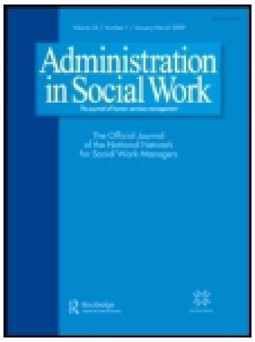

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Managing Nonprofit Mergers: The Challenges Facing Human Service Organizations

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A growing number of nonprofit organizations are considering strategic restructuring opportunities in the form of mergers due to the current social services environment of increasing competition and decreasing resources. Mergers can be viewed negatively with the loss of an organization's identity or positively as an opportunity to survive and enhance services. Drawing on the literature from both the for-profit and the nonprofit sectors, this article examines the elements of successful mergers related to the nature of the merger process and the role of the human element in all aspects of the merger process. It concludes with recommendations for managers considering a merger and suggestions for future research.

KEYWORDS *nonprofit mergers, human service agencies, organizational change, leadership, staff involvement*

INTRODUCTION

Nonprofits are experiencing unprecedented funding cuts during the current recession (San Francisco Foundation, 2009). An increasing number of nonprofit organizations are considering strategic restructuring opportunities in the form of mergers due to the current social services environment

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of increasing competition and decreasing resources (Campbell, 2009; San Francisco Foundation, 2009; Ferris & Graddy, 2007; Norris-Tirrell, 2001). Mergers can be viewed both positively and negatively. While mergers can be viewed as "the death of an organization or the failure of a mission" (McCormick, 2001b, p.1), they also have been considered as alternatives to organizational demise by creating an opportunity to enhance an organization's ability to serve its clients and community (Norris-Tirrell, 2001; Yankey, Jacobus, & Koney, 2001). Whether mergers are viewed as an alternative to termination or an opportunity for growth and improvement, it is important to understand the factors that lead to a successful merger.

This analysis of the merger literature related to success factors reflects two dimensions, namely the nature of the merger process and the role of the human element in all aspects of the merger process (Jemison & Sitkin, 1986; Marks & Mirvis, 1998). By understanding the nature of the merger process, organizational leaders, including executive management and the board, can be better able to account for the time and energy needed. The human element relates to such factors as staff reactions and behavior, leadership, communication, organizational culture and identity. The successful management of these issues can positively influence post-merger growth and improvement (Deetz, Tracy, & Simpson, 2001). The literature on for-profit and nonprofit mergers has expanded significantly over the past thirty years (Cartwright & Schoenberg, 2006). This analysis draws upon research in both domains because many of the issues are universal and applicable to merger success across sectors (Buono & Bowditch, 1989; Schmid, 1995). A stage framework (pre-merger planning, merger integration, and post-merger consolidation) is often used to explain the merger process (Marks & Mirvis, 1998; Singer & Yankey, 1991; Taylor, Austin, & Caputo, 1992).

The first section of this analysis focuses on the pre-merger planning process and the human factors relevant to making the decision to merge. The second section addresses merger integration in the form of the merger implementation process. The third section focuses on post-merger stabilization. Finally, the analysis concludes with implications for management practice and future research.

MAKING THE DECISION TO MERGE

The first step in a merger process is making the decision to merge. During this stage, organizations conduct exploratory discussions related to the appropriateness of various restructuring options. Given that the board of directors represents the organization as a legal entity, it is usually the board that drives the merger process. However, in some cases, the merger idea may be introduced by members of the organization's executive management

(Campbell, 2008). Regardless, the board will be instrumental in addressing the legal obligations and the process for organizational dissolution if a merger is finalized. Members of the board of directors are responsible for drafting the agreement to merge and voting on it (Campbell, 2008; Yankey et al., 2001).

Even in this preliminary stage, organizational leaders need to consider the human element related to program, mission, and culture fit as well as the uncertainty and stress experienced by staff. The focus in this stage cannot solely be on the financial viability of possible partners. Organizations can create a solid foundation from which to work toward their goals if they begin with a clear, shared definition of merger to specify the driving forces behind the merger and the potential challenges that need to be addressed throughout the merger process.

Types of Organizational Restructuring

There are at least four terms, often used interchangeably, to describe the different types of restructuring, namely mergers, alliances, acquisitions, and consolidations (Buono & Bowditch, 1989). These terms can be arrayed on a continuum of inter-organizational relations as noted in Figure 1 (Kohm & LaPiana, 2003; Marks & Mirvis, 1998). For example, minimal change is represented on the left end of the continuum and maximum change on the right. The factors that determine the location on the continuum include investment, autonomy, integration, and control. Minimal investment leads to little if any integration. Alliances of separate organizations represent high autonomy and control and minimal investment in restructuring. In contrast, mergers and acquisitions feature high levels of investment and integration based on adjustments in control and autonomy. Buono and Bowditch (1989) identified three dimensions that can be considered in the pursuit of an alliance, merger, or acquisition: 1) purpose of restructuring (rescue or expansion), 2) emotional stance taken during the process (friendly or hostile), and 3) degree of compatibility in forming the new entity. The interplay of these dimensions illustrates the complexities in restructuring organizations in the form of merger or acquisition. These dimensions point to the interaction of

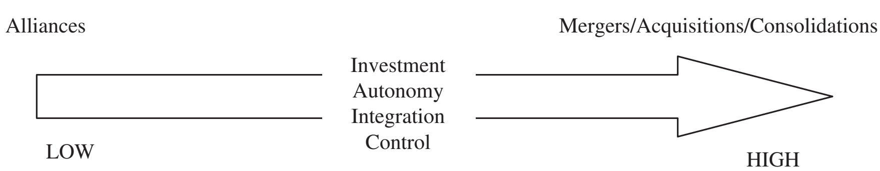

FIGURE 1 Restructuring Types.

