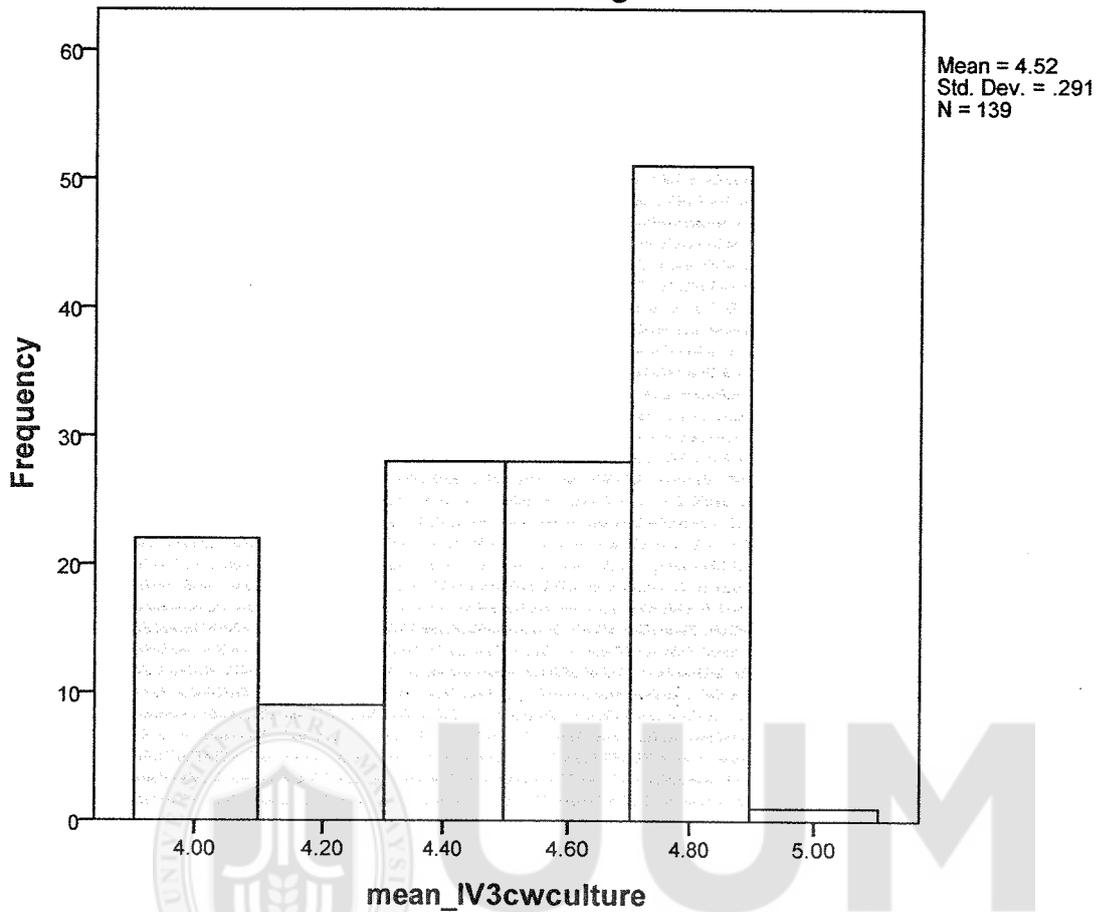
### Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean_IV3cwculture	.210	139	.000	.843	139	.000

