The Impact of Mergers in Higher Education

on Employees and Organizational Culture

by

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ABSTRACT

The purpose of this study is to identify various attributes of corporate mergers and report the impact these mergers have on organizational culture when they occur in institutions of higher education. Without a clearly defined and concisely communicated vision, mission, and well defined and obtainable goals, mergers can have a profoundly negative impact on the students, faculty, and staff of the educational institutions brought together by restructuring. The potentially negative impact that poorly structured mergers can have on individuals and organizational culture can jeopardize the success of the merger. A case study of the Minnesota higher education institutions is presented. The Minnesota state universities, community colleges and technical colleges merged to form what is now known as Minnesota State Colleges and Universities (MnSCU). The case study provides an example of a merger in higher education and demonstrates that those institutions which do not have a clearly defined and concisely communicated vision, mission, and well defined and obtainable goals can have a profoundly negative impact on the students, faculty, and staff of the educational institutions brought together by restructuring. Sources used for this study were drawn from published literature in the field of organizational change.

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Chapter I: Introduction

A great deal has been written about corporate restructuring in industry, but organizational restructuring in the public sector has received much less attention. Over the past three decades, mergers between systems of higher education have become an increasingly common phenomenon. (Harman, 2003) Mergers of education systems have been used by national governments to achieve a number of purposes, but a particular focus of major restructuring efforts has been to address problems of institutional fragmentation, lack of financial and academic viability, and low efficiency and quality. Mergers have also been used by individual institutions to address financial difficulties and external threats particularly those related to falling student demand and competition.

Purpose of the Study

The purpose of this study is to review merger activity in higher education through definition of what a merger is, identification of the different types of mergers in higher education, identification of key drivers of mergers in higher education, and explanation of the impact that mergers have on the students, faculty, and staff as well as the organizational culture of institutions of higher education. The information for the study was gathered from books, journals and information available from the specific institutions being referenced.

Definition of Terms

Merger. Two or more companies combining to form one large company (Gaughan, 2007).

Organizational culture. A pattern of shared basic assumptions that the group learned as it solved the 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, 1992).

Synergy. A combination of businesses in which the combined entity is more valuable than the sum of the parts (Gaughan, 2007).

Organization of the Paper

This paper is divided into five chapters. Chapter I: Introduction includes the introduction to the study, the purpose of the study, definition of terms, and the organization of the study. Chapter II: Literature Review contains a review of the literature with a focus on defining a merger in a higher education setting, identifying the different types of mergers in higher education, identifying key drivers in mergers, and identifying the impact of mergers on higher education institutions with specific reference to students, faculty, and staff as well as organizational culture. Chapter III: Case Study focuses on a case study of the Minnesota higher education merger. Chapter IV: Discussion includes a conclusion and recommendations.

Chapter II: Literature Review

Definition of a Merger

A *merger* can be defined as the combination of two or more separate organizations, with overall management control coming under a single governing body and single chief executive (Harman & Meek, 1988). Normally all assets, liabilities and responsibilities of the former institutions are transferred to either a continuing institution or to a new institution (Goedegebuure, 1992).

Types of Mergers in Higher Education

There are several types of merger in higher education. The more accepted and documented types of mergers are characterized in this section.

Voluntary and involuntary mergers. A *voluntary* merger occurs when the institutions involved have elected to initiate the merger, while an *involuntary* merger occurs when the merger is initiated by factors external to the institutions (Skodvin, 1999). This point of differentiation notwithstanding, it may sometimes be difficult to determine whether the merger has been voluntary or involuntary as many voluntary mergers are forced by circumstances beyond the control of the merging institutions. For example, two institutions may voluntarily merge in order to maintain competitiveness, but at the same time, they are slightly forced to merge due to the circumstances; maintaining competitiveness.

Consolidations and takeovers. A *consolidation* occurs when two or more institutions of similar size come together to form a new institution while a *takeover* occurs when a small institution and a large institution come together. Consolidations of similar sized institutions generally take more effort and time to organize and involve difficult issues of governance and operational realities, including choice of the name of the new institution, determining how the Chief Executive will be appointed, the new academic structure, the portfolio of courses to be offered, and sometimes whether or not there will be substantial academic explanation or validation of courses and curriculum. An example of a consolidation involving the Minnesota State Colleges and Universities system is presented in Chapter III: Case Study. Takeovers tend to be much simpler, with smaller institutions often being completely absorbed to become departments or faculty members of larger institutions. For political reasons, acquisitions are often presented publicly as consolidations (Harman & Harman, 2003).