(Adapted from Kohm & LaPiana, 2003; Marks & Mirvis, 1998).

purpose and emotion, namely management's motives for change and staff's emotions unearthed by the process.

For the purposes of this analysis, mergers are defined as the combining of two or more organizations to create one new organization using friendly, rather than hostile, strategies. In contrast, acquisitions are defined as occurring when one organization is subsumed or acquired by another organization, irrespective of friendly or hostile intent. Understanding the difference between merger and acquisition can lead to better strategic decisions. This analysis focuses primarily on the factors needed to produce successful mergers and does not address the factors involved in other types of restructuring.

Driving Forces for Mergers

In the merger literature, driving forces relate to the motives behind the decision to restructure. These forces are also linked to the projected goals for the merger and can include: 1) improving the financial condition of the organization (survival, improve efficiency, reduce competition), 2) strengthening community visibility (preserve or improve image, reputation, or standing), and 3) enhancing client services (expansion and improvement of services, increase client base, enhance staff expertise) (Durst & Newell, 2001; Kohm & LaPiana, 2003). Motives define the organization and its environment during the pre-merger stage while goals define what organizational leaders hope the post-merger organization and environment will look like. Mergers may be the result of multiple motives and goals (Campbell, 2009; Durst & Newell, 2001). For example, organizations may seek to improve their financial condition and enhance client services.

The driving forces can be viewed as either internal or external to the organization. Internal forces involve the organization's style for decision making (proactive vs. reactive) and the organization's health (thriving vs. at-risk of dissolution) (Norris-Tirrell, 2001). External forces represent the social/economic climate and perceptions of funders and other stakeholders regarding the viability of the organization (Norris-Tirrell, 2001). In a community climate of scarce resources, the perception of too much overlap or redundancy in nonprofit services may lead funders to limit their support to multiple organizations that offer similar services.

Golensky and DeRuiter (2002) provide a different approach to defining driving forces when they focus on decision-making processes (e.g., anticipatory or reactive) and resource availability (e.g., sufficient and limited). This approach aids in understanding the varied outcomes of mergers when there are multiple motives. Resources are viewed as internal and external where the social/economic climate is combined with the health of the organization. While the social/economic climate may be a driving force, it is not likely to highlight different outcomes if it is the same across all organizations.

Therefore, other factors need to be taken into account when assessing the driving forces that can influence a merger.

Mergers are mission-driven when the organizations are anticipating future demands and also have sufficient resources to continue without merging. In an assessment of three mergers, Golensky and DeRuiter (2002) found that the mission-driven merger resulted in a more effective process. Proactive decision making and sufficient resources allowed for more time to be focused on program- and client-related goals as well as more staff involvement. Mergers that involved organizations experiencing financial problems chose the merger as a last resort and resulted in a more problematic process. While proactive mergers are designed to enhance services and organizational viability, reactive mergers often reflect deficiencies in both decision-making style and resources.

Understanding the pre-merger stage helps to identify potential challenges. Some challenges may occur early in the process and then dissipate (e.g., finding appropriate/relevant partners to explore the merger possibilities), while other challenges may require attention throughout (e.g., staff uncertainty and stress).

IMPLEMENTING THE PROCESS

After the decision has been made to merge organizations, considerable planning is needed to integrate the merging organizations as reflected in a formal merger plan and agreement. There is a tendency to underestimate the time needed for thorough planning, especially attention to the human element in this stage of the merger process (Marks & Mirvis, 1998; Yankey et al., 2001). The major human element factors are: 1) merger leadership, 2) communication, 3) staff involvement, and 4) organizational culture. Each of these factors is critical to merger failure or success and are defined below.

Merger Leadership

Leadership is an important factor in the merger planning process and is drawn from both top management and the board of directors. The planning stage can be particularly stressful for staff members who become aware of the pending merger but do not know all the details (i.e., sense of being in "limbo") (Corwin, Weinstein, & Sweeney, 1991; Thach & Nyman, 2001). For most organizational change to be successful, considerable time and energy are required. A transition team is often used to facilitate the change process, especially for determining the new organization's structure and who will be part of it (Marks & Mirvis, 2000; McLaughlin, 1998). The benefits of forming a transition team include increased knowledge sharing and relationship building (Corwin et al., 1991; Marks & Mirvis, 2000). Participation on a transition team allows staff members from different organizations to get to know each other, begin to build trust, and find ways to address misconceptions.