a. Lilliefors Significance Correction

**mean\_IV3cwculture**

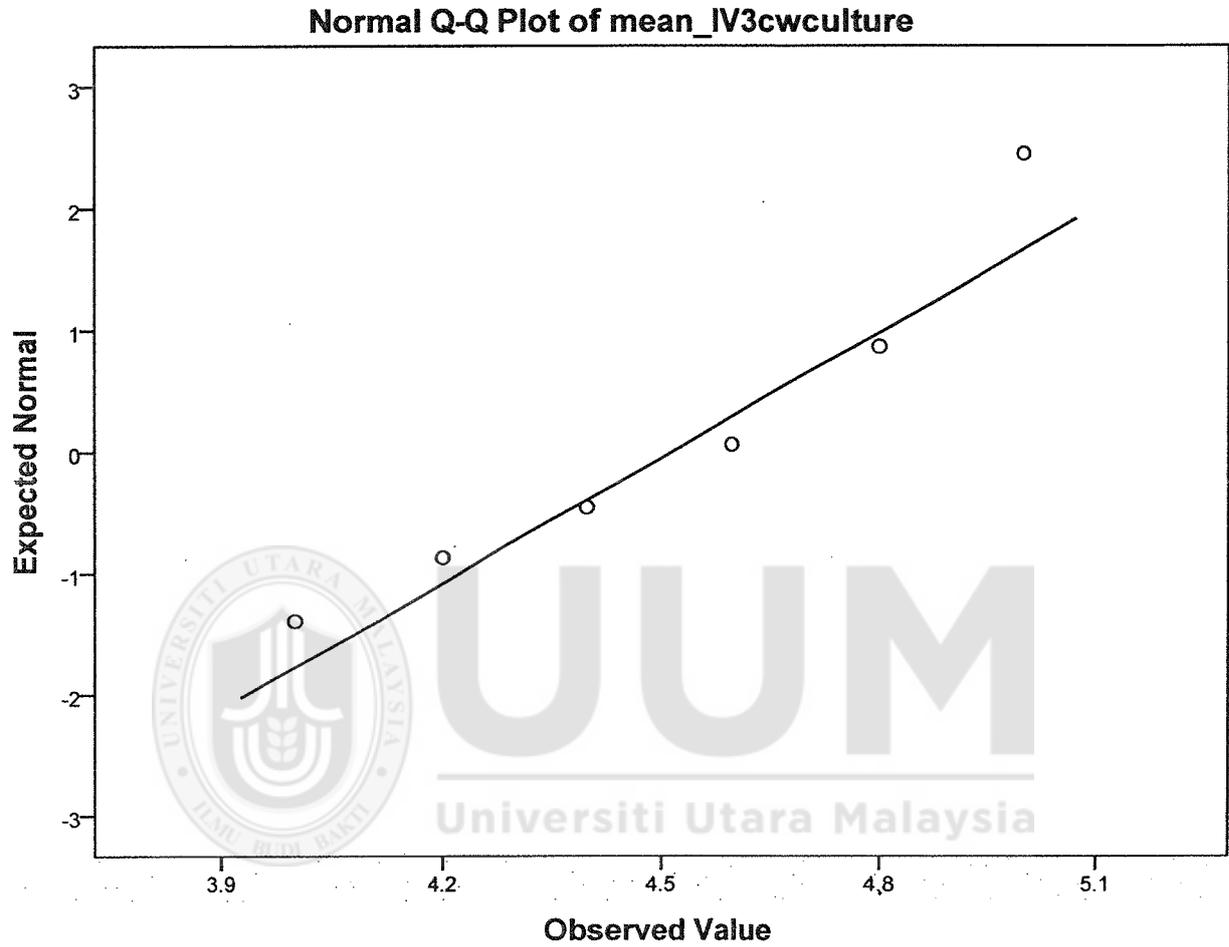
### Histogram



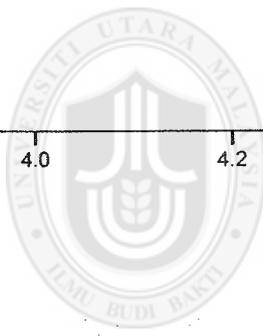
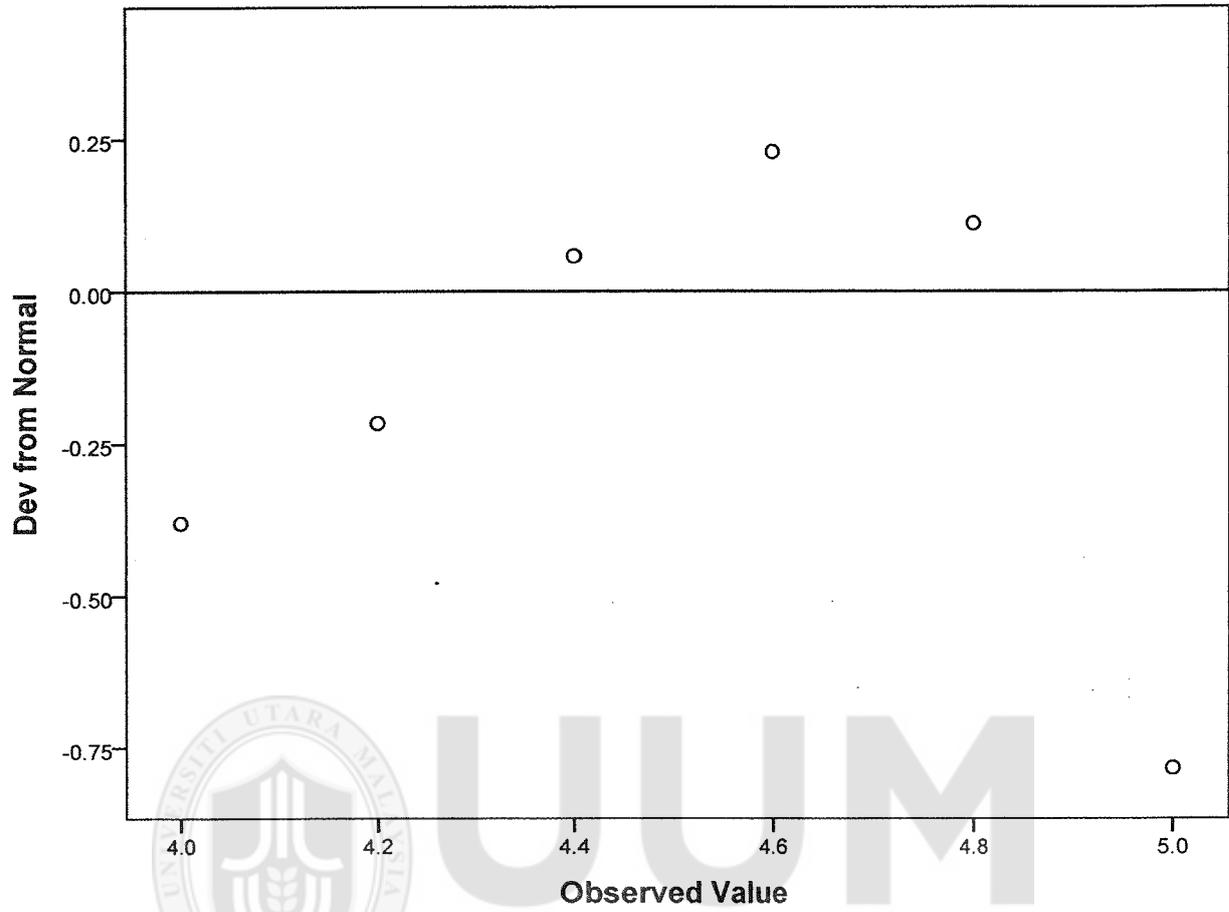
mean\_IV3cwculture Stem-and-Leaf Plot

Frequency	Stem &	Leaf
22.00	40 .	0000000000000000000000
.00	41 .	
9.00	42 .	000000000
.00	43 .	
28.00	44 .	000000000000000000000000
.00	45 .	
28.00	46 .	000000000000000000000000
.00	47 .	
51.00	48 .	000
.00	49 .	
1.00	50 .	0

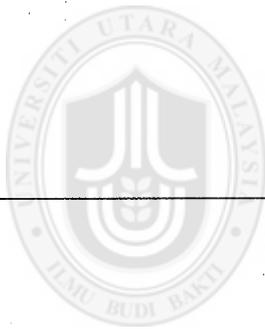
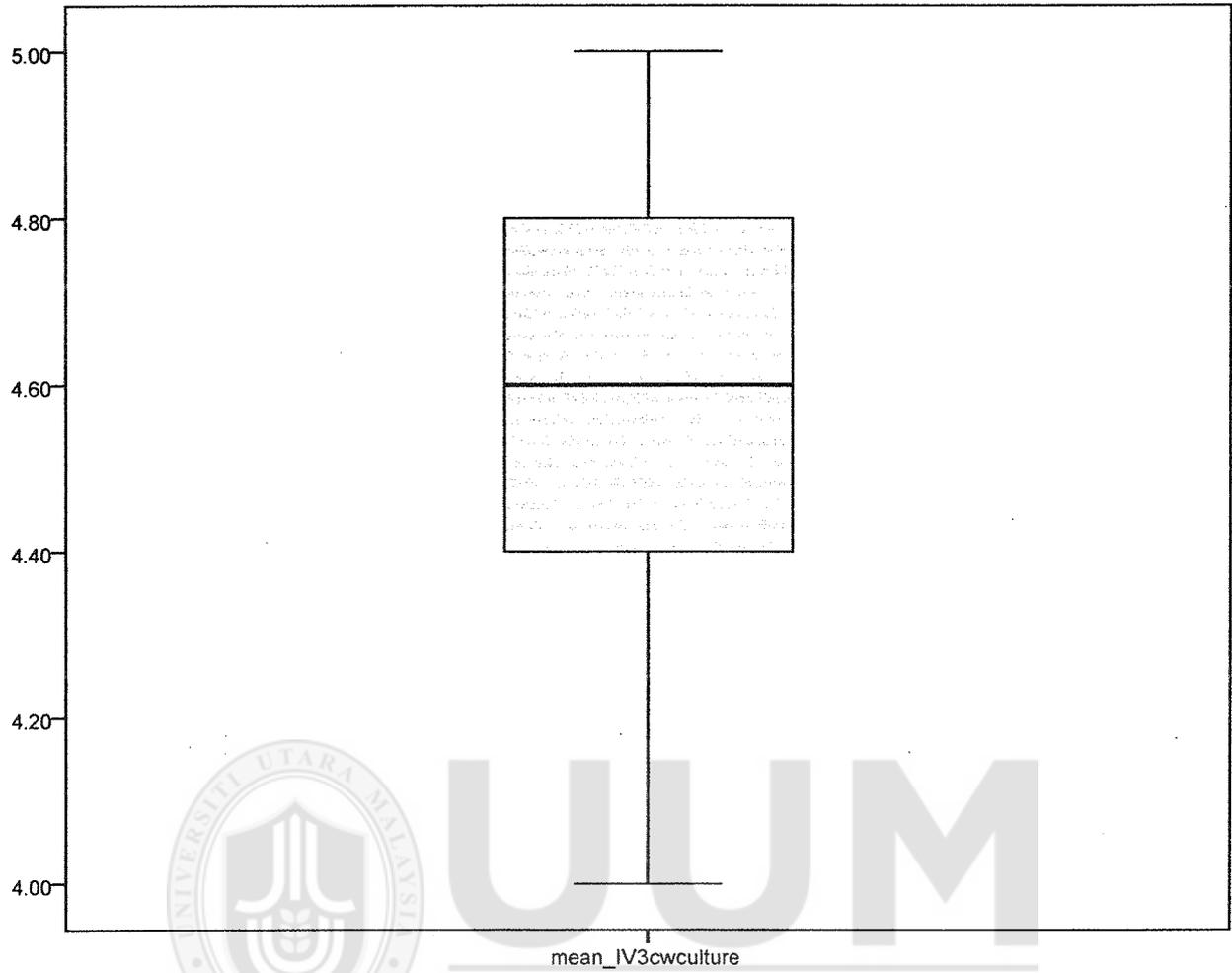
Stem width: .10  
Each leaf: 1 case(s)



Detrended Normal Q-Q Plot of mean\_IV3cwculture



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GET

FILE='F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav'.  
DATASET NAME DataSet1 WINDOW=FRONT.

FREQUENCIES VARIABLES=mean\_IV4leader  
/NTILES=4  
/STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN  
/HISTOGRAM NORMAL  
/ORDER=ANALYSIS.

