

**Merging under pressure: chief executives' and organisations' learning  
from merger processes, events and outcomes**

Jenny Harrow, Centre for Charity Effectiveness,  
Cass Business School, City University, London,UK

and

Alan Cripps, Neadon Consulting, London,UK

Paper given at the Sixth International Conference for the  
International Society for Third Sector Research,  
Ryerson University, Toronto,Canada

11-14 July 2004

Address for correspondence:

Professor Jenny Harrow, Centre for Charity Effectiveness,  
Cass Business School, City University,  
106 Bunhill Row, London EC1Y 8TZ.  
j.harrow@city.ac.uk

## Introduction

Merger as a means of gaining increased effectiveness in voluntary and community organisations (VCOs) appears increasingly on policymakers' ,funders' and leaders' agendas. This is notably so among those VCOs growing in dependence on public funding, Golensky and DeRuiter ( 2002) analyse "the urge to merge" in nonprofits. Anecdotal accounts of a public mood in which there are "too many charities" fuel these developments further. Resource-dependent voluntary organisations are being urged to emulate some parts of the public sector, where there is " frenzied persistence of this (merger) phenomenon" (Auster and Sirower, 2002, 216). This sector in turn has modelled itself on commercial practice, despite accumulating evidence that corporate mergers deliver fewer benefits than expected, (Vaara 2003).

In all three sectors, organisation chief executives' roles in merger processes and outcomes are prominent, as merger deal makers and breakers. In VCOs however, it can be argued that the chief executive role will be further magnified in importance, given the likely absence of other organisational resources (human, financial, technical) to carry the merger through. This paper addresses therefore the centrality of chief executives' roles in voluntary organisation mergers, where those mergers have arisen as responses to underlying paucity of financial, human, physical and political resources.

A range of research and practice questions arise. What kinds of roles do VCO chief executives play in resource-drive mergers? How do chief executives in merging VCOs envisage and sustain their contributions to merger outcomes? What support mechanisms, personal and professional, are available to or are sought by these chief executives during merger events? Is the chief executive role in merger in this sector more prominent than other merger drivers? What are the risks and rewards in the organisations of high dependence on their chief executives' merger commitments and at what costs to these sector leaders? If chief executive pro-activity is likely to be critical to the delivery of the desired merger in all its stages, is this at some personal cost to those chief executives, and does this qualify the notion of merger "success"?

Research in this field was commissioned during 2002/3 by the UK-wide Association for Chief Executives in Voluntary Organisations, (ACEVO) in which the authors of this paper took the lead field research and analysis roles. Case study research findings among five organisations – four merged, one merger failure - and subsequent learning for "managing mergers" were reported (ACEVO, 2003). This paper summarises that work and reports on the authors' new findings from analysis of the chief executive interview transcripts, which were designed to gauge the extent and nature of their individual learning and experiences. In the four completing merger cases, permission was given to identify the organisations by name, making this a valuable, though small, study of merger processes and outcomes in voluntary contexts.

The research uses the practice-based definition of merger from the England and Wales Charity Commission. This is "*the transfer or combination of the assets (and liabilities) of two or more separate third sector organisations, and where some or all of the parties restructure or*

*dissolve into an existing organisation; either a new organisation is formed or one assumes control of another". (Charity Commission, 2003,68).*

The paper begins by reviewing the literature on organisation mergers, which underpins or points to the likely complexity of chief executives' roles in merger processes and events. It continues by examining the refined research questions for the study; and outlines in summary form the case evidence emerging from the ACEVO work. Its major focus follows, the findings from analysis of the chief executive interview transcripts. This is followed by reflections on these findings, including emphasis on the risks to and challenges faced in organisations where chief executive commitment to merger is the most evident merger driver.

### **The literature on mergers**

In volume terms, the literature on mergers is dominated by accounts and analyses of corporate activities in the business world. As organisational merger becomes more prominent in public services, so this literature also is beginning to grow. In the voluntary or third sector field, by comparison, the literature is relatively small, but increasingly offers close-up or insider accounts of merger practice. The literature review in this paper reflects that balance in reported work, commencing with commercial and corporate perspectives, which are presented insofar as they may offer a basis for comparison with or learning in nonprofits.

#### **corporate perspectives**

From corporate perspectives, mergers among organisations enable growth, diversification, achievement of economies of scale and global presence;. They arise from concerns over strategic fit (Shraeder and Self,2003) and are intended to increase shareholder wealth (Goldberg and Godwin, 2001). In Western economies, mergers have been conceptualised as "waves" of activity, growing in number and volume over the last two decades (Auster and Sirower,2002, DiGeorgio, 2002). From the 1990s onwards it is posited that the growth in merger scale and volume has been supported by relaxation of governmental regulation and the appearance of a new "deal making "industry of financial and legal specialists.(Berggren,2001). The high rate of failure of corporate mergers is also reported (DiGeorgio, 2002), although measures used have varied. Harbeck ,Kroger and Tum (2000) report widespread company underperformance following merger. Experimental studies, creating merged firms under laboratory conditions, confirm over-estimation of post-merger performance, performance decrease after merger and its attribution to performance decrease from members of "the other firm". (Weber and Camerer,2003).

The human element in merger plans, processes and outcomes is also receiving attention. Whilst a range of factors are identified as merger drivers and restraints, there is growing focus on senior managers' preferences and needs. Thus, Hartzell,Ofek and Yermack's (2004) study of the benefits received by target chief executives emphasises the centrality of these managers' self-interest in progressing or stalling merger plans, through their title: "*What's in it for me?*" More specifically, chief executive intransigence over personal benefits is reported as a leading barrier to merger transactions . (ibid.,37).

Managerial re-activity is also a focus in the literature, with studies of managers' responses to hostile acquisition (Fried, Tieg, Naughton and Ashforth, 1998), and senior managers' decisions to stay or go (Krug and Hegarty, 2001, Krug, 2003). The importance of acculturation programmes in merged firms, whereby "employees will create, of their own volition, a joint organisational culture, regardless of expectations of synergies", is examined by Larsson and Lubatkin, (2001, 1573) drawing on fifty firms in the USA and Sweden. Studies rooted in psychology include work which suggests that organisational identification after a merger is contingent on a sense of continuity of identity (Van Knippenberg et al, 2002) and that expectations of employee groups of dominance post-merger have implications for the management of organisation integration processes. (Dackert, et al, 2003)

Further developing themes in the literature that may have special relevance for a nonprofit audience include those of organisational justice and equity in the merger process, the importance of the intellectual capital perspective on merger, the business ethics case for acting morally in merger processes and the 'irrational' as well as 'rational' features of post-merger decisionmaking. Thus, Meyer's work (2001) examines the managerial challenges in making trade-offs between the goals of maximising productivity and fostering relationships during and post-merger and highlights the neglect of the organisational justice perspective in past mergers research. Gupta and Roose (2001, 297) cite the literature's omission of the intellectual capital element which underlies merger strategies; arguing that "common due diligence approaches largely ignore intellectual capital or deal with it in an insufficient manner...being more difficult to identify and assess than tangible assets". Understanding the complexity of the merger story, as well as its rationales is a strong theme. Buono, Bowditch and Lewis (1985) for example examine "the anatomy of a merger" through pre- and post analysis of a merger between two banks. They draw distinctions between contrasting organisational cultures (the beliefs, values and expectations of organisational life) and organisational climates (the extent to which those employee beliefs and expectations are fulfilled). Buono et al illustrate the importance of the two CEOs' roles (even though these were seen to have "over-met" requirements *ibid.*, 492); and these CEOs' concern that the merged institution reflect a "true blend" of the merged institutions.