The primary elements of a transition team include a steering committee, task forces, and a transition manager (Marks & Mirvis, 2000). Members of the board of directors from each organization determine the specific elements and members of the transition team (McCormick, 2001a). The steering committee typically includes board members and top management representatives from all participating organizations. The steering committee provides leadership and oversight until the new management is officially in place. This committee is responsible for: 1) setting the overall goals and direction, 2) determining the agenda for the task forces, 3) providing guidance, and 4) assessing task force recommendations to determine which recommendations to send to the boards and management teams for decision making. Depending on the level of board involvement, some decisions may be handled exclusively by top management. In addition, steering committee members can serve as role models for how the merged organizations may successfully work together (Marks & Mirvis, 2000).

A task force often includes representatives from all merging organizations and has a specific focus or agenda for its work. Separate task forces may be formed to research the financial, administrative, and programmatic systems of each organization. While task forces may be relatively small in number, they can access the human resources of the combined staff population (e.g., through surveys and focus groups) for fact-finding and design suggestions (Marks & Mirvis, 2000).

A transition manager (e.g., inside or outside facilitator) acts as the coordinator of the restructuring process. These coordinators have the task of managing and supporting the restructuring process that includes coordinating the transition plan, monitoring the work of task forces, and ensuring communications between workgroups and leadership (Marks & Mirvis, 2000). The clarity of role and responsibilities is essential for transition management.

The following key leadership activities need to be defined and understood as part of both understanding the merger process and addressing the human element: 1) becoming knowledgeable about merger processes, 2) supporting staff, and 3) recognizing the leaders' own emotional reactions to change (Kavanagh & Ashkanasy, 2006; Thach & Nyman, 2001). Competent leadership in a merger situation includes the knowledge of what to expect during a restructuring process, the organizational culture issues, the time required for successful change, and the nature of the organizational change processes needed to address staff issues. Additionally, competent leaders need to be aware of the pace of change and how it can influence outcomes for stakeholders, including staff, donors, volunteers, and clients. While there is often a desire to minimize the transition time, there is also a need for a thorough and deliberative process (Jemison & Sitkin, 1986; Marks & Mirvis, 1998; McCormick, 2001a). Indeed, Kavanagh and Ashkanasy (2006) found higher rates of staff satisfaction with mergers for organizations that used a gradual approach (i.e., negotiations were thorough and conducted with one organization at a time) than with organizations that used a quick, top-down approach. In essence, a balance needs to be found between maintaining momentum and allowing for sufficient time to promote involvement and decision making.

Organizational leaders need to be attuned to the merger stress and uncertainty experienced by staff if they are to sustain or increase respect for, and trust in, management (Nguyen & Kleiner, 2003). By providing emotional outlets and support for staff who are transferring their focus from themselves to the task of restructuring, management can champion the change and provide support during the restructuring process (Corwin et al., 1991). Convening "all-staff" meetings to answer questions or allotting space for merger updates on the agenda of regularly held meetings are ways to demonstrate support for staff.

Senior management needs to be a champion of change by expressing support for a merger and framing it as an opportunity rather than a threat (Deetz et al., 2001; Marks & Mirvis, 2000). However, it is also important to recognize that leaders may be dealing with their own feelings of anxiety and confusion about the change, especially the different ways that management systems might be combined as well as the potential elimination of their own positions (Corwin et al., 1991). Board members may also have mixed feelings about the merger and what it means for the organization they represent (Basinger & Peterson, 2008). It is clear that both the board and management need to foster support for the new organization because if staff perceive them to be less committed or motivated, it will be more difficult to successfully complete a merger (Corwin et al., 1991; Kavanagh & Ashanasy, 2006; McCormick, 2001b).

Communication

A key tool for management is enhancing communication about the merger process. Successful and sufficient communication can reduce stress and anxiety as well as increase trust and respect (Bartels, Douwes, de Jong, & Pruyn, 2006; Basinger & Peterson, 2008). Therefore, an awareness of communication climates and methods and goals for positive communication are essential for effective communications in the merger process.

The multidimensional nature of communications is captured in the concept of *communication climate* (Bartels, et al., 2006; Cornett-DeVito & Friedman, 1995). A positive climate includes the presence of clarity, openness, and support that lead to continued or increased organizational commitment and identity for staff and successful implementation of change. A negative climate involves the absence of honest and direct communication, and can lead to staff members feeling vulnerable and distrustful of the leaders of the change process (Bartels et al., 2006; Kavanagh & Ashkanasy, 2006). The frequent dissemination of candid and accurate information can greatly reduce staff reliance on a rumor mill and distrust of management (Campbell, 2008; McCormick, 2001b; Nguyen & Kleiner, 2003).

Organizations that engage in a successful merger often use a stakeholder-oriented communication plan that focuses on staff, board, clients, and the community (Giffords & Dina, 2003; McCormick, 2001b). McCormick (2001b) noted that there is a need to sequence the process of effective communication. The board of directors, which is ultimately responsible for the oversight of an organization and makes the final decision whether to merge, needs to be fully informed regarding the details of the merger. Therefore, it is often customary to release official information to staff only after all board members have been notified. Similarly, all internal stakeholders need to be informed prior to any public announcements (McCormick, 2001b).