## Frequencies

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav

### Statistics

mean\_IV4leader

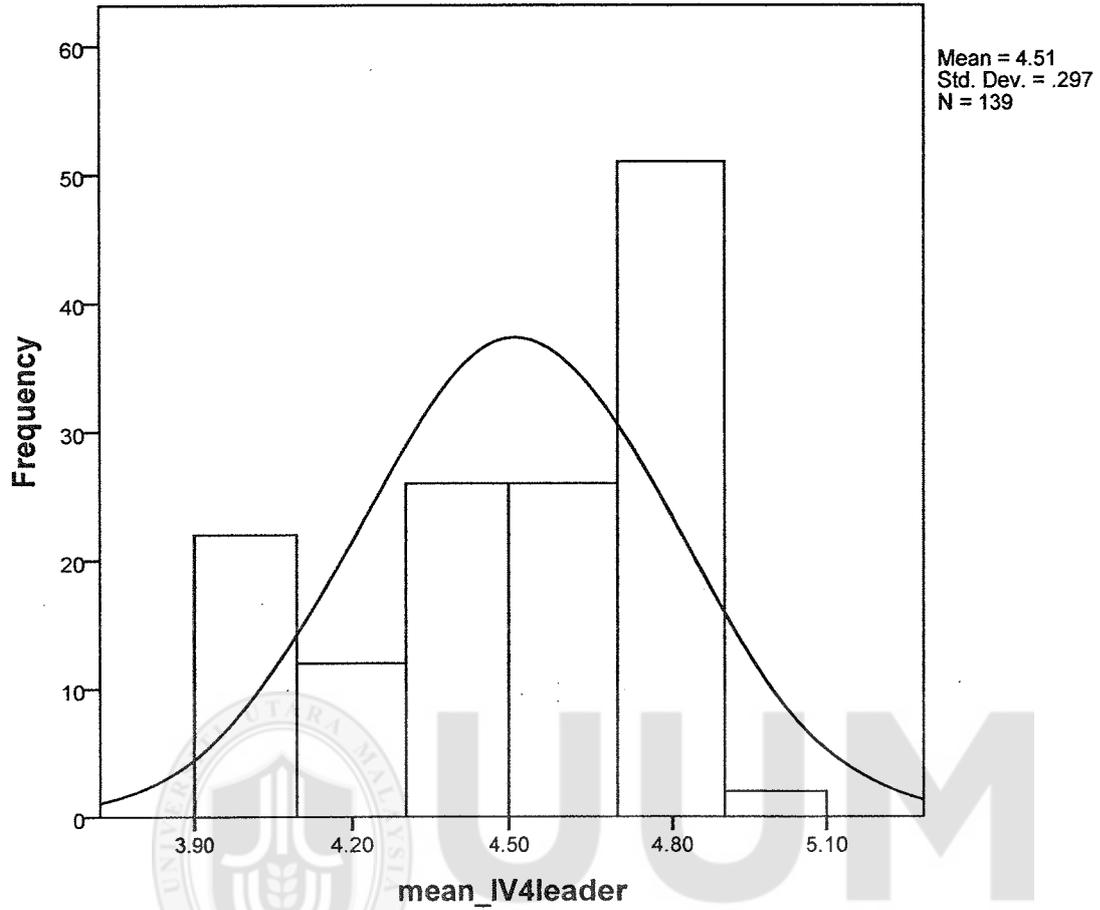
N	Valid	139
	Missing	0
Mean		4.5122
Median		4.6000
Std. Deviation		.29696
Variance		.088
Range		1.00
Minimum		4.00
Maximum		5.00
Percentiles	25	4.4000
	50	4.6000
	75	4.8000



mean\_IV4leader

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4.00	22	15.8	15.8	15.8
4.20	12	8.6	8.6	24.5
4.40	26	18.7	18.7	43.2
4.60	26	18.7	18.7	61.9
4.80	51	36.7	36.7	98.6
5.00	2	1.4	1.4	100.0
Total	139	100.0	100.0	