Within this major body of literature however, the emphasis on new corporate achievements as the prize of merger practice is still strong. Thus merger failures are most likely to stem from intermediate errors (for example in strategic planning or implementation) rather than fundamental problems about merger partner choices or decisions. As public services draw on market models (or at least language) in identifying means of achieving both effectiveness and efficiency, both enthusiasm for and caution for the rationales and outcomes of mergers is also appearing in the literature.

### **Public services perspectives**

In the United Kingdom, public services funding represents the largest single income source for UK voluntary and community organisations (VCOs). (NCVO, 2004). Thus public services perspectives on organisational merger have special relevance for VCOs. As stakeholders in the quality of services delivered by VCOs under contract, public organisations may have an interest in mergers as a means of renewal, consolidation or, more pragmatically, as a means of tidying up the personal services "patchwork" which they themselves have largely

produced.(Harrow, 2004). From the charity sector regulator in England and Wales, the Charity Commission, a variety of explicit and implicit levers towards encouragement of a merger culture among VCOs can be detected. For example, the Commission's 2003 "Regulatory Study" on collaborations and mergers, contains the ambiguous – and populist - opening sentence: "Some people believe that there are too many charities competing for too few funds and that a significant amount of charitable resource could be saved if more charities pooled their resources and worked together". (Charity Commission, 2003,1).

As an exemplar for organisational merger themselves however, UK public services bodies do not fare well. The literature draws attention rather to uncertainty in principle and limitations in practice that owe more to the pro-commercial practice doctrines of New Public Management than to a sector-specific comprehension of merger benefits and disbenefits. Kitchener and Gask, for example, discuss what they see as "NPM merger mania" (2003) and explore how "ingrained features of professional work helped to produce unintended consequences" in an early UK health organisation merger case (ibid.,19).

Given the dominance of the National Health Service within the UK public services arena, merger among health organisations is likely to be the most critical in terms of service efficiency and effectiveness. In an important overview paper,Field and Peck (2003), set out to examine the extent to which research findings, key concepts and explanatory frameworks concerning merger, from the business arena have been applied "to the exploration of new organisational structures emerging in the world of health and social care". Their answer is: "only to a limited degree".(op. cit.,750). They cite studies on NHS health organisation mergers showing that predicted efficiency gains did not always appear and that unexpected costs may arise (Goddard and Ferguson, 1997,Bojke, Gravelle and Wilkin,2001) Moreover, Field and Peck argue that "the experience of company mergers suggests what to expect when health and social care organisations merge: that is, strategic objectives are rarely achieved,financial savings are rarely attained, productivity initially falls off, staff morale deteriorates and there is considerable stress and anxiety among the workforce".(ibid.,752). From the empirical accounts and theoretical explanations reviewed, Field and Peck argue that in mergers "particular attention needs to be paid to the roles played by individuals" – especially senior managers, non executive directors and elected members. For them, the merger research from the corporate field is presenting "broad messages" which may help public sector players become aware of "what they are accepting and rejecting" in merger scenarios."(op. cit.).

Beyond the UK, staff fear of prospective merger, whilst yet not opposed to institutional merging, is highlighted in a South African study in higher education. (Hay and Fourie,2002). With many such institutions facing financial stringency, falling student enrolment and growing competition merger ("or amalgamation") is seen as a "strong likelihood".(ibid.,115) In a further South African study of five mergers in higher education, the development of the mergers "in a form and manner different from that envisaged by their state designers", and inadequacies in existing merger theories, is presented.(Jansen,2003). The success of the merger integration process as a function of the expectations of employees concerning the new organisation is reported by Dackert et al (2003), studying a head office merger among two public service organisations in Sweden. Returning to the education theme, and the UK, an interpretive study of change in a

UK-based college considered the divergent understandings of senior managers and their subordinates in a post-merger situation (Brown and Humphries,2003).

Broadly speaking therefore, themes in the literature in public services mergers include those of uncertainty, ambiguity, inability or unwillingness to learn lessons from mergers in private sector contexts and disappointment regarding merger outcomes .Despite this, implicit encouragement of VCO mergers is appearing in UK contexts. What then does the literature report on the extent of merger activity among VCOs and how does the voluntary sector-specific literature on mergers reflect or contrast with the themes highlighted in academic study of mergers in public and private sectors?

### **Voluntary and community sector perspectives**

Although many VCOs may face similar external pressures as firms, and despite public services interest in their merger opportunities, relatively few in the UK have chosen the merger route . In 1999 a survey among members of the prominent organisation umbrella group for the voluntary sector in England and Wales, the National Council for Voluntary Organisations, found a high *expectation* of a coming increase in merger trends. Among nationally-based and locally-based organisations, 68% and 84% respectively expected to see an increase in merger activity; (NCVO 1999). In practice, this cannot be clearly tracked; and Mather (2000) considers that mergers are far more often talked about and investigated than implemented.

In the field research for the Charity Commission study (2003, op. cit.), of 1382 organisation respondents, across the organisational size spectrum, 5% reported a merger in the last ten years or a merger in process. A further 6% had considered but not followed through on merger and 86% had neither merged during the past ten years nor considered it. This suggests that the "urge to merge" may be more rhetoric than reality . Despite this, the Charity Commission report noted that "charities should beware of maintaining too isolationist a stance which can leave them out of touch with their sector and might affect the impact of their activities".(Charity Commission, 2003,9).

With both trustee boards needing to agree , the overtly hostile merger of the corporate sector transferring to the VCO sector seems ruled out. On the contrary , merger as the 'helping hand' is more prominent in academic studies both in the U.K. and the US. "Rescue mergers" were identified in nearly half all of the merged or merging charities in the Commission's study (ibid.). The helping hand model has its limitations however; including the less-than-thought- through process. Singer and Yankey's (1991) study of "organisational metamorphosis " found that "when mergers do occur they are frequently last resorts to survive in response to environmental pressures rather than well planned and well executed growth strategies"(op.cit.,358). Moreover ruthlessness among merging partners in such situations, as identified by Mather (2000) cannot be ruled out.

Research studies on sectoral merger are far fewer in number than those in the private sector literature. Prominent work includes a focus on small numbers or single organisation merger

(Golensky and DeRuiter, 1999; Harris et al, 2002, Schmid,1995) ; with less work on larger merger numbers , for example, in the U.S . Singer and Yankey's study of eighteen mergers (1991) and in the U.K. Cowin and Moore's (1996) work on thirteen. mergers. The relationship between mergers and funding in twelve organisations was also examined by Sergeant and Jay (2001).

Core topics for exploration are the merger drivers, the merger objectives, risks and costs, the factors making or breaking the merger process and the outcomes of the mergers, as events and processes. Increased interest in merger is seen as a result of the proliferation of charities, a dislike of competition and an awareness of funders' and donors' concerns about 'duplication' ( however uncertain this notion may be.) Thus the Charity Commission survey reported small organisations' mergers' as "... sensitive to the problems that duplication prevents".(Charity Commission,2003,33). Cowin and Moore( 1996) note that national organisations tended to report pro-active motivations for merger, whilst local organisations have more re-active reasons such as financial instability. Funders as a source of merger pressure emerge as a key consideration from Singer and Yankey (1991), where two thirds of the eighteen organisations funded reported funders as a major influence. In Schmid's study of two merging nonprofits in Jerusalem , over a four year period, governmental influence as a majority funder was a compelling merger driver (op.cit) .Sergeant and Jay (ibid.) argue that funders may provide the impetus for merger in the absence of those market forces driving corporate mergers. Golensky and DeRuiter(2002) extend the work on motivation by their exploration of three mergers in a U.S. Midwestern urban centre, through assessing the impact of a key environmental factor on the initial decisions and subsequent actions of organisational leaders. They consider that the relationship between leadership decisionmaking style and the prospective partners' resources determines whether the merger is driven primarily by mission, practicability, stability or fear.