Single sector and cross-sectoral mergers. Single sector mergers refer to two or more institutions of similar sector merging (e.g. two colleges merging). Cross-sectoral mergers refer to institutions of differing sectors merging (e.g. a college merging with a university). Cross-sectoral mergers pose special problems, especially when institutions from different sectors have distinctly different missions, roles and cultures, and are funded on different bases (Harman & Robertson Cuninghame, 1995).

Horizontal and vertical mergers. Institutions offering courses in the same field or fields of study (e.g., combination of two colleges with the same range of disciplines) can be referred to as a *horizontal merger.* Mergers of institutions offering courses in different areas (e.g., combination of a polytechnic and college of education) can be referred to as a *vertical merger*. *Horizontal mergers* of institutions with the same range of disciplines often mean greater commonality in academic cultures, but frequently, major review and validation of course offerings will be necessary if the desired cost savings and efficiency enhancements are to be achieved.

Definition of the type of merger that is occurring helps to determine how to effectively manage through the merger process. The following section identifies the drivers of mergers in higher education.

Drivers of Mergers and Collaboration in Higher Education

Mergers and other forms of collaboration in higher education have many distinct drivers. In general, academic institutions are driven to merge in order to:

- increase efficiency and effectiveness, especially in coping with rapid and substantial increases in enrollments and additional institutional responsibilities;
- resolve issues surrounding institutional fragmentation and non-viable institutions (institutions not capable of developing and/or functioning on a financial and/or an academic basis); and
- improve student access through greater differentiation in course offerings to cater to more diverse student populations.

While some forms of collaboration and mergers are driven by academics or other professionals, other forms arise from external pressures from government or community groups, from funding incentives provided by governments or donor organizations, or from government directives. Some collaboration is derived from local initiatives of adjacent institutions and their staff, while other cases arise from regional or national decisions. In the private sector, mergers and collaborations are usually a response to external threats or opportunities.

Impact of Mergers

Generally, the financial and structural impacts of mergers in higher education are reported with little attention given to their impact on employees or the organizational culture. The following sections focus primarily on how employees view mergers and how they are affected as well as the impact upon organizational culture caused by two or more intuitions coming together.

Impact on Employees. Although mergers and acquisitions (M&As) form an integral part of today's corporate landscape they are highly susceptible to failure. Cartwright and Cooper (1996) present research evidence suggesting no more than 50 percent of M&As achieve standards of success initially anticipated. People issues are largely dismissed when negotiating M&As at the expense of financial aspects and this has been identified as an important factor in merger failure (Holbeche, 1998).

M&As have been conceptualized as stressful life events; in terms of the social readjustment rating scale (Holmes and Rahe, 1967) they have been equated with the stress from gaining a new family member or becoming bankrupt.

Empirical research lends support to the assertion of elevated stress levels. Siu et al. (1997) studied employees from an acquired Hong Kong television company and discovered high stress levels. In a longitudinal study of an organizational consolidation, Begley (1998) reported an increase in mental distress post-consolidation. Gibbons (1998) compared lecturers' stress responses in colleges that had been re-organized and those that had not. It was found that lecturers who had undergone change perceived greater stress. Significantly high stress levels were also reported in a post-merger study of building society managers (Cartwright and Cooper, 1993). This study found that an abnormally high percentage of managers scored higher than psychoneurotic outpatients on the CCEI: a clinical measure of mental health.