Histogram



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```

EXAMINE VARIABLES=mean_IV4leader
/PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT
/COMPARE GROUPS
/STATISTICS DESCRIPTIVES
/CINTERVAL 95
/MISSING LISTWISE
/NOTOTAL.

```

## Explore

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
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### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
mean_IV4leader	139	100.0%	0	0.0%	139	100.0%

### Descriptives

		Statistic	Std. Error
mean_IV4leader	Mean	4.5122	.02519
	95% Confidence Interval for Mean	Lower Bound 4.4624 Upper Bound 4.5620	
	5% Trimmed Mean	4.5215	
	Median	4.6000	
	Variance	.088	
	Std. Deviation	.29696	
	Minimum	4.00	
	Maximum	5.00	
	Range	1.00	
	Interquartile Range	.40	
	Skewness	-.532	.206
	Kurtosis	-1.025	.408

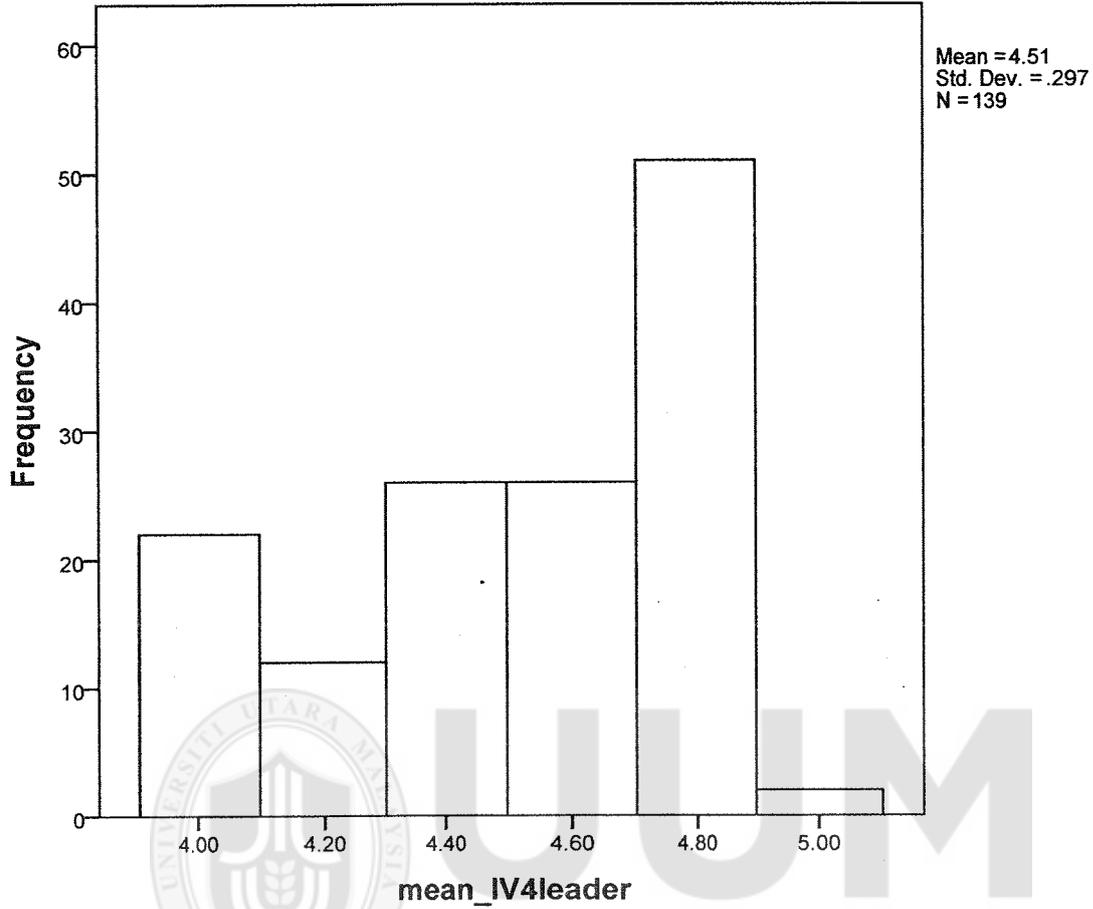
### Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean_IV4leader	.215	139	.000	.853	139	.000

a. Lilliefors Significance Correction

**mean\_IV4leader**

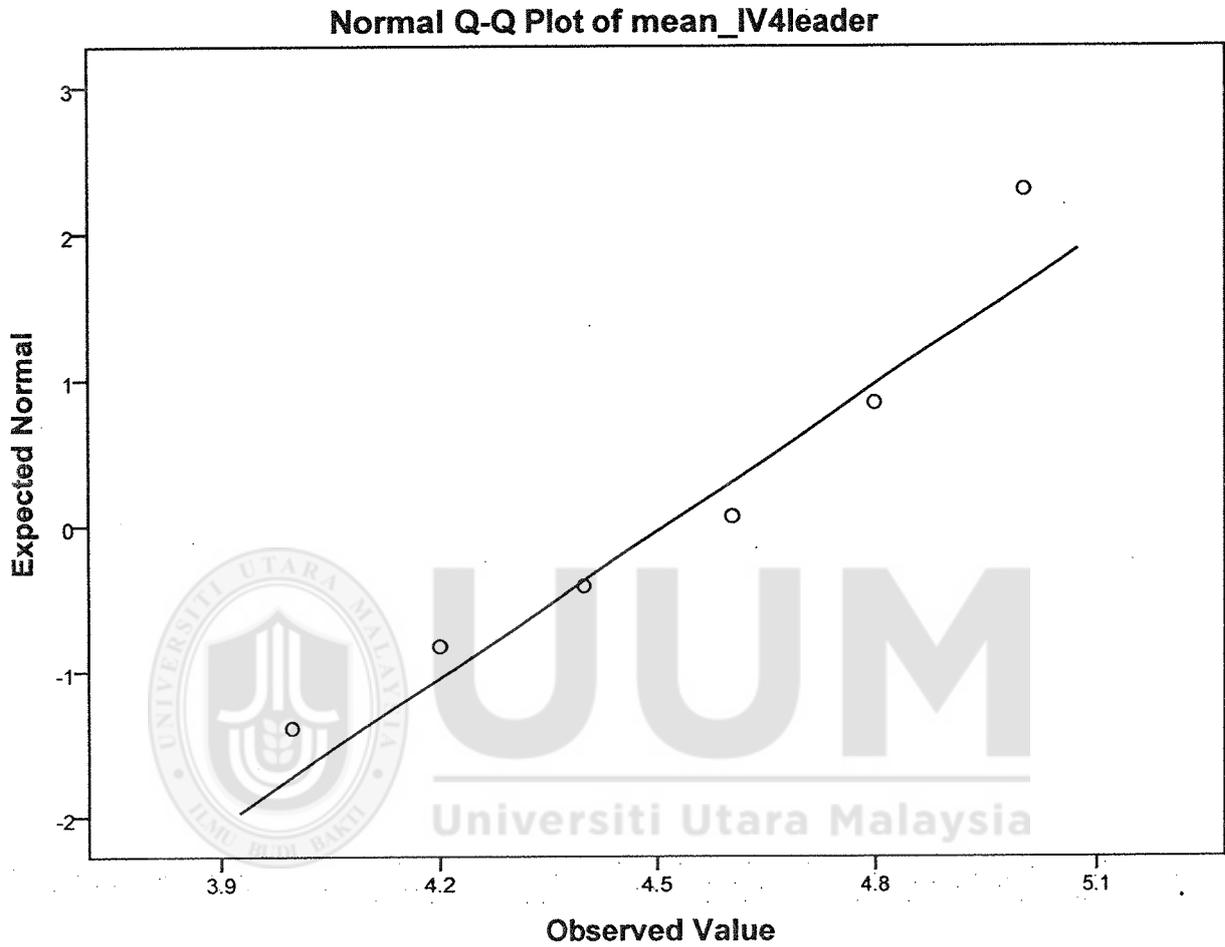
### Histogram



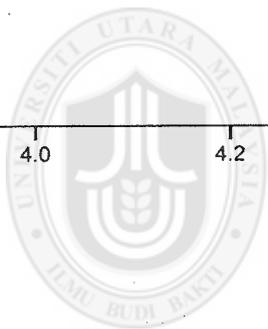
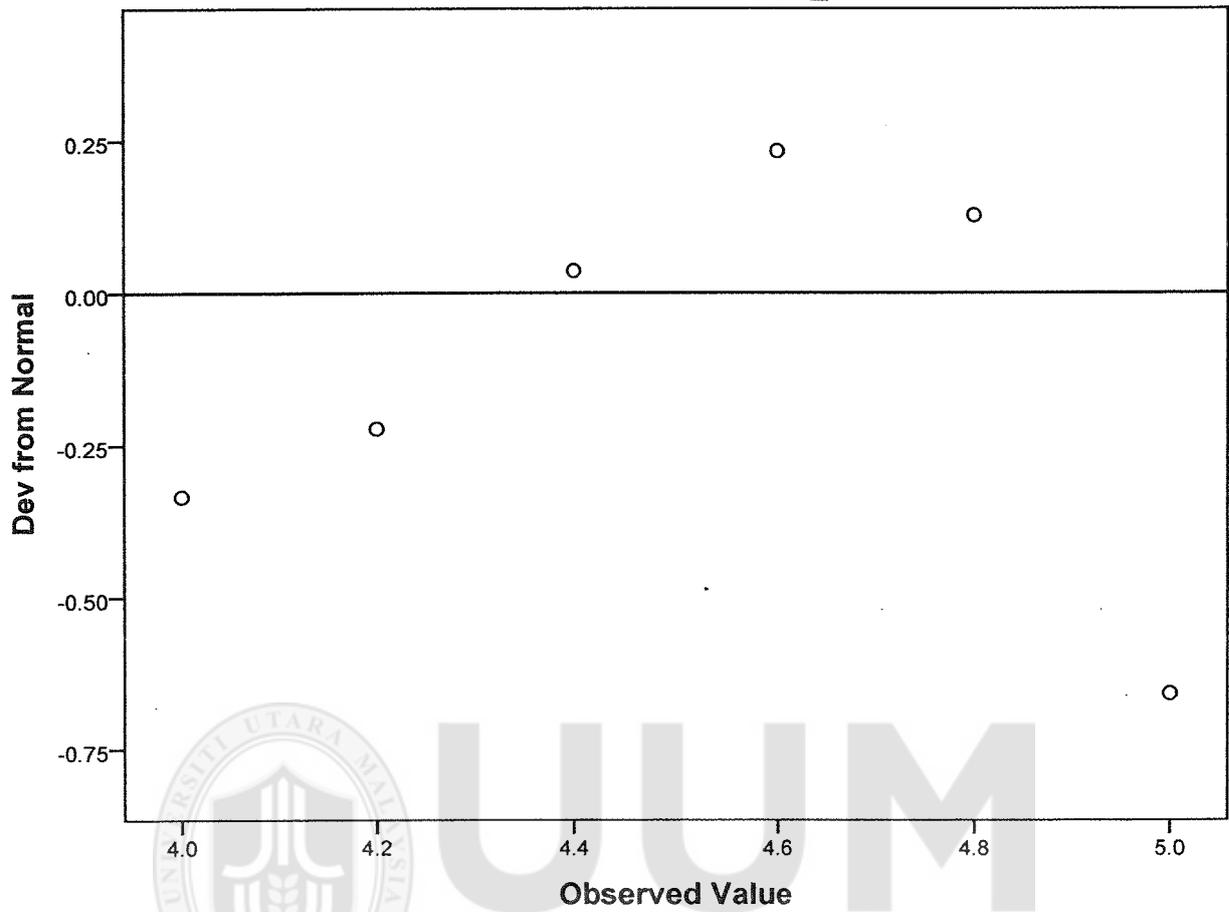
mean\_IV4leader Stem-and-Leaf Plot

Frequency	Stem &	Leaf
22.00	40 .	000000000000000000000000
.00	41 .	
12.00	42 .	0000000000000000
.00	43 .	
26.00	44 .	000000000000000000000000
.00	45 .	
26.00	46 .	000000000000000000000000
.00	47 .	
51.00	48 .	000
.00	49 .	
2.00	50 .	00

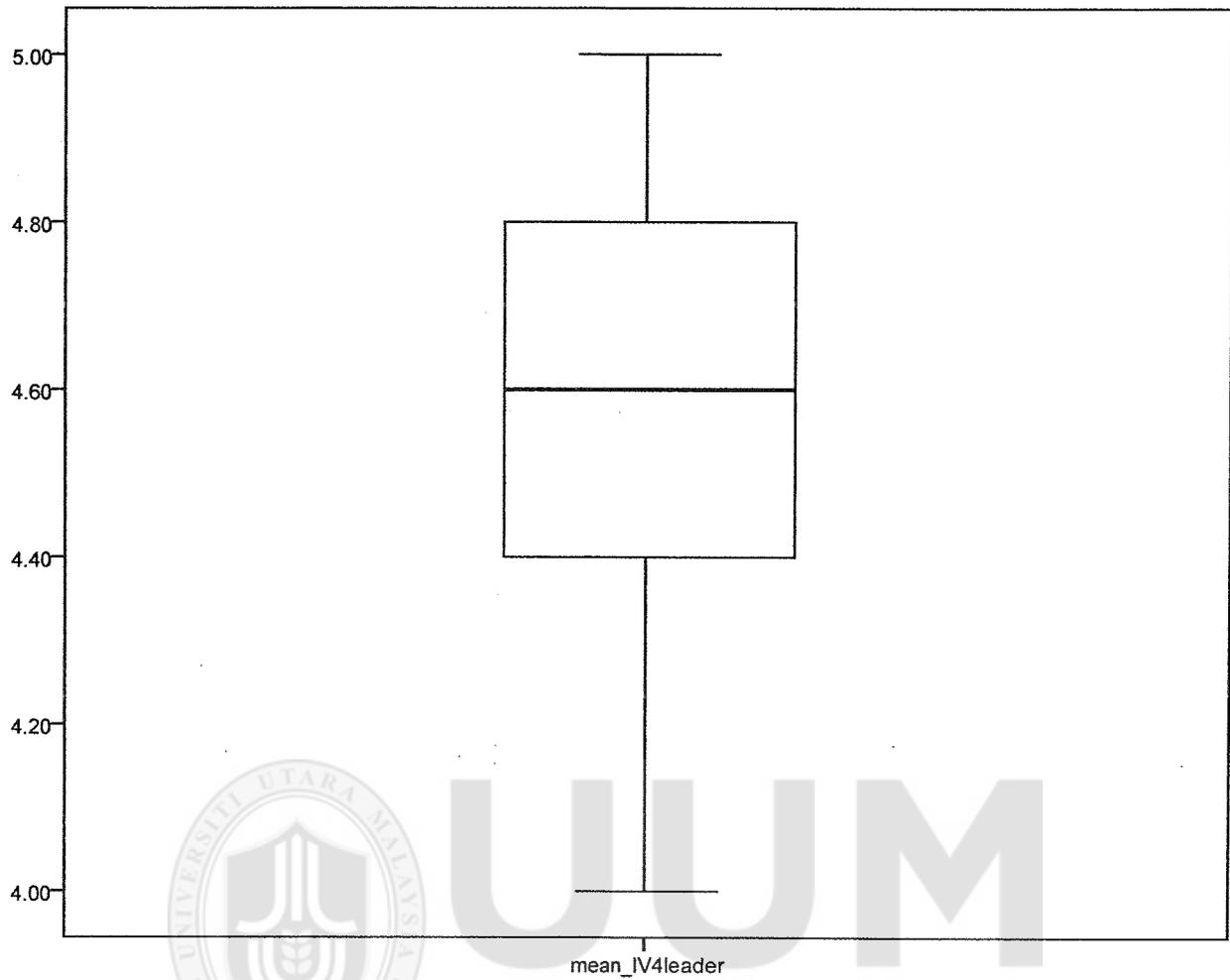
Stem width: .10  
Each leaf: 1 case(s)



Detrended Normal Q-Q Plot of mean\_IV4leader



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```

FREQUENCIES VARIABLES=mean_DV1success
  /NTILES=4
  /STATISTICS=STDDEV VARIANCE RANGE MINIMUM MAXIMUM MEAN MEDIAN MODE SUM
  /HISTOGRAM NORMAL
  /ORDER=ANALYSIS.