A primary goal of communication is to explain the reasons for change; the process generally includes: 1) sharing the vision and expected benefits, 2) describing the merger process, and 3) providing a projected timeline for changes to occur (Giffords & Dina, 2003; McCormick, 2001b; Marks & Mirvis, 1998). Early efforts to clarify and explain the merger can ease tensions when decisions need to be revised at a later date. Attention to the overall communications process can also increase management's credibility.

A further goal of communication is to dispel rumors that can increase staff anxiety and distrust. One approach is to designate specific staff liaisons to serve as a communication link between management and staff so that rumors can be shared with the merger steering committee in order to address them through official communication mechanisms. The use of staff liaisons allows staff members who are not directly involved in the merger to voice concerns anonymously (Dickey, 2002). Anonymity may be important to staff during a time of heightened stress and uncertainty. Staff may fear retribution if they are perceived to be associated with a negative rumor or feedback. Another method for handling anonymous questions is to set up a hotline number (Marks & Mirvis, 1998; McCormick, 2001b; Schweiger & DeNisi, 1991).

Multiple methods of communication are recommended during a merger to build a positive climate (e.g., weekly or monthly newsletters, staff meetings, and individual meetings). Formal communication vehicles need to be followed up with informal in-person discussions to ensure that staff members get a clear account of decisions and the opportunity to understand them (Marks & Mirvis, 1998). Clear and honest communication also needs to be shared with those board members not directly involved with the merger process (Basinger & Peterson, 2008; Campbell, 2008).

Furthermore, communication needs to be two-way, with merger leaders providing information to staff and board members, and staff and board members having a mechanism for sharing reactions and ideas (Basinger & Peterson, 2008; Dickey, 2002). It is also important to acknowledge what is unknown rather than leaving gaps that can be filled by the rumor mill (Nahavandi & Malekzadeh, 1993). Managers are perceived to be more credible and trustworthy when they admit that they do not have all the answers. Staff may then choose to believe communications from top management rather than the staff grapevine.

Staff Morale and Involvement

Staff can play a key role in the success or failure of a merger (Cartwright & Cooper, 1993b; Field & Peck, 2003; Health Education Authority, 1999). Mergers can produce a great deal of uncertainty and concern. The ways in which staff manage or adapt during transition can influence merger outcomes. Several studies identify the following staff concerns during a merger: 1) losing their organizational identity or even their jobs; 2) identifying and sustaining the new organizational culture; and 3) the lack of support during transition that can lead to increased anxiety and distrust, and a resulting increase in absenteeism, turnover, and lowered productivity (Brown & Humphreys, 2003; Singer & Yankey, 1991; Taylor et al., 1992). Other concerns include the potential for a negative impact on service delivery, along with concerns about lack of fit between the proposed change and the mission of the organization (Gulliver, Towell, & Peck, 2003; Taylor et al., 1992).

Lowered morale and productivity can negatively affect services to clients when staff member focus shifts from helping clients to taking care of themselves (Buono & Bowditch, 1989). The time that staff members spend worrying about merger outcomes is time taken away from their job duties. Low morale can be contagious in environments where little support is coming from management. Staff members often turn to each other for support and even find comfort in shared cynicism (Brown & Humphreys, 2003).

Along with uncertainty, a sense of perceived helplessness or lack of power can contribute to staff anxiety (Marks & Mirvis, 1998). Management can reduce some of this anxiety by involving staff in the merger process. Morale can be improved if staff members feel that they have some influence over the outcomes (Brown & Humphreys, 2003). Participation in task forces and focus groups can decrease a sense of powerlessness and alleviate anxieties related to the merger process (Yankey et al., 2001). Management can also involve staff by keeping them updated throughout the process and by sharing new developments and proposed changes. However, any involvement of staff in the process needs to reflect a sincere desire that values their participation. Management needs to support the capacities of staff members to engage in decision making and providing input (Cohen & Austin, 1997). If efforts to gather input are insincere, the staff may become disillusioned with the process and leaders can lose their support (Kavanagh & Ashkanasy, 2006).

While there may be a perception that nonprofit organizations are better equipped to address the human side of mergers than for-profits, research indicates it is just as easy for nonprofit organizations to give insufficient attention to staff needs during a merger (Gulliver et al., 2003; Teram & Igra, 2005). Management should not assume that the staff's commitment to the agency's mission or the field of practice is enough to get staff through the process. Instead it is important to explore opportunities to support and include staff in fact-finding, feedback, and decision-making opportunities (Kohm & LaPiana, 2003; Marks & Mirvis, 1998). Nonprofits need to pay attention to maintaining staff morale because they are usually unable to use financial incentives to solve problems later in the process (Kohm & La Piana, 2003).

Organizational Culture

Since the reshaping of an organization's culture can affect the outcome of the merger, the process needs special attention during the merger-planning phase (Carleton & Lineberry, 2004; McLaughlin, 1998). Failing to devote sufficient time to examine the cultural differences between organizations can negatively impact the merger process (Kavanagh & Ashkanasy, 2006; Kohm & LaPiana, 2003; Marks & Mirvis, 1998). To successfully integrate organizational cultures, leaders need to understand the nature of organizational cultures, the different types of culture change, and the challenges that emerge when combining organizational cultures.