Funding stability, reliability and achieving economies of scale are widespread motivators; although the evidence of outcomes is as uncertain as it is in fine grain studies in the corporate sector. Cowin and Moore's (ibid.) broad overview of growth in income and staff post -merger concludes that four of the five national organisations gained whilst the results for the smaller organisations were more mixed. Their view that there seems to be greater success in voluntary sector as compared with private sector mergers is important; but the lack of widespread formal evaluation against sets of pre-agreed criteria make this uncertain and more aspirational than evident. Sergeant and Jay (op. cit.) found that two thirds of charities experienced a decline in fund raising at the time of the merger and immediately afterwards; and that those with a regional fundraising presence lost between 5 and 10% of their volunteers. The Charity Commission's survey (op. cit., 61) reports that among their responding merged organisations post-merger administration costs had improved for 35% of the organisations, but had remained the same or worsened for 39% and 6% of the charities respectively; with a further 20% in the 'don't know' category. Time scales for judging post-merger results are thus as complicated in this sector as they are in for-profits. Golensky and DeRuiter (1999) see three years as very early to assess performance. Moreover, Leat and Passey (2000) highlight the need to consider also the impact on *other* organisations in the field which are not involved directly in but may be affected by voluntary organisations' merger.

The complex merger driver of increasing public policy influence receives minimal attention in most studies. The Charity Commission's study makes no reference to the possibility of a heightened voice in public policy making as a merger motivation. The work of Harris et al (2002) is a critical exception here. This studied the circumstances which brought together eight independent UK organisations working in the HIV/AIDS field, exploring working in principle and then moving to merger. It emphasises the importance of a new "national voice" which would come from co-operation; and the organisations' shared understanding of a rapidly changing policy environment. "In sum...a national alliance of some kind..would put (the organisations) in an advantageous position in relation to government policy preferences and..to be involved in future policy making".(op. cit., 297).

### Reflections on the literature : the research questions

Taken together, the literature on mergers among VCOs draws some parallels with corporate sector strategies and practice, whilst recognising the range of particular sectoral characteristics which may propel or preclude mergers. Within that sectorally specific literature, the relative importance of organisation mission as a prompt or barrier to merger, the maintenance of identity and the internal complexities of financial drivers, are especially important. But who is taking responsibilities for progressing these drivers? There were not so much literature gaps as implicit assumptions (especially in the case study based work) that the senior managers in VCOs would be acting as a fulcrum for merger process and progress. In one sense, this is little different from the corporate sector, where senior managers' leadership and consensus (or aggression) has featured as a key to unlock merger stalemates and a leading factor in reaching merger formalisation. Unlike their corporate counterparts however, VCO chief executives would appear largely unable to ask '*what's in it for me*', in the sense of personal financial gain; although issues of status and career trajectories may figure. Moreover, for a sector where organisations are less able to provide a well resourced administrative infrastructure than their corporate counterparts, an *over*-dependence on CEOs' roles in relation to mergers seems likely.

How then do senior managers understand and describe merger processes and events in VCOs and their roles in them? What kinds of organisational and individual demands are made on them? What are the organisational and personal outcomes when such CEOs become merger champions? From a governance perspective it could be argued that leadership and pro-activity in merger is a matter wholly or predominantly for VCO trustee boards. . Whilst relationships between trustee boards and chief executives is the focus of much work elsewhere (see for example Mole, 2004), the prominent role of CEOs in mergers can however be inferred, from the multi-tasking which characterises their work, and from the very limited human resources capacity generally in the sector . In short there was already implicit recognition from the literature that CEOs, rather than trustee chairs, were merger champions and complexity managers. What was not known was the extent of their contribution and the impact which this had on their professional and personal lives.

Against a sectoral background which values organisational sharing and mutual learning experiences, this shifted the research focus onto what may be learned throughout the sector from these CEOs who had had such close involvement with mergers, both progressed and stalled. The growth in the literature proffering models, templates and critiques of merger

decisionmaking and processes (for example, Guthrie, 2001) has emphasised the multi-faceted nature of the nonprofit merger decision and follow-through from organisational perspectives predominantly ; but there was no 'survival guide' or working template for CEOs .

These questions led to the research study on chief executives' perspectives on five VCO mergers, commissioned by ACEVO. Its core research question was *"what chief executive and organisational learning can be derived from accounts of resource-drive mergers, where chief executives are in prominent or leadership roles?"*

### **CEOs and mergers- The ACEVO case study research**

The core question was intended to offer both a developmental approach, with a focus on the personal consequences for these postholders, and an organisational direction. To maximise widest possible organisational learning a case study methodology was adopted, with the intention of publishing case accounts of organisational practice, deal makers and breakers, and the overall state of the organisations post merger., from the perspectives of the merged or merging CEOs. A purposive sampling frame was established by ACEVO, to reflect a range of sectoral experiences – high profile mergers, mergers as rescue events, mergers among equals, and mergers that had failed to complete. CEOs were approached by ACEVO for their participation and fieldwork took the form of open ended conversational interviews concerning the merger rationales and drivers, processes, outcomes and their roles. These were recorded in note form and taped, with full transcripts developed. Documentary material from the organisations was also drawn upon. Five case studies were thus completed, with the case accounts developed and submitted for scrutiny to the respondents.

For learning to take place it can be argued that that knowing organisations' identify in discussions of merger experiences is crucial. This is especially so where exemplars are being cited, such as the (un-named) cases in the Charity Commission's study of "how careful planning can result in a smooth merger" (2003,37). After negotiation with respondents, it was agreed that four pairs of merging organisations would be named in the case accounts. These were: Thames Reach and Bondway, Milton House and City Roads, the Bridge and NCH, and the London Lighthouse and the Terrence Higgins Trust. In the one example of a merger attempt which had failed, this was not identified by name and appeared in the study entitled 'Touchstone/Online'.

### **Findings from the case studies: summarising the ACEVO study**

Analysis of the five case studies , their implications for sectoral progress and in particular for CEO support in such situations was published in December 2003 (ACEVO 2003.) (For a full account of the methodology see Harrow, 2003a). The extent of differentiation in the merger experiences and milestones within the five cases; were sufficient for the ACEVO report to stress their uniqueness. One was a merger of approximate equals though with differing growth patterns, one a niche market provider joining the 'security' of a far larger body. One was an organisation with recent experience of successful mergers to the point at which it had developed its own operational template for mergers to meet any preconceived need. One comprised both organisations having wide knowledge of each others' work, where both boards

were discussing mergers with others, and the merger took the form of a lead and subsidiary relationship. Another illustrated the situation where the organisations were both experiencing financial pressures, the boards began to meet as one but where leadership issues were never settled and the merger did not take place. Major differentiation between the case experiences began to bring into to question the one size fits all merger template approach. Appendix 1 summarises the degree of differentiation between the cases.