```

## Frequencities

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
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### Statistics

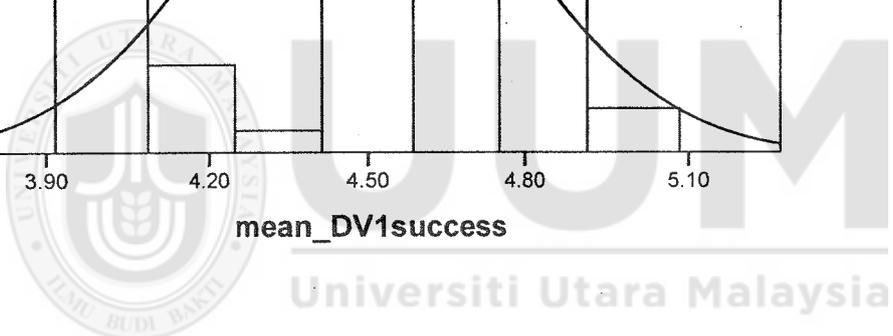
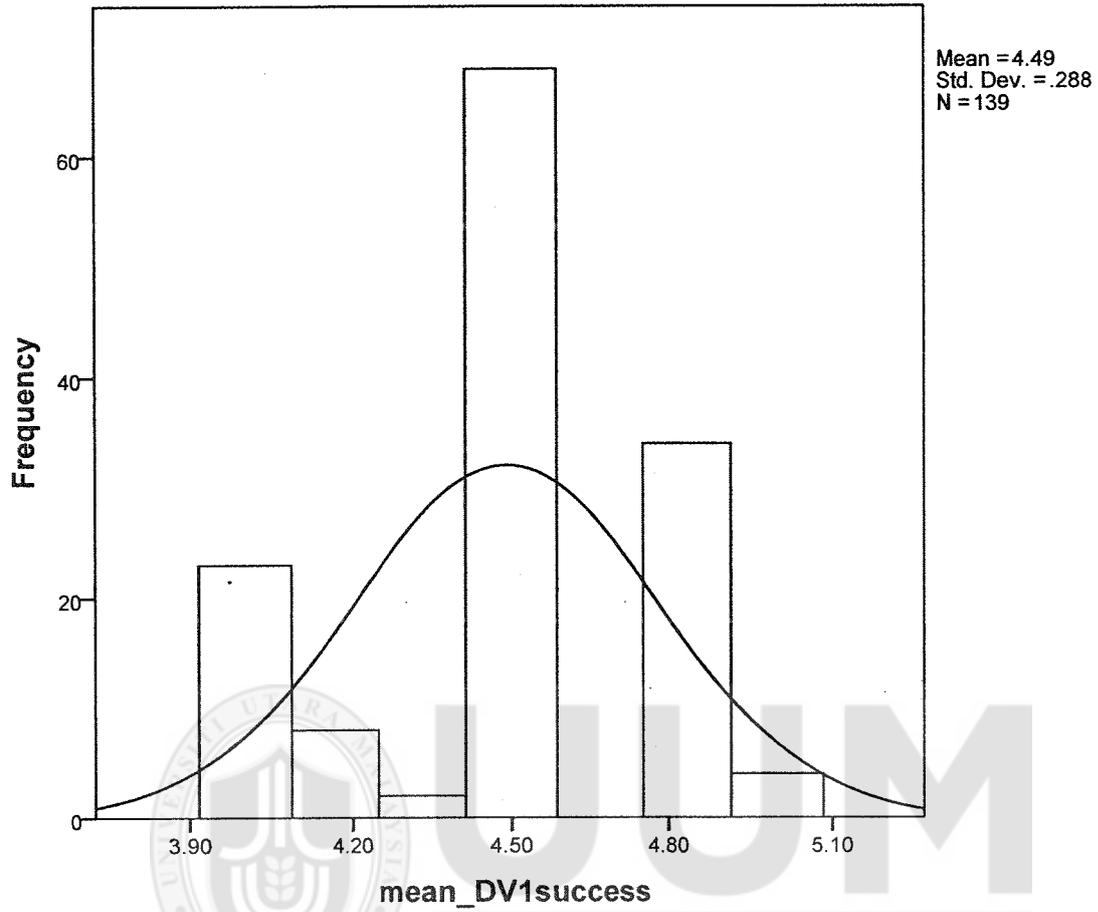
mean\_DV1success

N	Valid	139
	Missing	0
Mean		4.4916
Median		4.5000
Mode		4.50
Std. Deviation		.28820
Variance		.083
Range		1.00
Minimum		4.00
Maximum		5.00
Sum		624.33
Percentiles	25	4.5000
	50	4.5000
	75	4.8333

mean\_DV1success

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 4.00	23	16.5	16.5	16.5
4.17	8	5.8	5.8	22.3
4.33	2	1.4	1.4	23.7
4.50	68	48.9	48.9	72.7
4.83	34	24.5	24.5	97.1
5.00	4	2.9	2.9	100.0
Total	139	100.0	100.0	

Histogram



```

EXAMINE VARIABLES=mean_DV1success
/PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT
/COMPARE GROUPS
/STATISTICS DESCRIPTIVES
/CINTERVAL 95
/MISSING LISTWISE
/NOTOTAL.