Organizational culture is the glue that binds people together (Nahavandi & Malekzadeh, 1993). Organizational culture also includes office attire, policies and procedures, staff-management relationships, and decision-making style (Kohm & LaPiana, 2003). Schein (1985) provides the most frequently cited definition of organizational culture:

> "a pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration—that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Schein, 1985, p. 9).

Organizational culture is not static; it is always evolving to respond to changing conditions (Deetz et al., 2001). Mergers involve the blending of two or more organizational cultures and this process can generate conflict (Carleton & Lineberry, 2004; Kavanagh & Ashkanasy, 2006). This blending of different organizational cultures often occurs at the board level as well as the staff level. Similar to staff, boards will have values and traditions specific to their pre-merger organization (Holland, 2006).

The changes that occur when organizational cultures come into close contact with one another can be viewed as an acculturation process that includes one or more of the following: 1) assimilation, 2) integration, and 3) pluralism or separation (Cartwright & Cooper, 1993a; Nahavandi & Malekzadeh, 1993; Marks & Mirvis, 1998). While assimilation is the adoption of the dominant culture by the dominated organization, integration represents combining the best of both cultures, and pluralism is the continuation of both cultures side by side. Some pluralism may be inevitable as individual departments or programs maintain subcultures. Assimilation may be common in mergers based on a power imbalance. However, the integration of organizational cultures is often the projected goal of a merger.

Cartwright and Cooper (1993a) state that merger success "relies upon the ability to create a coherent and unitary culture that combines elements of both cultures" (p. 67–68). The integration of two or more organizational cultures can lead to a new common culture different from the cultures of the previous organizations (Corwin et al, 1991; Marks & Mirvis, 1998). Yet, a merger does not automatically lead to the integration of individual organizational cultures. Within the merger process, specific attention and energies need to be devoted to organizational cultural issues to achieve the desired level of acculturation.

One method for improving the outcomes of blended organizational cultures is for each organization to engage in a process of "cultural due diligence" similar to the legal and financial due diligence that involves full disclosure and transparency (Carleton & Lineberry, 2004). Marks and Mirvis (1998) describe an organizational learning activity that engages teams from both organizations in a process of exploring their differences and similarities related to operational practices, technology, physical environment, expectations, and intended goals. In the process, the teams describe their own culture, their perceptions of the other organization's culture, and finally their perceptions of how they think the other organization perceives their culture. The activity can uncover stereotypes as well as help to identify areas of commonality (Marks & Mirvis, 1998). The outcome involves prioritizing differences that require attention and the recommendations related to the complexities of addressing the differences.

In summary, the merger implementation stage includes the technical work needed to design a new organization and the management of the human factors related to the planning and transition process. The behaviors and activities of management set the tone and pace for the merger process. Leaders need to consider multiple modes of communication, various methods for supporting and involving staff, and deal with the challenge of blending organizational cultures. Building upon successful pre-merger planning and merger implementation, the final stage is set, namely merger stabilization.

POST-MERGER STABILIZATION

After the planning and implementation stages are complete, the organization moves into the post-merger period with a focus on stabilization (Singer & Yankey, 1991; Wernet & Jones, 1992). The time projected for blending the newly merged organizations ranges from one to ten years (Cornett-DeVito & Friedman, 1995; Marks & Mirvis, 1998; Nguyen & Kleiner, 2003). Management actions continue to influence staff ability to accept and adjust to change. It is during the stabilization stage that staff members need to adjust to new cultural and organizational elements that may strengthen or weaken their organizational identity, job satisfaction, and organizational commitment (van Knippenberg, van Knippenberg, Monden, & de Lima, 2002).

Leadership Revisited

Similar to prior stages, leadership behaviors and activities continue to be important during the post-merger stabilization phase, especially since the newly merged organization is still in its infancy and requires flexible post-merger leadership (Marks & Mirvis, 1998). Even after the merger is official, unanticipated changes still need to be implemented and staff continue to need support to handle the associated stress (Taylor et al., 1992). Specifically, staff should be provided an opportunity to mourn the loss of their pre-merger organization (Marks & Mirvis, 1998). Validating and allowing space for staff to grieve can improve the ability of staff members to feel connected to and supportive of the newly merged organization.

Actively combining staff from each pre-merger organization to work on tasks together can help to break down competition and improve integration. Continued competition between pre-merger groups can impede the integration (Brown & Humphreys, 2003). The new management team members also need to work through their own confusion and grievances in order to convince staff that integration is a viable outcome. As role models for the values and vision of the newly merged organization, management needs to emphasize the dual focus on building new work teams and developing the organization's new culture (Marks & Mirvis, 1998).

Ongoing support and leadership for the newly merged board of directors is also crucial. Similar to the restructuring of organizations, boards go through a restructuring process as well, with the need for decisions regarding size, types of committees, and membership (Taylor et al., 1992; Yankey et al., 2001). While the loss of board members may be inevitable after the merger, organizations often do not want to lose their most active and influential board members. This may be a time when board members question their fit with the new organization and its mission (Kohm & LaPiana, 2003; Yankey et al., 2001). There may be board members who were ambivalent about the merger decision. These members often need extra time to see that the merger was in the best interest of their organization (Kohm & LaPiana, 2003; McCormick, 2001a).