Chief executives were on firm as both strategic and operational fulcrum for the merger, whilst facing a variety of professional and personal pressures. There was contradictory evidence about the respective advantage of 'short' and 'long' merger timescales, with concerns about organisational vulnerability and viability in both. There was some evidence of the complexity and unpredictability of funders roles in merger; and of the need for increased attention to be paid to internal gains from merger such as structural stability. Appendix 2 details the summary conclusions from this study (Harrow, 2003,55/56).

A key recommendation from the study concerned the need for CEO mentoring programme, both during and following mergers; with emphasis on the individual as well as organisational implications of this change. This argued that "a mentoring programme, designed specifically for chief executives involved in any aspect of merger processes, could play a central role in supporting effective merger developments in the sector, whilst avoiding or limiting the exploitation or straightforward overwork situation faced by these postholders. The kinds of chief executive isolation found in a number of these cases does not bode well for the sector, where a degree of senior manager burnout has always occurred but where the potential organisational and sectoral gains from merger appear to be extensive." (Harrow, op. cit.,54)

### **Further research findings : revisiting the The CEO interview transcripts**

The purposive sample put together by ACEVO was always likely to put the CEO role centre stage. However, in the case study exploration of the question - *"what chief executive and organisational learning can be derived from accounts of resource-drive mergers, where chief executives are in prominent or leadership roles?"* - the researchers were struck by the extent to which the case studies had emphasised *organisational* learning. The cases had been written to represent first and foremost an organisational rather than personal account of the merger events, processes and outcomes. The authors decided therefore to revisit the the CEO interview transcripts, in an effort to pin down in more detailed and reflective form the kinds of *chief executives'* learning that had occurred in the case examples. They drew on the same research question, set out above, but with a 'chief executive first' emphasis. A supplementary question - *"how valuable to CEOs in working through and then reflecting on organisation merger are the 'how to' merger templates and models?"* - was also identified.

This revisiting, through a manual process of content analysis, identified a new set of themes which were not nuanced in the case study developments. These suggested that these chief executives (including those in the organisation where the merger had failed) were likely to submerge their own interests to those of "their" organisations; and that their personal learning had been achieved at very considerable personal cost., through anxiety, organisation

frustration , multi-tasking over long periods, heightened senses of individual responsibility and of extensive achievements , whilst not always able to safeguard or advance their own career positions.

Four major themes have emerged from the analysis of these full transcripts, which offered a 'CEO-first' rather than 'organisation- first' perspective. These themes were the wide range of CEO ambitions; their lack of poor mentoring opportunities during and beyond the merger process; their varying relations with their boards in the merger context; and the limited reference to organisations' gaining policy influence through merger. In the illustrative material which follows, the individual CEOs, although named in the generalised case studies, are not identified. Taken together, the content analysis revealed a mosaic of individuals' pressures and decision points, in which appearance of the corporate sector CEO guiding question – 'what's in it for me' - appeared minimally or not at all.

### Theme One- 'chief executives' ambition and pressures

CEO ambition appeared predominantly organisation rather than self – oriented . This occurred even in the merger failure case . Here, the financial losses which one of the merger partners suffered before the process halted ,(having 'handed over' lucrative work to their would -be merger partner) were subsequently made good by its CEO's efforts in attracting new contracts and funds. . Understanding the type of commitment was however complex, and that motivation had to include bringing the organisation on board: to the CEO's particular picture of the organisation's future:

*"I'm as personally ambitious and ambitious on behalf of my organisation as anyone...inevitably you measure progress on how big you become.... In the past three years, we had already taken over ...X and Y.....and the staff probably thought I was losing my marbles to go for another..."*

That picture of the future included the imperative to merge in order to preserve something of the organisation:

*"..and there were a couple of other organisaions.... not hovering....that would be aggressive and unfair, but they were certainly interested..... as the stronger partne... so it would either be a merger or be consumed..."*

The mind-concentrating experiences of going through merger for some organisations may filter the importance of and implications of the attitudes of other VCOs towards their plan. For one CEO, this aspect of merger planning was recognised, making for an implied organisational and personal wariness:

*"We had experience of our earlier national merger...but there is a part of the sector which sees...(our organisation)... as a cyborg, munching up other agencies...the voluntary sector is not necessarily peopled with people with good intent wishing to see the best in the actions of others..."*

Using the merger opportunity to redress previous organisation or managerial shortfalls was also cited, to the point of self criticism :

*"our aspirations as chief executives for the merger were how could we use the merger to improve what we thought of as failures in our organisations.."*

One CEO expressed the degree of pressure she faced, managed in part by disclosure to her merger 'pair', though not to her board:

*"we (the two CEOs) both felt weighed down by all the demands being made on us in very short time scales but we were wanting to leap forward into sort of a new era...we also starting talking about our personal aspirations and how that would impact on the organisations..we also agreed that we were both prepared to go.. though I have to say that we were less explicit with our boards at that stage..."*

These perspectives linked ambition to knowledge and knowhow and to organisational betterment as a merger outcome. For two chief executives, their influence over the process was very well recognised". One in a larger/smaller merger, *".. did what every CEO does, consciously or unconsciously, I built my power base"*. In the merger case which failed, after a period of extensive co-working, a corporate merger failure parallel is clear:

*"..to a very large extent this whole thing was destroyed by the two chief executives..just being obstructive..I accept there came a point where I just got bloody minded.."*

### **The lack of mentoring for the chief executives**

This had already been cited within the earlier case study accounts. The content analysis indicated the extent to which the CEOs were unsupported by mentors, whether defined formally or informally, but also the CEOs' reported awareness during the mergers of their isolation and general lack of external reference points . One CEO in the five cases had managed to ensure a mentor (via ACEVO's own mentoring programme) but this had occurred only halfway through the merger process. In another case the two CEOs became co-dependent: *"I had J. .... and she had me..."*

One CEO chose to go outside the VCO sector for a 'CEO -in -merger- sounding board' and gained personal impetus and energy from two corporate sector senior managers, who were already known to him informally, and who appeared to have raised the practice stakes:

*" ..... I said you know what the problems are with merger and they sort of threw a bucket of water over me..and we went to the dire consequences..and they gave me some figures of the numbers that fail..... I explained to them that we had a deadline of two years, they said are you bonkers? ..you don't want to be seen as weak.....due diligence, that's a day.... ..They saw the frontline managers as key to selling the whole process to the staff – if you had those on board, you could do it.....I've preserved (their) list in aspic.."*

## Chief executives' relationships with their trustee boards

Governance perspectives may indicate that boards – as responsible strategy makers – should be the clear merger leaders. In these five cases, this was far from the case. Boards were variously supportive of individuals, but often dealing an ambiguous or 'led' hand :

*"I talked to the chair almost straight away; and we talked how we would present it to the board.. and felt it wouldn't be particularly controversial if we could present it to some board members first, the ones we knew would actually back it.."*

An implicit link between merger success and the CEOs' awareness of the relative strengths and perhaps controllability, of their organisation's trustees was also clear.