```

## Explore

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
139 Hayati Reviva correct - submit.sav

### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
mean_DV1success	139	100.0%	0	0.0%	139	100.0%

### Descriptives

		Statistic	Std. Error
mean_DV1success	Mean	4.4916	.02445
	95% Confidence Interval for Mean	Lower Bound 4.4433 Upper Bound 4.5399	
	5% Trimmed Mean	4.4946	
	Median	4.5000	
	Variance	.083	
	Std. Deviation	.28820	
	Minimum	4.00	
	Maximum	5.00	
	Range	1.00	
	Interquartile Range	.33	
	Skewness	-.348	.206
	Kurtosis	-.692	.408

### Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
mean_DV1success	.274	139	.000	.849	139	.000

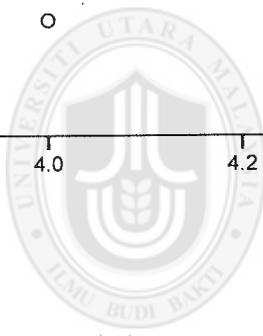
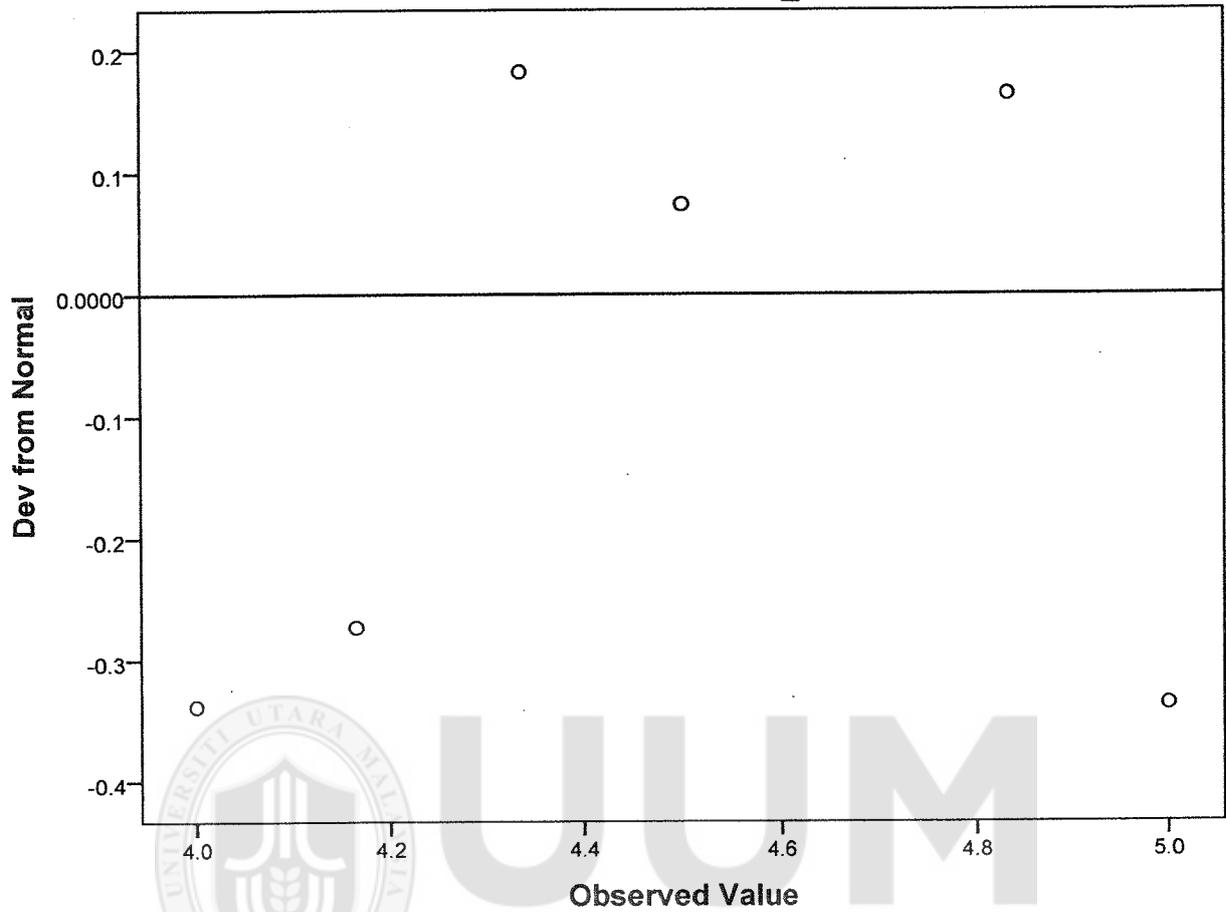
a. Lilliefors Significance Correction

**mean\_DV1success**

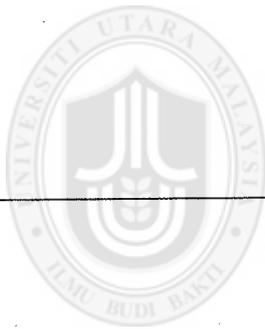
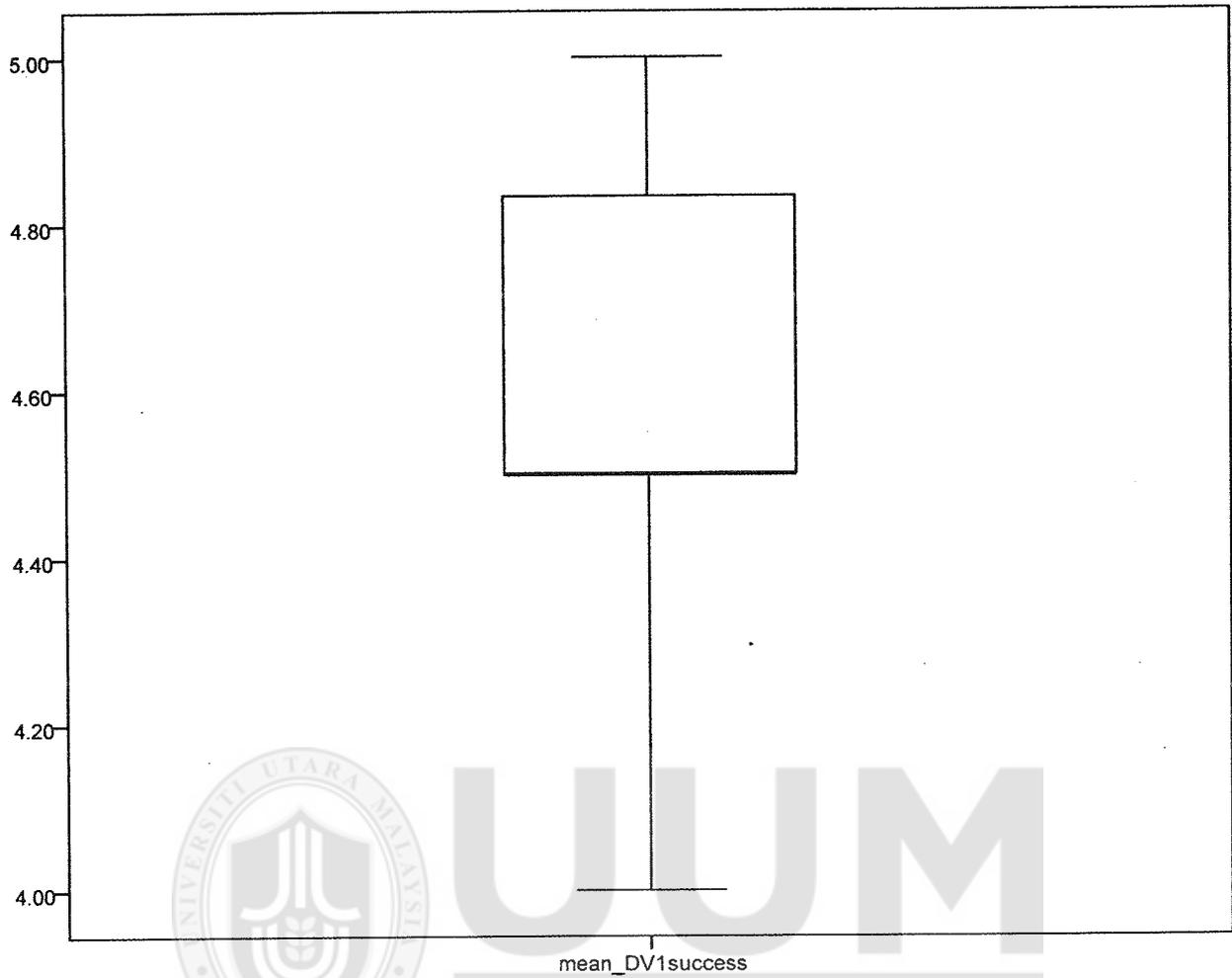