Organizational Identity

Organizational identity is an important human element to consider in the merger process, especially in the post-merger stage. Identification with an organization can either facilitate or impede integration during and after a merger. Strong pre-merger affiliation can lead to defensive attitudes during a merger because staff feel their organizational identity is being threatened (Millward & Kryiakidou, 2004). Furthermore, both staff and board members who identify strongly with their pre-merger organization may find it difficult to transfer loyalties to the newly merged organization (Kohm & LaPiana, 2003).

The two factors that can influence staff identification with a post-merger organization are: 1) organizational dominance and continuity, and 2) status of organization and permeability. Merger dominance can be seen as either a larger organization dominating a smaller one or one organization perceived as saving the other organization. In contrast, status can affect staff identity in the form of increased prestige and/or job opportunities (Terry & Callan, 1998). For example, existing feelings of inferiority or identification with a low status organization may be exacerbated in a merger process, leading to less identification with, as well as less commitment to, the post-merger organization (Terry, 2001). However, staff from a low-status organization may support a merger if they see it as access to a higher status group. Meanwhile, the high-status staff may feel like their positions are threatened by the process of merging with the low-status group, fearing that they will not be able to maintain their social standing.

Regardless of the pre-merger identity of staff (e.g., low status or high status, dominant or dominated), it is clear that conflicts stemming from dominance and status issues can be problematic in a merger process (Brown & Humphreys, 2003). Therefore managers need to understand the power of organizational identity and how dominance and status can influence staff attitudes and reactions, as well as their job satisfaction and commitment.

Staff Satisfaction and Organizational Commitment

As a merger affects organizational identity, individual commitment to the organization and job satisfaction may also undergo changes (Gaertner, Bachman, Dovidio, & Banker, 2001). Staff who feel disconnected or experience a loss of identification with the organization may be less inclined to support goals and objectives and decide to leave the new organization. Mass turnover following a merger can negatively impact service delivery and the morale of remaining staff (van Dick, Ullrich, & Tissington, 2006). However, some voluntary turnover after a merger is unavoidable due to changes in leadership and mission, and it is realistic to expect a loss of staff (Yankey et al., 2001). For example, staff from a small pre-merger nonprofit may not be interested in working in a larger merged organization if they perceive it as more bureaucratic (Kohm & LaPiana, 2003). Furthermore, it may be in the best interest of the new organization for staff to leave if they cannot accept the change (Health Education Authority, 1999). Staff members who remain employed (despite decreased job satisfaction and organizational commitment) may negatively influence staff members who are invested in transitioning into the new organization.

Maintaining staff satisfaction and organizational commitment throughout the merger process can help management avoid high staff turnover and reductions in service quality. Job satisfaction can be influenced by the quality of relationships, level of task achievement, and level of organizational support (Gulliver et al., 2003). Organizational commitment involves staff identification and feelings of security with, or loyalty toward, the merged organization. The factors that influence job satisfaction and organizational commitment in the merger stabilization stage include role clarity, trust, and staff expectations.

The loss of role clarity (e.g., clearly articulated job duties, responsibilities, and expectations) that can accompany uncertainty about a merger can lead to increased levels of stress, often resulting in decreased job satisfaction. In addition, if staff members feel a sense of betrayal by their pre-merger organization, they may not be able to trust or feel committed to the newly merged organization (Teram & Igra, 2005). Similarly, if staff members believe that their expectations were met as a result of receiving accurate and detailed information over time, then they are likely to display higher levels of job satisfaction (Fairfield-Sonn, Ogilvie, & DelVecchio, 2002).

Irrespective of how well a merger is managed, some turbulence and unrest can be expected during the stabilization stage (Buono & Bowditch, 1989; McLaughlin, 1998). The distinctions between *us* and *them* can continue for months or even years after formal integration (Covin, Sightler, Kolenko, & Tudor, 1996; DelVecchio, 1999; Panchal & Cartwright, 2001; Singer & Yankey, 1991). Management can play a key role in reducing competition and unrest by supporting staff transition activities as part of developing a new organizational culture. Organizational identity conflicts can be resolved as staff and board members assess the merger outcomes and their role in the new organization. Organizational leaders can keep turnover to a minimum with the use of continuous staff support and communication. Merger stabilization occurs when the staff and board members who remain in the merged organization invest their time and energy in the formation of the new organization.

SUMMARY AND IMPLICATIONS

As the nonprofit environment continues to be competitive, organizations will continue to search for strategies that improve their sustainability and growth. Merging can help organizations reduce competition and improve efficiency and effectiveness. Provided that merger leaders have an awareness of the process and the human elements involved, mergers can be a successful method of intervention for nonprofit organizations to survive and thrive. Given the current state of merger literature, the concluding section identifies some issues for enhancing merger research and merger management.