*"we had.. a merger negotiating group from the two committees to ensure it went smoothly....so these weren't any old committee members, they were the real committee members (laughter).....rather than the ones that are always on the edge that are always there..."*

Also:

*"we (the two CEOs) .talked about who we thought were our best assets on the boards.and we wanted to manage the process for the new board... was gently done.. we allowed people to jump and through a formal process had discussions with people about whether they needed to stay..."*

Board management by CEOs was then a key feature of the four cases where mergers progressed. In one organisation, the issue of post-merger brand also had an evident CEO steer:

*" Having chosen a new name from a staff competition, choice of logo and image..."we sort of showed it to our new chair to see what he thought but we decided that detail was not for the board....I'd had enough by then..."*

In the case of the merger failure, the two boards had begun to meet as one before the key merger decisions had been finalised . They appeared unable to make firm and timely decisions and were regarded by the CEOs as culpable:

*"the board made two serious errors....the merger as an end in itself and..it fudged the issue about the CEO.....'we want to appoint two chief executives'..; X and I had serious resentments about the way the board behaved.. they wanted the good stuff of merger but weren't prepared to tackle the difficult issues"*

No board discussions during merger progress then were presented as wholly smooth and without pressure, anger or hostility. One CEO characterised this phase as needing to be seen as one of negotiation not 'mere implementation', . As an example, he described an incident with both boards and CEOs meeting where *".. they said we were over managed..and I said*

*we liked to do things properly...we believe in professional management and that was something Z (the merger partner) might have wanted to learn a few years ago...this is the danger when you get high powered board members crossing swords..”* This CEO was also emphatic of the risks that in merger talks, post the in-principle agreement “.. *you can get a false sense of caring and sharing”*.

Following the mergers' finalisation, , CEOs in reflected on their boards' performance generally as more satisfactory than outstanding. One CEO felt that

*“the board is now working quite well, even though it is fairly big....we've got a couple of lunatics..but most of them are pretty good”* ...

For the CEO restoring one of the non-merged bodies, board inability to comprehend what had happened was a continuing difficulty “... *we've pulled apart and do you know there are these plonkers on my Board still going on about a (expletive deleted) merger...*”.

That 'boards as well as people have feelings' was stressed by another CEO who saw his outgoing board, after the merger 'success' as “....

*made up of a strange mixture.....quite a few men who are very aggrieved about the whole thing, the women dealt with it rather better, I felt...”*.

### **Policy as a merger driver for CEOs**

The increased policy voice which merger would give was far less central to the CEOs' concerns than might have been expected. One CEO acknowledged it directly as a factor in moving merger forward, and with an implicit recognition of the intra-sectoral competition currently limiting that voice:

*“..we think we know what's happening on the ground..and what's best for homeless people..and at various times we've been frustrated by the loud voice that ..A and B.. and others have got, so this seemed a great chance for us to have more influence, not so much in terms of the number of hits you get in the newspapers, but in terms of influence..being able..to talk to ministers..and being able to effect a change.”*

Ironically, one of the CEOs in the case where there was already a track record of successful merger, now warned about the policy role being crowded out by the major issues and the minutiae of merger:

*“our focus on the doing the merger slowed up our broader (work). (during which time an important) Department of Health change in policy which we could have been more active in trying to prevent...”*..

## Personal pressures for chief executives

Taken together, the interviews revealed chief executives' candid accounts of personal and professional pressures, some of which were harder to disentangle as the merger progressed. Thus for example, in bidding for new work, there was " *lack of certainty about who you are and what you are doing*". Again, there was concern about the timing of any announcement that merger talks were underway. One chief executive was emphatic:

*"we went public early.. partly it was knowledge of the sector being such a little tattle sector";*

Organisational expectations for CEOs to be wholly in control and all-knowledgeable was an enduring (if survivable) pressure for one:

*" trying to manage a leadership style with a degree of sensitivity, and to some extent ignorance, when you don't know the answers yourself and you are trying to imbue confidence in others, that's hard...".*

Where self doubt was expressed (by two of the chief executives) this was in terms of the 'greater good' of their employing organisations, for example:

*"I did wonder if the organisations would not have been better without me.. a kind of fresh start.. in my moments of self doubt I did wonder if the organisation would have been better if I had been taken out of the picture....".*

Yet even where organisational gain could be seen to be the CEO's uppermost value, their subsequent reputation (combined with that of their organisation) could now be seen as potentially predatory. Thus :

*"what I would have done differently is to try and manage our reputation a little better (laugh)...it's interesting to be going to lots of charity events now and pretty much the first question will be OK who are you taking over now...(laughs)..."*

CEOs whose posts in the new organisations were assured had no let up in pressure, since

*"you are always on show.. ....at one point I was talking to the Board and doing a presentation and I felt enormously exposed, and everything I was saying was being weighed up..even though X (the departing CE) had said, rest assured, this bloke's OK".*

Nor were surviving CEOs immune from inability to get things all their own way. One chief executive, facing appointment of a deputy who was not his choice reported that he

*"..tried to remain ..objective.. but I was despondent at the thought of losing C in such a key position..I think I spent that weekend, at least half a day walking round the streets of Peckham making sure I really did to go with this decision....".*

One of the chief executives in the failed case, where the joint board declined to designate one or other CEO as in charge, was exhausted by both the opportunities and the limitations of this situation:

*"any sensible consultant would have come in and said you are doing this the wrong way..but I had a vested interest so there was a limit of time in which I could go on saying it...".*

In a worst case scenario that sounded more fiction than fact, one CEO reported surviving the whole merger process with humour and irony:

*"about six weeks before the merger, our offices burnt down – obviously it was arson because we felt we needed a real challenge, the merger wasn't enough.."*

Throughout the transcripts, CEOs used descriptions such as 'lonely', 'isolated' or 'exposed' to summarise their position, whether or not they had felt largely in control of the processes. One CEO employed the metaphor of their would-be merging organisation as a patient or wounded creature, stressing the sheer effort necessarily required to sustain and improve the quality of the organisational life, during and as a result of merger:

*"...nursing the organisation through is hard.."*

## Reflections on the transcript findings

With merger successfully obtained in four out of the five cases, none of these four might be presented as entirely comfortable and happy ever after cases for the organisations and their exhausted CEOs. One CEO, where the merged organisation was now scrutinising afresh, its approach to service users, had gone on after the merger to dismiss four people for gross misconduct in eighteen months. Another CEO reported a resulting lack of cohesion from a merged board. In a further case, the CEO's pressure for fast (as it turned out unrealistic) timescales for pay evaluations and a single pay spine, as a merger outcome, that was meant to improve staff morale, in fact damaged it. One CEO, after helping to confirm the merger that she believed in firmly, as head of the far smaller organisation, lost her CEO status and reappeared in the new organisation as a regional level senior manager. Conversely, in one of the organisations where merger plans imploded, other than time loss and temporary financial shortfalls, one of the two CEOs reported that *"it did surprisingly little damage"*. This suggested a higher degree of organisational resilience than the case study account of the merger failure might suggest. Give the purposive choice of CEOs, it could be argued that this ensures case of history as written by the victors. The transcript analysis however makes it difficult however to ascribe victory in the classic sense, and there was no sense in the "look what I've done" triumphalist approach in any of the CEOs' accounts.

The transcripts evidence more a case of survival by the CEOs, even where the merger process was not a new feature of organisational life. The case for not expecting the merger climate in VCOs to be mostly "caring and sharing" was learned the hard way by some CEOs, whilst it was already evident to others. This places a burden of enormous proportions on the 'merging' CEOs, giving that a 'caring/sharing' relationship with another organisation was precisely what was being sought, to stave off or solve resource problems. Moreover, it did not appear feasible to argue that CEOs' burdens here could be wholly passed to the boards of trustees. Boards' primary focus is or should be organisational best interest, and those interests may at times diverge from those of their CEOs. It may seem that boards had been rather roughly or dismissively treated in these CEO accounts. If so, this may well be a function of the very extensive strategic *and* operational burdens which the CEOs were already expected to juggle successfully – merger management as the most extreme case of multi-tasking, that is already widespread among sector CEOs. An alternative interpretation, would be that the different types of board were actively or passively abdicating their leadership and decisionmaking responsibilities.