Detrended Normal Q-Q Plot of mean\_DV1success



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### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.893	.893	26



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```

GET
FILE='F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - subm
it.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
CORRELATIONS
/VARIABLES=mean_IV1com mean_IV2prog mean_IV3cwculture mean_IV4leader mean_DV1success
/PRINT=ONETAIL NOSIG
/MISSING=PAIRWISE.

```

### Correlations

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - s  
ubmit.sav

Correlations

	mean_IV1com	mean_IV2prog	mean_IV3cwculture	mean_IV4leader	mean_DV1success
mean_IV1com	1	.736**	.896**	.882**	.645**
	Pearson Correlation	.000	.000	.000	.000
	Sig. (1-tailed)	.139	.139	.139	.139
	N	139	139	139	139
mean_IV2prog		1	.676**	.672**	.723**
	Pearson Correlation	.000	.000	.000	.000
	Sig. (1-tailed)	.139	.139	.139	.139
	N	139	139	139	139
mean_IV3cwculture			1	.990**	.556**
	Pearson Correlation	.896**	.676**	.000	.000
	Sig. (1-tailed)	.000	.000	.139	.139
	N	139	139	139	139
mean_IV4leader				1	.559**
	Pearson Correlation	.882**	.990**	.000	.000
	Sig. (1-tailed)	.000	.000	.139	.139
	N	139	139	139	139

Correlations

	mean_IV1com	mean_IV2prog	mean_IV3culture	mean_IV4leader	mean_DV1success
mean_DV1success	.645**	.723**	.556**	.559**	1
Pearson Correlation	.000	.000	.000	.000	
Sig. (1-tailed)					
N	139	139	139	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).



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GET

FILE='F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav'.  
DATASET NAME DataSet1 WINDOW=FRONT.

CORRELATIONS

/VARIABLES=mean\_IV1com mean\_DV1success  
/PRINT=ONETAILED NOSIG  
/MISSING=PAIRWISE.

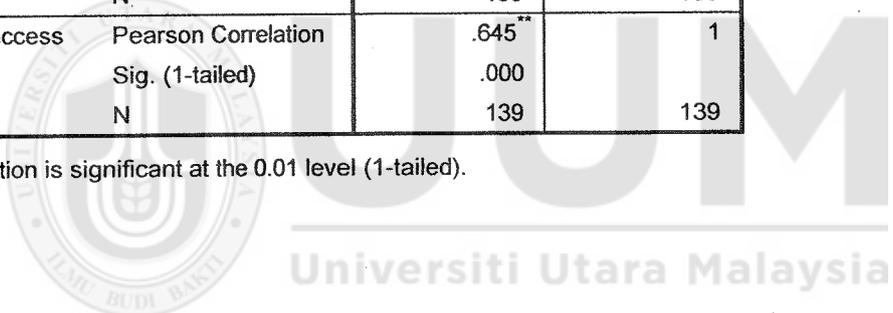
### Correlations

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav

Correlations

		mean_IV1com	mean_DV1success
mean_IV1com	Pearson Correlation	1	.645**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.645**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).



GET

FILE='D:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav'.

DATASET NAME DataSet1 WINDOW=FRONT.

CORRELATIONS

/VARIABLES=mean\_IV2prog mean\_DV1success

/PRINT=ONETAIL NOSIG

/MISSING=PAIRWISE.

## Correlations

[DataSet1] D:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav

Correlations

		mean_IV2prog	mean_DV1success
mean_IV2prog	Pearson Correlation	1	.723**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.723**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).

CORRELATIONS

```
/VARIABLES=mean_IV3cwculture mean_DV1success  
/PRINT=ONETAILED NOSIG  
/MISSING=PAIRWISE.
```

### Correlations

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
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Correlations

		mean_IV3cwculture	mean_DV1success
mean_IV3cwculture	Pearson Correlation	1	.556**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.556**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).



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CORRELATIONS

```
/VARIABLES=mean_IV4leader mean_DV1success  
/PRINT=ONETAIL NOSIG  
/MISSING=PAIRWISE.
```

### Correlations

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey  
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Correlations

		mean_IV4lead er	mean_DV1su ccess
mean_IV4leader	Pearson Correlation	1	.559**
	Sig. (1-tailed)		.000
	N	139	139
mean_DV1success	Pearson Correlation	.559**	1
	Sig. (1-tailed)	.000	
	N	139	139

\*\* . Correlation is significant at the 0.01 level (1-tailed).



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FILE='F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav'.

DATASET NAME DataSet1 WKB000001

REGRESSION