Implications for Theory and Research

Studies that explored the occurrence of mergers and other restructuring types often reflect local situations and may not be generalizable to the rest of the United States. Therefore, a comprehensive database on the occurrence of nonprofit mergers is needed. Several universities support nonprofit research institutes, and one of these institutes would be a logical location for such a database. There is also a need for specific and consistently used criteria for assessing merger outcomes related to merger goals (e.g., growth, improved efficiency, or improved quality of services) (Marks & Mirvis, 1992). In addition, there is a need for longitudinal studies of nonprofit mergers to capture data from all three stages to balance the preponderance of post-merger studies that ask participants to reflect back on the pre-merger environment. Given sufficient planning and funding, it could be possible to gather information during all three stages of the merger process.

While the literature on mergers is primarily descriptive and prescriptive, it could be strengthened by the development of a comprehensive theoretical framework that would guide empirical research. An analysis of the different frameworks for examining the various aspects of the merger process (e.g., driving forces or organizational identity) suggests that a more integrated theoretical framework is needed. For example, the merger process could be improved with the use of empirically based criteria for guiding decision making. What are the elements of anticipatory decision making and what happens in their presence or absence? What are the chances of merger success without anticipatory decision making? Can a merger be successful in some areas and not others? While the three-stage merger framework used in this analysis provides a starting point for understanding mergers, there is still inadequate theory to explain the multiple dimensions of mergers.

Building upon a three-stage framework, the conceptual map in Figure 2 provides one way to integrate the factors that relate to merger outcomes by using Venn diagrams to depict the overlapping domains of leadership, staff, and organizational environment. Leadership includes both the organization's top managers and the board of directors. While the leaders and staff are components of the organization, organizational environment refers to external and internal factors that impact organizational culture and identity. A comprehensive framework for studying mergers needs to include the three domains of leadership, staff, and environment. For example, it is difficult to understand staff attitudes and behavior without also looking at managerial leadership practices and the impact of organizational issues. Similarly, strong

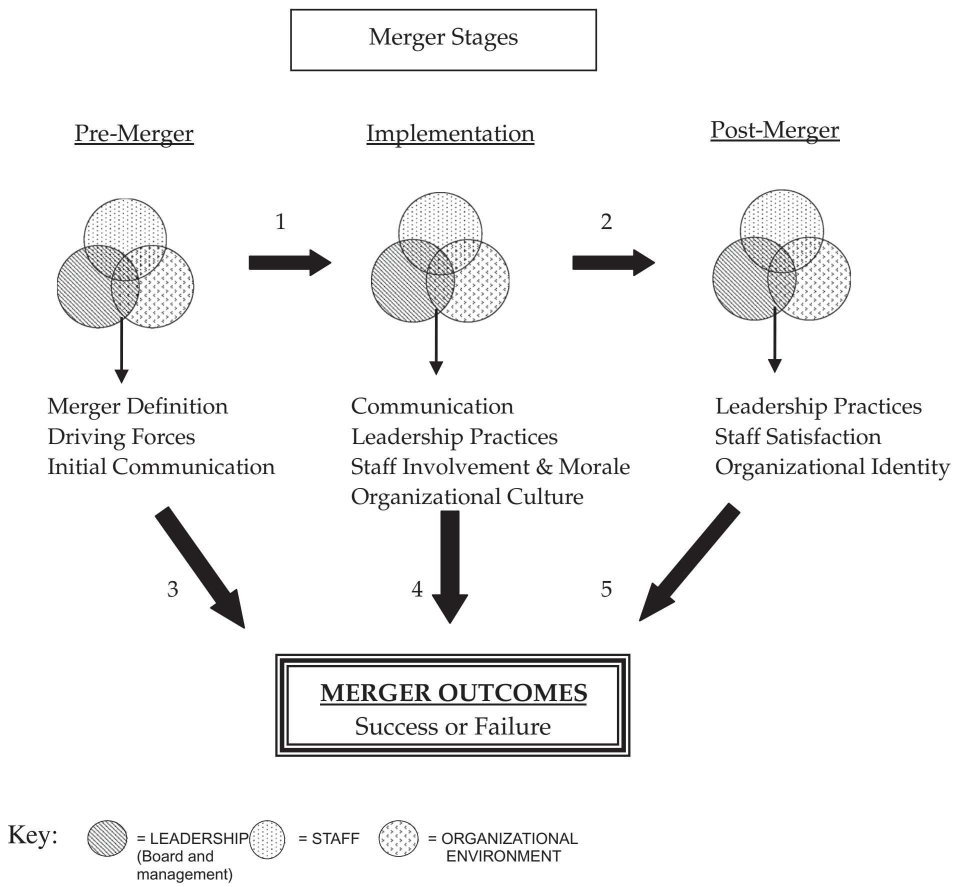

FIGURE 2 Conceptual Map of Merger Dynamics.

leadership is linked to merger outcomes, in part because of how it impacts staff.

The interaction of the three domains can be found in each merger stage. In the pre-merger stage, the impact of decision-making style is reflected in the leadership practices as well as how staff members make decisions as part of the organization's culture. Beyond the pre-merger stage, the interrelatedness of the three domains can also be seen in the implementation stage, where leadership behavior, staff reactions, and the organizational environment combine to begin building the organization's new culture that ultimately defines the outcomes of the merger process.