The findings suggested that these CEOs also had had *individual* as well as organisation learning imperatives as merger processes got underway. These included preparedness for being 'on show' for more sustained periods, internally as well as externally; reaching judgments on when – and whom – to trust at key points in the merger process and thinking through the implications of the timescales being set from an individual as well as organisational perspective. Also, reaching a decision around going or staying, and having a strategy for board relations throughout the merger process. Taken together, these concerns have their evident close parallels with those of corporate sector CEOs, notwithstanding the contrasting opportunities for personal financial gain as a result of merger.

The 'lesson drawing' that Rose (1988) refers to, albeit in the context of public policy, is helpful here. Rose's typology distinguishes between learning that occurs by copying, by adapting, or by synthesising policies or practices. Thus, from a mixture of copying and synthesis from these interview accounts, a composite 'story' appears, of what a VCO CEO facing a merger might do. This could include taking steps to find a personal (ie right outside the organisation field) mentor as an external sounding board, reaching a prior agreement with 'the other CEO' about their stay/go plans, managing their boards by winning over the sympathisers first and organising a civil but firm transition to new board membership, preparing for being perpetually in public, both internally and externally, moving quickly to announce the merger plans, taking a break from merger operations to get their policy work in sharper focus, and approaching merger in the expectation of negotiation rather than a continuing spirit of 'co-operation'.

This synthesised approach of CEO possible actions is however not the same as the template approach to organisation merger, albeit now from the CEO's perspective. The transcripts further heightened awareness, already evident in the case studies, of the singular nature of the merger tasks in each situation, despite their common treat of merger as a resource-driven event. This provides a clear challenge to the challenge to the 'managing merger through template approach', being explored in the subsidiary research question. The non-linear, sudden event-prone, and trust- and energy-dependent experiences which the cases illustrated

had already suggested the extent to which merger practice formulas have limited value, other than providing *potential* landmarks for action in some circumstances. In the case of the Terence Higgins Trust merger case, the organisation had gone so far as to develop a in-house merger template of its own, (ACEVO,43), based on its past experiences (see Harris et al, 2002).

Other transcript accounts indicated that flow chart-style models, which enable an organisation to be 'flowing backwards as well as forwards' would have more realism attached to them than the prevailing onwads-and-upwards model of merger. Such a flow chart approach might more easily incorporate the notion of work foregone as an opportunity cost during VCO merger (because of the limitations of what chief executives were simply able to do); and its relative importance being relayed to the board. No CEO in the study reported using any of the existing generalised merger template models. One actively criticised them generally as "*rubbish*", emphasising their key shortfall. This occurred whether the templates were aiming to simplify or illustrate the complexity of merger processes. That is, that merger templates – including those developed for nonprofits - do not capture a central part of the essence of such mergers. For this CEO, this was

*"that people get so – you know - ..obviously it's a very emotional issue..."*.

For templates therefore to have value, their incorporation of emotional as well as legal, structural and due diligence pathways seems to be called for.

The small scale nature of the study and the purposive sampling of organisations, in order to illustrate a range of likely organisational and CEO merger experience, point to the need for further study, not necessarily on a larger scale, but to test out the ideas and outcomes which have emerged from this initial work. One such has been the relative merger 'success' (in the sense of merger going ahead) that may be being achieved in the VCO sector, in contrast to the corporate sector. One possible explanation for this may be found in the pro-organisational behaviour of voluntary sector CEOs. The 'why' of this situation needs therefore to be studied far more closely. This could be undertaken by moving away from case study research to biographical accounts not only from CEOs but from other merger players including chairs of trustee boards; or longitudinal studies of merged and non merged organisations and their CEOs' career patterns, and studies which incorporate both CEOs and boards' perspectives. Issues of CEO leadership style generally and in merger contexts, and CEO age, race and gender may also be critical issues, to be examined in a broader programme of studies of mergers throughout the VCO sector. Collins and Wickham (2002), for example, have explored if and how mergers are or might be gendered; a focus that may deserve specific attention in the VCO sector, where (in England) the smaller the organisation (and presumably the greater its vulnerability), the more likely it is to have a woman in the CEO post.(Harrow and Mole, 2000).Users' perspectives on merger 'success' – the merging organisations' clients, beneficiaries or service consumers- is a further area for research attention.

The case was made from the first stage of this research for the need for a mentoring programme targeted for 'merging' CEOs (not only during but post-merger) to support and hone development and survival skills. It follows that if such a programme were established and

independently funded, then a review of its role would be needed in due course. If feasible, research that contrasted the merger 'lives' of CEOs in VCOs with and without mentors might take place. The second stage of the research, drawing on the transcripts in further depth, has made it clear how very tailor-made and flexible such a programme would need to be; with some alternative models suggested. For example, despite overt contrasts in merger in voluntary and corporate contexts, the example of the CEO who pro-actively sought advice from experienced people in the corporate world is telling. This contained descriptions of that CEO being challenged about core sectoral features of merger (caution, reflection, getting consensus from all sources) in ways which seem unlikely to have occurred if those mentors were themselves in VCOs.

The overwhelming evidence from both stages of this research to date is concentrated in the area of emotion as well as that of management and strategy – that is, the highly recognisable but hard-to-quantify high commitment of the VCOs to their merger tasks and roles. In taking further the “why” of this situation, a conceptual framework to help explain the extent and nature of that commitment within a work setting seems to be lacking in the nonprofit literature. After immersion in the transcripts, the most promise seems to be offered by the concept of ‘organisationally-directed citizenship behaviour.’ This is defined as

“discretionary... not explicitly recognised in the formal reward system...in aggregate promotes the effective functioning of the organisation...not an enforceable part of the role,,a matter of personal choice “. (Organ,1988, quoted in Coyle-Shapiro et al, 2004,86)..

Coyle-Shapiro and colleagues explore ‘O-DCB’ in terms of either reciprocity or the ‘it’s my job’ argument; and go on to study this in through a major survey within a single hospital. Their distinction between “benevolents” (who enlarge their job roles) and “entitleds” (who reciprocate organisationally but on a temporary basis) appears to find a degree of parallel in these cases. Further, their call for a future direction in research “to investigate why individuals define their jobs more broadly”, applies as much to nonprofits as to health sectors; and seems especially apt in the highly charged atmosphere of merger negotiations. From VCO board perspectives also, it may be that such behaviour is being expected (unrealistically) of CEOs by boards in merger cases; and this points opportunities for further exploration of boards’ merger roles and assumptions.

This willingness of CEOs to display high commitment levels in taxing situations, at the heart of the mergers studied here, is important too in public policy terms. It seems likely that the trend towards more consideration, if not actual implementation, of VCO mergers will continue. It might be argued for example that partnerships between VCOs and public organisations “as the currency of policy making” (Taylor, 2003,114) and the mechanisms for delivering services have lessened demands for such organisational restructuring or displaced them. However, partnership working may also be the means by which VCOs identify and learn more about potential merger suitors and opportunities. When the ACEVO study was published in November 2003, there was some public discussion about a proposed ‘mergers unit’ in the England and Wales Charity Commission; and the feasibility and appropriateness of any external organisation (not least the regulator) helping to orchestrate mergers, as a primarily techno-legal activity. Since then, the publication of a draft Charities bill for England and Wales

(May 2004) declares the intention for the Charity Commission to establish and maintain a register of charity mergers; whilst an extension of the Commission's powers to give advice and guidance, including matters related to administration, appears to leave open the opportunity for external intervention of this kind.