```

/MISSING LISTWISE
/STATISTICS COEFF OUTS R ANOVA COLLIN TOL
/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT mean_DV1success
/METHOD=ENTER mean_IV1com mean_IV2prog mean_IV3cwculture mean_IV4leader
/SCATTERPLOT=(*ZRESID ,*ZPRED)
/RESIDUALS DURBIN HISTOGRAM(ZRESID) NORMPROB(ZRESID)
/CASEWISE PLOT(ZRESID) OUTLIERS(3)
/SAVE MAHAL.

```

### Regression

[DataSet1] F:\Proposal Defence -examiners comments - burned\Full scale survey 139 Hayati Reviva correct - submit.sav

Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	mean_IV4leader, mean_IV2prog, mean_IV1com, mean_IV3cwculture <sup>b</sup>		Enter

a. Dependent Variable: mean\_DV1success

b. All requested variables entered.

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 <sup>a</sup>	.559	.546	.19428	1.864

a. Predictors: (Constant), mean\_IV4leader, mean\_IV2prog, mean\_IV1com, mean\_IV3cwculture

b. Dependent Variable: mean\_DV1success

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.405	4	1.601	42.420	.000 <sup>b</sup>
	Residual	5.058	134	.038		
	Total	11.462	138			

a. Dependent Variable: mean\_DV1success

b. Predictors: (Constant), mean\_IV4leader, mean\_IV2prog, mean\_IV1com, mean\_IV3cwculture

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.100	.281		3.919	.000
	mean_IV1com	.381	.137	.392	2.777	.006***
	mean_IV2prog	.524	.082	.543	6.382	.000***
	mean_IV3cwculture	.584	.432	.589	1.352	.079*
	mean_IV4leader	.419	.400	.431	1.046	.098*

Coefficients<sup>a</sup>

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	mean_IV1com	.247	4.055
	mean_IV2prog	.455	2.198
	mean_IV3cwculture	.210	4.765
	mean_IV4leader	.240	4.165

a. Dependent Variable: mean\_DV1success

Collinearity Diagnostics<sup>a</sup>

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	mean_IV1com	mean_IV2prog
1	1	4.995	1.000	.00	.00	.00
	2	.003	40.841	.84	.02	.00
	3	.002	54.101	.15	.00	.84
	4	.001	96.019	.00	.93	.15
	5	3.906E-005	357.583	.01	.05	.00

**Collinearity Diagnostics<sup>a</sup>**

Model	Dimension	Variance Proportions	
		mean_IV3culture	mean_IV4leader
1	1	.00	.00
	2	.00	.00
	3	.00	.00
	4	.01	.02
	5	.98	.97

a. Dependent Variable: mean\_DV1success

**Casewise Diagnostics<sup>a</sup>**

Case Number	Std. Residual	mean_DV1success	Predicted Value	Residual
4	3.991	4.83	4.0580	.77530
8	-3.884	4.00	4.7546	-.75455

a. Dependent Variable: mean\_DV1success

**Residuals Statistics<sup>a</sup>**

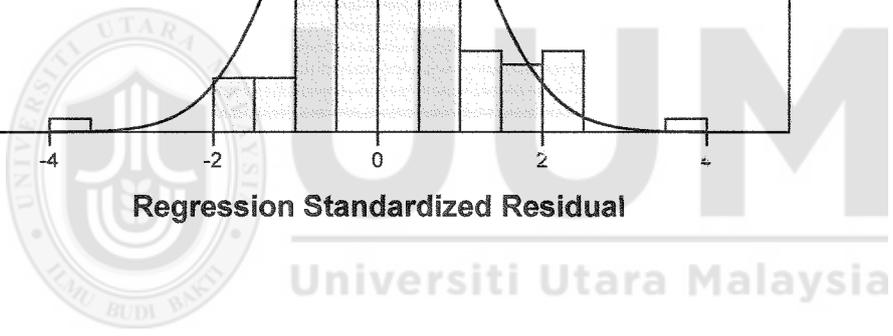
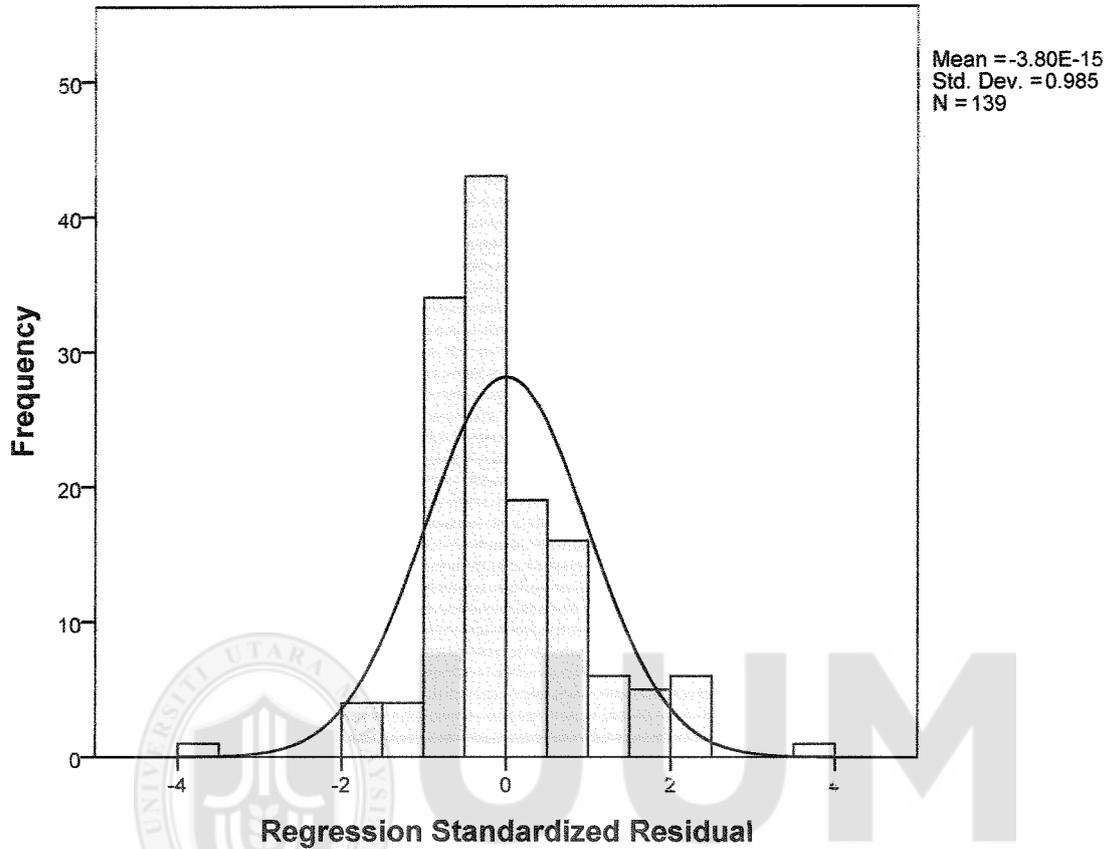
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4.0580	4.8206	4.4916	.21543	139
Std. Predicted Value	-2.013	1.527	.000	1.000	139
Standard Error of Predicted Value	.018	.088	.034	.015	139
Adjusted Predicted Value	4.0269	4.8681	4.4923	.21600	139
Residual	-.75455	.77530	.00000	.19144	139
Std. Residual	-3.884	3.991	.000	.985	139
Stud. Residual	-3.930	4.070	-.002	1.002	139
Deleted Residual	-.77252	.80646	-.00069	.19818	139
Stud. Deleted Residual	-4.162	4.331	.000	1.021	139
Mahal. Distance	.165	7.364	3.971	5.554	139
Cook's Distance	.000	.142	.007	.020	139
Centered Leverage Value	.001	.198	.029	.040	139

a. Dependent Variable: mean\_DV1success

**Charts**

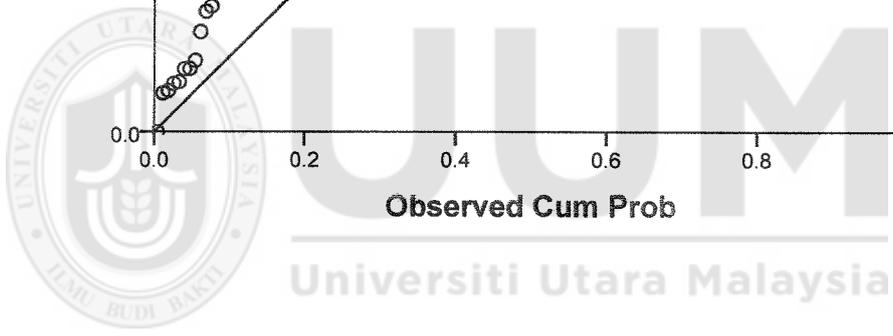
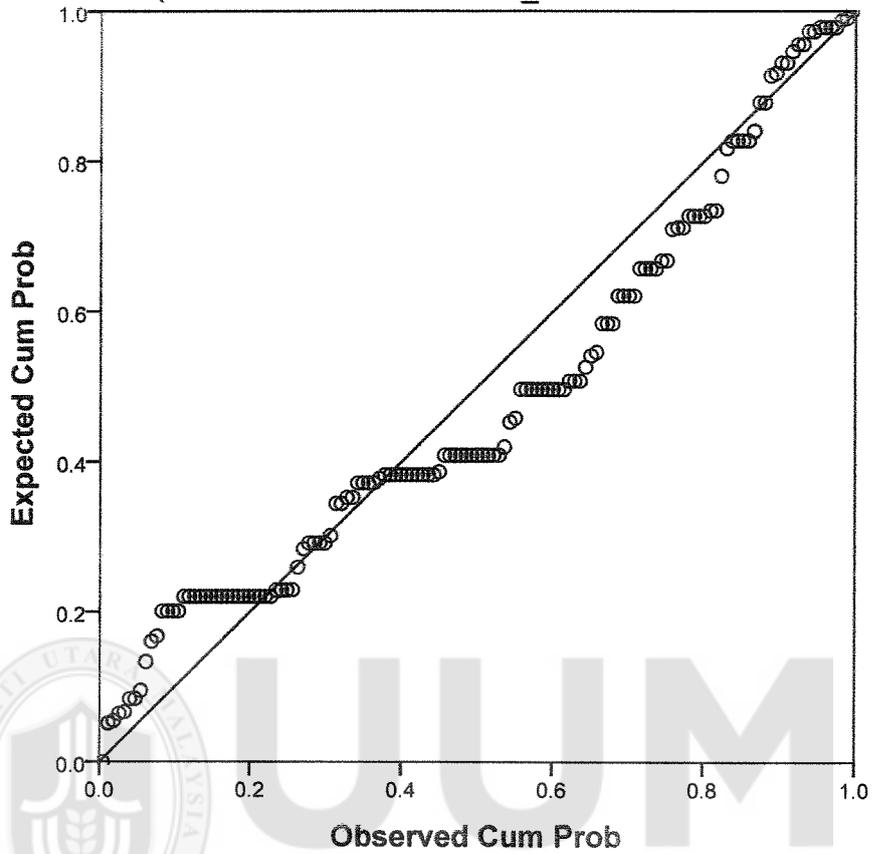
### Histogram

Dependent Variable: mean\_DV1success



**Normal P-P Plot of Regression Standardized Residual**

**Dependent Variable: mean\_DV1success**



### Scatterplot

Dependent Variable: mean\_DV1success