Some research has examined differences between acquiring and acquired employees. This suggests employees from the acquired company or smaller merger partner may be confronted with more stress because they face longer and more negative change (Hogan and Overmyer-Day, 1994). According to Hambrick and Cannella (1993) acquired employees feel worthless and inferior due to loss of autonomy and status. Covin et al's (1996) research also suggests that acquired employees may face more stressors. They studied 2,845 employees from a large manufacturing company and documented significant differences between acquiring firm and acquired firm employees in satisfaction with the merger. Acquired firm employees experienced high levels of dissatisfaction with the merger, which implies they experienced more stress due to the changes. Covin et al. (1996) assert antagonism and hostility may be exacerbated if the acquired organisation has competed directly with the acquirer. This hostility and conflict may persist. Napier, Simmons, and Stratton (1989) studied the merger of two banks and even after ten months the employees still spoke of "we" and "they". Such attitudes have also been observed pre-merger. Terry and Callan (1998) studied high and low status hospitals that were intending to merge and revealed clear evidence of in-group bias, particularly among lower status hospital employees. Cultural incompatibility and the resultant culture clashes are commonly cited sources of merger problems and employee stress (Bakker and Helmink, 2000). Utilizing Harrison's typology (Harrison, 1972) research has suggested that in a merger situation, some types of culture are more easily displaced than others. In a study of a bank merger, Buono et al. (1985) found that former employees of the displaced culture were less satisfied and less committed to the new merged company than those of the retained culture, despite holding more favorable pre-merger attitudes.

Contrary to the research discussed, Terry et al. (1996) discovered employees of the acquired company had the most positive reactions to the merger of two airlines. This supports predictions from social identity theory, which attributes the positive reactions of the subordinate group to the opportunity the merger presents for improving social identity. Dominant group employees felt their social identity as members of a prestigious international airline was undermined by inclusion of domestic airline employees in the newly formed company. In summary, the few empirical studies examining differences in response between acquired and acquiring employees largely contend that acquired employees are the most affected.

Schweiger and Ivancevich (1985) suggest that because stress arises more from the perceptions of the likely merger-related changes which employees may have, rather than the effects of the changes themselves, the presentation of realistic merger previews in the early stages of the transition, similar to realistic job previews (Wanous, 1980), are likely to be useful. Whether rapid change is preferable to a more gradual approach in such circumstances, remains debatable, in that there is likely to be a limit to the amount of change most people can accommodate (Buono, Bowditch & Lewis, 1985), particularly if the individual is in a state of shock.

Schweiger and Ivancevich (1985) also suggest that stress often distorts communication at a time when demand for information is at its highest, and openness of managerial communications is not often forthcoming. Employees are likely to attend to the most pessimistic information, regardless of the validity of the source, so clear, concise, honest, and accurate communication from management is of paramount importance. The authors further suggest that as mergers and acquisitions are an unprecedented event for most employees, they are unlikely to have developed an effective coping strategy.

As stated previously the impact mergers have on employees has been found to be one of the causes of failure for some mergers and acquisitions (M&As). The disappointing outcomes of many mergers and acquisitions have been increasingly attributed to the neglect and mismanagement of employee stress and the dysfunctional impact that such change events have on the employees involved (Cartwright & Cooper, 1996). Maintaining open communication and providing employee consultation and opportunities for involvement at all levels of a merger is likely to be beneficial. In particular, it is important for organizations to emphasize the potential benefits of the merger at both the individual employee and organizational level. Consultation and involvement appears to play a significant role in restoring employees' perceptions of control at a time when they are likely to experience a sense of powerlessness. Control is recognized (Cartwright & Cooper, 2000) to be an important moderator of the stress response generally but specifically in relation to stress amongst academics (Tytherleigh, Webb, Cooper, & Ricketts, 2005).

The process of consultation must, however, be genuine. The input from employees will need to be reflected in the way in which the resulting organizational change is implemented. If individuals feel that their opinions were not valued and their input was not listened to, their inherent negativity towards the merger or acquisition is likely to be heightened.

In addition to the impact on employees of mergers and acquisitions, their impact on organizational culture is also a critical element in the success or failure of a merger or acquisition. Next, the impact mergers and acquisitions may have on organizational culture and their potential implications are explored.

Impact on Organizational Culture. Prior to providing a detailed analysis of how organizational culture specifically contributes to the success or failure of mergers or acquisitions, it seems instructive to provide a brief theoretical foundation for organizational culture. In regard to a definition, organizational culture tends to be unique to a particular organization, composed of an objective and subjective dimension, and concerned with tradition and the nature of shared beliefs and expectations about organizational life (Buono et al., 1985).