Any such move should be regarded with caution. It has wider civil society implications, if merger is found to equate to a shrinkage of VCO reach and offer. Pragmatically, the very act of external invention might jeopardise the degree of CEO commitment found in the ACEVO research. (It may be noteworthy that of those organisations and CEOs studied, none reported involvement of the Charity Commission, for advice or support, in their merger plans and progress.) A failure to recognise the high commitment CEO merger fulcrum may be to technicise VCO mergers and so lose one of the key drivers propelling mergers to their conclusion. CEO commitment of this kind and in this context cannot be manufactured and dependency on it for merger success already makes merger activity in the VCO sector challenging and risky; not least for the CEOs themselves. As one CEO emphasised:

*"whoever is driving the merger needs to know where their energy is coming from..."*

## References

Association of Chief Executives of Voluntary Organisations (2003) *Managing Mergers*, ACEVO, London, [www.acevo.org.uk/main/publications](http://www.acevo.org.uk/main/publications)

Auster, E.R. and Sirower, M.L. (2002), The dynamics of merger and acquisition waves: a three stage conceptual framework with implications for practice, *Journal of Applied Behavioural Science* 38,2,216-244

Berggren, C. (2003,) Mergers, MNEs and innovation – the need for new research approaches, *Scandinavian Journal of Management* 19 ,173-191

Bojke, C. Gravelle, H. and Wilkin, D. (2001) *Is Bigger Better for Primary Care Groups and Trusts?* National Primary Care Research and Development Centre, Manchester, UK

Brown, A.D. and Humphries, M. (2003), Epic and tragic tales: making sense of change, *Journal of Applied Behavioral Science*, 39,,2,121-144

Buono, A.F. and Bowditch, J.L. (1989), *The Human Side of Mergers and Acquisitions: Managing Collisions between People, Culture and Organisations*, Jossey Bass, San Francisco

Charity Commission for England and Wales (2003), *Collaborative Working and Mergers*, Charity Commission Regulatory Study RS4, London

- Collins, G. and Wickham, J. (2002), Experiencing Mergers: A Woman's eye view, *Women's Studies International Forum*, 25,5,573-383
- Cowin, K and Moore, G 1996, Critical success factors for merger in the UK voluntary sector, *Voluntas : International Journal for Third Sector Research*, 7:1 66-86
- Coyle-Shapiro, J.A-M., Kessler, I. And Purcell, J. (2004), Exploring Organisationally Directed Citizenship Behaviour: Reciprocity or 'It's my job'?, *Journal of Management Studies*, 41,1,85-106
- Dackert, I., Jackson, P.R., Brenner, S.O. and Johansson, C.R. (2003), Eliciting and analysing employees' expectations of a merger, *Human Relations*, 56,6,705-726
- DiGeorgio, R (2002), Making mergers and acquisitions work: What we know and don't know – Part 1, *Journal of Change Management* ,3, 2 p134-148
- Fried, Y., Tieg, R.B., Naughton, T.J. and Ashforth, B.E (1998), Managers' reactions to a corporate acquisition: a test of an integrative model, *Journal of Organisational Behaviour*, 17,5, 401-427
- Field, J. and Peck, E. (2003), Mergers and Acquisitions in the Private Sector :What Are the Lessons for Health and Social Services? *Social Policy and Administration*, 37,7,742-753
- Goddard, M. and Ferguson, B. (1997), *Mergers in the NHS: Made in Heaven or Marriages of Convenience*, Nuffield Trust, London
- Goldberg, S.R. and Godwin, J.H. (2001), Your merger: Will it really add value?, *Journal of Corporate Accounting and Finance*, 12,2,27-35
- Golensky, M and DeRuiter, G (1999) 'Merger as a Strategic Response to Government Contracting Pressures' , *Nonprofit Management and Leadership* 10 ,2 Winter 1999
- Golensky, M and DeRuiter, G.L. (2002), The urge to merge: a multiple case study, *Nonprofit Management and Leadership*, 13,2,169-186
- Guthrie, M 2000, *Mix, Match, Merge*, Volfprof Papers, Cass Business School, City University, London
- Gupta, O. and Roose, G. (2001), Mergers and acquisitions through an intellectual capital perspective, *Journal of Intellectual Capital*, 2,3, 297-309
- Harbeck, M, Kroger, F and Trum, M. (2000) *After the mergers: Seven rules for successful post merger integration*, Prentice Hall Financial Times, London
- Harrow, J. (2003), Commentary on the case studies, in Association of Chief Executives of Voluntary Organisations *Managing Mergers*, ACEVO, London, 49-56
- Harrow, J. (2003a), The research design and methodology, in Association of Chief Executives of Voluntary Organisations *Managing Mergers*, ACEVO, London ,57-60
- Harrow, J. (2004) Mechanisms and Values in the Delivery of a Patchwork of Public Services', in

- Contesting Public Sector Reforms: critical perspectives, international debates*, eds Dibben, P., Wood, G. and Roper, I., Palgrave Macmillan, London
- Harrow, J. and Mole, V. (2000), "I want to move once I have got things straight...": Voluntary Sector Chief Executives' Career Accounts, Fourth International Research Conference of the International Society for Third-Sector Research, Trinity College, Dublin, Republic of Ireland, July
- Hartzell, J.C., Ofek, E. and Yermack, D. (2004), What's In It For Me? CEOs whose firms are acquired, *The Review of Financial Studies*, 17, 1, 37-61
- Harris, M, Harris, J, Hutchison, R and Rochester, C 2002 'Merger in the British Voluntary Sector: The example of HIV/AIDS agencies' *Social Policy and Administration* 36, 3. 291-305
- Hay, D. and Fourie, M. (2002), Preparing the way for mergers in South African further and higher education institutions: an investigation into staff perceptions, *Higher Education*, 44, 1, 115-131
- Jansen, J. (2003), Mergers in South African higher education: theorising change in transitional contexts, *Politikon*, 30, 1, 27-50
- Karitzki, O. and Brink, A. (2003), How can we act morally in a merger process? A simulation based on implicit contracts, *Journal of Business Ethics*, 43, 1/2, 137-152
- Kitchener, M. and Gask, L. (2003), NPM merger mania: lessons from an early case, *Public Management Review*, 5, 1, 19-44
- Krug, J.A. and Hegarty, W.H. (2001) Predicting who stays and leaves after an acquisition: a study of top managers in multinational firms, *Strategic Management Journal*, 22, 2, 185-196
- Krug, J.A. (2003), Executive turnover in acquired firms: an analysis of resources-based theory and the upper echelons perspective, *Journal of Management and Governance*, 7, 2, 117-143
- Larsson, R. and Lubatkin, M. (2001), Achieving acculturation in mergers and acquisitions: an international case study, *Human Relations*, 54, 12, 1573-1608
- Leat, D and Passey, A 2000 *Joint working and mergers in the voluntary sector* National Council of Voluntary Organisations, Report with Third Sector Foresight Group, NCVO, London
- Mather, B 2000, *Merging Interests*, The Baring Foundation, London
- Meyer, C. (2001), Allocation processes in mergers and acquisitions: an organisational justice perspective, *British Journal of Management*, 12, 1, 47-66
- Mole, V. (2003), 'What are chief executives experiences' and expectations of their boards?', in ed. Cornforth, C. (2003), *The Governance of Public and Non-Profit Organisations: What do Boards Do?*, Routledge, London, 150-163
- National Council for Voluntary Organisations, (1999) *The next five years through the eyes of the sector*, NCVO London