Below each Venn diagram in Figure 2 are key concepts or challenges for each stage of the merger that are influenced by the interrelatedness of staff, organizational environment, and leadership. The arrows between stages reflect the progression of the process, while each arrow leading to merger outcomes reflects the ways in which each stage can impact the final outcome. In the pre-merger stage, poor decision making or different definitions of restructuring (e.g., merger vs. acquisition) can influence the success of the subsequent stages (Arrow 1). Similarly, if poor communication during the implementation stage increases staff anxiety, leaders will experience greater challenges in addressing staff satisfaction in the post-merger stage (Arrow 2).

Just as each stage influences the next stage (Arrows 1 & 2), each stage can also have a direct impact on the final outcome. Research indicates that mergers are more likely to be successful if driven by anticipatory rather than reactionary decision making (Arrow 3). Similarly, a lack of staff involvement in the implementation stage can lead to failure despite attempts to address staff commitment in the post-merger stage (Arrow 4). Finally, leadership practices in the post-merger stage and staff satisfaction with the new organization can influence the long-term success or failure of the merged organization (Arrow 5). The conceptual map illustrates how each stage of a merger requires attention to the three domains and provides a comprehensive framework for further research on mergers.

In summary, the conceptual map illustrated in Figure 2 provides a comprehensive framework for understanding mergers, especially when combined with studies on the incidence of nonprofit mergers, the delineation of criteria for evaluating merger outcomes, and longitudinal studies that include the three major phases of the merger process. Based on this discussion of research needs, the questions in Figure 3 constitute a beginning agenda for future research on nonprofit mergers.

Implications for Managing Nonprofit Mergers

Some of the challenges facing those seeking to manage mergers are illustrated in a preliminary checklist of important merger factors noted in Figure 4. While not listed in any priority, the checklist is divided into two

1. How can the framework illustrated by the conceptual map inform future research design?
2. Does the framework adequately address all domains and challenges in a nonprofit merger?
3. Building on the conceptual map, what more can be learned regarding how different domains and stages overlap and influence each other and the final outcome?
4. How many nonprofit mergers occurred in the United States during the past year, during the past 10 years?
5. How many of the restructuring processes reported for these time frames are truly mergers (combining two or more organizations to create one new organization) and how many are acquisitions (one organization being subsumed by another)?
6. What constitutes a comprehensive set of criteria for evaluating merger success or failure?
7. How could these criteria be operationalized and measured?
8. Can a merger be successful in some areas and not others? Are some areas more important than others for a successful merger?
9. Given the constraints, how could researchers study the entire merger process, especially gaining access to the pre-merger process?
10. What are the most effective methods for tracking and analyzing the merger process throughout all stages?

FIGURE 3 Future Research Questions.

Recommendations for Managing the Merger Process

✓ Employ proactive decision making (e.g., explore merger options while financially stable, when there is no threat of organization termination).
✓ Establish goals prior to initiating the merger process (e.g., what are the desired outcomes? Increased funding? Expanded client base?).
✓ Select a compatible merger partner as reflected in mission, values, services, and organizational culture (e.g., similar or complementary client base, both organizations have team-oriented culture).
✓ Provide sufficient time and resources for planning, implementation, and stabilization.
✓ Utilize a transition team and transition manager.
✓ Recognize that integration processes can take several years either before or after the official merger (e.g., time is needed for blending operations, budgets, cultures).

Recommendations for Managing the Human Element

✓ Provide frequent, open, and honest communication with merger partner(s) and staff to develop trust and respect (e.g., increase frequency of staff meetings, agency-wide memos).
✓ Involve staff in planning and building the new organization (e.g., include staff on transition team, use focus groups).
✓ Create opportunities for staff to grieve the loss of the former organizations as well as celebrate the new organization.
✓ Recognize the differences & similarities in organizational cultures and employ activities specifically geared for blending cultures (e.g., provide team building activities, create cross-organization work teams).
✓ Explore methods for maintaining staff job satisfaction throughout the merger process (e.g., build trust and motivation).
✓ Recognize the strength of organizational identity and work to minimize status or dominance conflicts (e.g., encourage staff to perceive merger as opportunity to enhance identity).

FIGURE 4 Management Checklist for Successful Mergers.

components: managing the merger process and managing the human element. The major process themes include decision-making style, setting and articulating clear merger goals, and providing sufficient resources throughout the process. The major human element themes are staff communication and involvement along with organizational culture and identity.

In conclusion, this analysis of managing nonprofit mergers began with a search for the key elements for assessing nonprofit and for-profit mergers. It became clear that mergers could be assessed by using a three-stage framework, namely the pre-merger stage related to planning, the implementation stage related to organizational redesign that involves communicating with and involving staff as well as issues related to organizational culture, and the post-merger stage that involves stabilization related to managing the transition and continuing change.

Further research is needed on the factors relevant to successful and unsuccessful mergers. The current descriptive and prescriptive literature provides leaders with guidance on the human elements related to helping staff adjust to the changes while also managing their own anxieties and confusion. Successful mergers can be achieved if: 1) sufficient time and energy are provided for the merger process, 2) a vision of the new organization is developed, and 3) ongoing support of staff is provided throughout the change process. Mergers can prove to be successful organizational development strategies when they are based on a thorough examination of options, proactive decision making, and considerable attention to the human element.

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