Buono et al. (1985) offer two distinct conceptualizations of organizational culture. According to Buono, characteristics of subjective culture include shared values and beliefs among organizational members. Characteristics of objective culture, on the other hand, include artifacts in an organization such as office locations, physical setting and office decor. Schein (1985a) described culture as the "solution to external and internal problems" and posits that culture is multi-level in nature, consisting at its deepest level of the most basic assumptions (our fundamental understanding of issues such as the human nature, e.g. people are inherently good or bad), values (e.g. people need strong supervision), and artifacts (e.g. lots of rules and regulations).

As stated earlier, cultures are typically an integral part of an organization. Some researchers suggest that culture is to an organization what personality is to an individual (e.g. Cartwright and Cooper, 1993). As such, they suggest that cultures serve as forces that draw organizational members together, creating a sense of cohesion. Moreover, Gordon (1991), in referencing his earlier work, suggests that culture formation is neither a random event nor an action dependent solely on the personalities of founders or current leaders, but it is, to a significant degree, an internal reaction to external imperatives.

Schein (1985a) refers to it as "shared learning". Hofstede et al. (1990) also note agreement among researchers that organizational culture is holistic, soft, is difficult to change, has a historical basis and is socially constructed.

Building on the notion that an organization's culture is a product of successfully adapting to the environment, Gordon (1991) posits that it will resist change. He further asserts that a change in the environment might necessitate a change in the culture, and goes so far as suggesting that these changes, which include new learning, can also involve the need for new people.

Indeed, understanding the need to consider something as difficult as changing an organization's culture, and the pitfalls of ignoring such a need, is underscored by Kotter and Heskett (1992). They concluded that organizational culture can have a significant impact on a firm's long term economic performance and will probably be an even more important factor in determining the success or failure of firms in the next decade.

The difficulty in modifying cultures becomes quite salient during mergers and acquisitions (Chatterje et al., 1992). It is improbable to develop an exhaustive list of cultural characteristics that would be of interest in the context of mergers and acquisitions. While certainly not exhaustive, convergent themes such as people orientation, attitudes toward innovation, customer service orientation, employee loyalty and attitudes toward growth appear repeatedly in literature related to organizational culture, mergers and acquisitions (Chatman and Jehn, 1994). With a conceptual grounding in organizational culture completed, organizational culture, in the context of mergers and acquisitions, will be more closely examined.

While considerable attention has been paid to the role of governments and institutional leaders in mergers, policy, and administrative issues, relatively little attention has been paid to the role of culture, especially when two or more different higher education institutional cultures are forced to become one. Attempting to create integrated and coherent educational communities from the merging of cultures that are historically and symbolically non-complimentary poses enormous challenges for higher education leaders (Martin & Samuels, 1994; Harman, 2002). Even when institutions seem to be highly compatible and able to achieve mutually profitable merger synergies, they often possess underlying cultural differences that can seriously impede integration (Buono & Bowditch, 1989; Norgard & Skodvin, 2002). Not unlike other organizations, in academia these cultural elements are deeply embedded, and the 'thicker' the culture the more will be its influence (Buono & Bowditch, 1989).

Mergers appear to be more successful where there exists greater possibility of integration and articulation of commonality between the goals and visions of the institutions in question, which characterizes horizontal mergers between institutions whose missions and cultures are complementary. Cross-sectoral or vertical mergers such as those between a university and a college of education are less likely to be successful unless the merger and post-merger phases are managed very effectively (Buono & Bowditch, 1989).

A particular cultural challenge for leaders in institutions of higher education is to manage the absorption of divergent campus cultures into coherent educational communities that display high levels of cultural integration and loyalty to the new institution. Figure 1 illustrates some of the cultural differences between universities and higher education colleges along five dimensions – academic role, professional loyalties, teaching versus research, reward structures and styles of governance.