Organ,D.W. (1988), *Organizational Citizenship Behaviour, The Good Soldier Syndrome*,Lexington Books, Lexington, MA

Rose, R. (1998), *Lesson Drawing n Public Policy* , Chatham House Press

Sargeant, A and Jay, E (2002),The role of funders in nonprofit merger activity: Implications for charity fundraising and marketing practice, *Journal of Marketing Management*, 18 , 953-970

Schmid, H.( 1995) Merging Nonprofit Organisations: analysis of a case study, *Nonprofit Management and Leadership* ,5.4 , 377-392

Singer, M and Yankey, J (1991)Organisational Metamorphosis: a study of eighteen nonprofit mergers, acquisitions and consolidations, *Nonprofit Management and Leadership* 1 4 , 357-369

Taylor, M. (2003), *Public Policy in the Community*, Palgrave Macmillan, Basingstoke,UK

Vaara,E.(2003), Post acquisition Integration as Sensemaking: Glimpses of Ambiguity, Confusion, Hypocrisy and Politicisation, *Journal of Management Studies*, 40-4, 859-894

Van Knippenberg,D., Van Knippenberg, B., Monden,L. and de Lima,F.,Organizational identification after a meger: a social identity perspective, *British Journal of Social Psychology*,41,2,233-252

Weber, R.A. and Camerer,C.F. (2003),Cultural conflict and merger failure: an experimental approach,*Management Science*, 49,4,400-415

Wilding ,K., Collins, G., Jochum,V. and Wainwright, S.(2004), *The UK Voluntary Sector Almanac*, NCVO Publications and Bedford Square Press, London, 53-89

## Appendix 1

### Distinctiveness of the five merger cases

#### 'Milton House'/City Roads

- The extensive networking opportunities offered by the precise organisational focus meant that both organisations had extensive prior knowledge of the other's work
- Both chief executives had previously worked for larger agencies; *and* were jointly on an organisation board, going through merger
- Both boards were in discussion on mergers with other organisations, neither successfully
- 'non negotiables' included a board chair with no previous connection with either organisation
- the merger took the form of one organisation becoming a subsidiary of the other
- the main commissioners were consulted early, other stakeholders as soon as decision to proceed taken, and open with other organisations in the sector about these merger plans
- a long term approach taken – with new name chosen by exhaustive internal processes, but detailed work on branding only after merger

#### Bridge/NCH

- the niche market and reputation of the smaller organisation of major interest to the much larger organisation
- the merger saw the smaller organisation incorporated as part of its larger partner's regional structure, whilst retaining its current name
- one chief executive was prepared to accept structural demotion to achieve this, in the interests of the merger
- with staff in the smaller organisation the key asset worth acquiring, a tight timetable was adopted
- the larger organisation offered flexibility on structural management and banding policy, its merger partner becoming exceptions to its rules

#### The London Lighthouse and the Terrence Higgins Trust

- one organisation had recent experience of successful merger on a large scale, and had gone so far as developing an operational merger template to fit its perceived merger needs
- both organisations faced fragmentation in funders, increasing numbers of stakeholders with whom to maintain links
- the merger template, developed from previous experience, included a joint chairs group and the appointment of a 'director of implementation' for the merger and in the fifteen months following
- part funding for the implementation obtained from sponsoring government department
- a dual branding strategy was adopted, to maximise impact of both organisations' well known names
- senior management time taken up may have led to loss of opportunity to influence policy
- another tentative merger inquiry not progressed because of focus on this merger

#### Thamesreach/Bondway

- both organisations of similar age but with different growth trajectories
- merger question prompted by impending retirement of the smaller organisation's founder –director
- smaller organisation commissioned consultants to review merger options; with the larger partner identified as front runner for a direct approach
- the smaller organisation appointed an interim director, to deliver on the merger, with larger organisation's chief

executive the role of 'heir apparent'

- a trust funded consultancy and facilitation costs; with consultants working to a Mergers Negotiation Group from both organisations
- a joint senior management team began work six months before the merger
- the heir apparent' CE took advice from corporate sector mentors
- the merger timetable was tight; given concerns that organisations were weak while merging and needed to move quickly to limit vulnerability
- staff survey by consultants a central part of process
- the two boards were simply merged; everyone who wished could stay .despite disadvantage of 2 strong boards

Touchstone/Online

- both organisations born out of the same event, following local government reorganisation
- the organisations had already worked fairly closely, through subcontracts
- one organisation also had a charitable arm, as a separate trust
- both organisations were experiencing financial pressures, in part because of statutory funder practices
- commissioners were expecting consolidation and merger in this area
- the two boards met as one , and co-opted members onto each other's board
- corporate structure discussions were complex and stalled ; options including a merger model which offered a fairly easy demerger if needed
- the board declined to appoint one overall chief executive
- discussions went on for over a year, without major resolutions
- uncertainties over the organisational future caused confusion for stakeholders

## Appendix 2

Extracts from Harrow, J., Commentary on the case studies, 'Managing Mergers', ACEVO, 2003

### Conclusions

#### What do we now know? –

- rich picture of organisational turbulence, mixtures of organisational thoughtfulness, opportunity and bravery
- the extent of required board and CE effort and staying power
- the essential function of the CEs' personal commitment and workload, yet mostly serious professional isolation
- the close-up influence of most prominent (resource provider) stakeholders; giving a highly immediate take on the value of the merger plans
- the dissimilarities in organisational experience emphasising the importance of every merger in this sector having tailor-made or bespoke dimensions
- the resulting questioning concerning over allegiance to merger templates, guidelines for this sector; and developments such as mergers unit in a reformed Charity Commission

#### What do we know we need to know more about

- the workings of professional advisers, consultants, at what stages in the process and for whom
- user perspectives on merger plans, processes and , especially, on merger outcomes
- the development of measures which would help understand the inward costs of merger search, choices, searches, and processes; and the development of measures of post merger costs and benefits, taking into account qualitative as well as quantitative measures of organisational effectiveness
- experiences at board, senior management and stakeholder (including user) levels where mergers do not progress or de-mergers occur
- the longer term scenarios that occur once merger (as an event) has occurred; initially, through continuing to track the five cases in this study, for intervals up to five years

#### What are we wanting

- development of mentoring programees for CEs in merger situations
- a forum for further – and regular - sharing of organisation merger experiences, which include where feasible live accounts as well as those made in retrospect
- examination of boards/trustees' interests in and experiences of contributing to and/or guiding merger
- a collective sector caution to be applied to development and application of merger templates especially those that offer 'best practice' practices

#### What are the wider issues

- decisions about best / optimal location for advice sources on mergers for the sector?
- revisiting the policy prompt that takes it as read that there are 'too many charities'; and so considering scenarios where public interests would not be best served by merger (including the limits to competition in this sector)
- contributing to reflections on the effects within the sector and in civil society generally of merger advocacy that seems to be coming mostly from governmental (including regulatory and funding) sources; when differentiation, smallness, specialisation and collaboration are also sector hallmarks, and at risk in a mostly pro-merger environment.