Figure 1: Differing Loyalties and Values of Academic Staff

	UNIVERSITIES	**COLLEGES**
Academic role	Roles ambiguous and marked by divided Loyalties	Roles more clearly prescribed
Professional loyalties	Loyalties directed more to the disciplines and learned societies	Loyalties directed more to the institution and the respective professions
Teaching versus research	A strong research culture and less value ascribed to teaching	Less emphasis on research but teaching highly Valued
Reward structures	Research a key criterion for scholarly recognition and promotion	Teaching and service to the profession the key criteria for promotion and recognition
Governance	Collegial, democratic decision making structures highly valued	Structures more hierarchical and bureaucratic

Figure 1. Examples of differing loyalties and values of academic staff in universities and higher education colleges (Harman, 2002).

Given such dramatic cultural differences, building an integrated and coherent educational community during and following merger or collaboration, poses no easy challenge and highlights the importance for leadership and senior management to concentrate on post-merger consolidation and community building. In some cases old local loyalties need to be consciously broken down and redirected to the newly created body. If the 'settling down' period is not managed effectively, fairly quickly and with great sensitivity to culture and tradition of the merging partners, the impact of merger on morale and loyalty of staff can be devastating.

Chapter III: Case Study

The purpose of the study is to identify the different types of mergers in higher education also identify the impact mergers have on employees involved and the organizational culture of the organization. In order to better understand the process and impact of mergers, a case study is presented below. The following case study is based upon the involuntary merger, through legislative mandate, of the Minnesota Community College, Minnesota Technical College and Minnesota State University systems into what is now known as Minnesota State Colleges and Universities (MnSCU). The information collected for the case study is from published literature regarding the merger of the Minnesota higher education systems.

Historical Background

Minnesota has an interesting history in the development and management of its higher education resources (Wallace, 1998). The Minnesota higher education system was constructed of three predominantly autonomous and separate systems, including the community colleges, technical colleges and state universities. Each had their own very specific vision, mission and goals.

The Minnesota Community College System went through its own merger in 1963 as a result of a last-minute amendment to a legislative bill. Originally developed as the post-secondary extensions of local school districts, the state's twenty-one "junior" colleges were created for the primary purpose of providing lower-division education to university-bound students. Eventually, the community colleges broadened their missions to become the more comprehensive institutions characteristic of their counterparts across the country. Unfortunately, the community colleges were not able to fully attain their desired outcomes due to the fact that the Minnesota technical colleges held control over the career and technical components of the education programs. The 1963 merger was intended to address and solve this situation between the community and technical college campuses.

The thirty-five Minnesota technical colleges experienced some changes prior to the merger as well. Created by school districts throughout the state, technical colleges began as vocational schools and experienced many title changes before being designated by the legislature as technical "colleges" in 1990 (Wallace, 1998). With the change in name came other changes and challenges. The new technical colleges which were formerly operating on a noncredit, clock-hour basis without accreditation as institutions of higher education now had to address the issue of breaking down their sequences of continuous instruction into courses, define credit equivalencies and obtain accreditation through the North Central Association Commission on Accreditation and School Improvement (NCA CASI). NCA CASI accredits over 8,500 public and private schools in nineteen states, the Navajo Nation, and the Department of Defense Schools. NCA CASI is an accreditation division of AdvancED (http://www.ncacasi.org/). AdvancED is dedicated to advancing excellence in education worldwide through accreditation, research, and professional services (http://www.advanc-ed.org/).

The seven Minnesota state universities also experienced a taste of change prior to the merger. According to Wallace (1998), the system launched an effort to establish a comprehensive urban university serving the populous Minneapolis-Saint Paul area without coordination with the other higher education systems. The autonomy and independent nature of the state universities made them difficult candidates for merger.

Therefore, even before the merger of 1995 occurred, there was already movement occurring within the three systems.

Overnight, the new Minnesota State Colleges and Universities (MnSCU) system began on July 1, 1995, with sixty-three colleges and universities, including a university campus in Akita, Japan, and a total enrollment of 156,000 students. The governor appointed a fifteen-member statewide board to operate the new system and formed a new central system office from employees of the three former system offices.

Why Merge?

The question of why the three autonomous systems were merged is still asked today. There has never been a clear explanation of why the merger occurred, but several perceived drivers of the merger may serve to derive an answer. According to the literature, at the time of the merger, there were legislative concerns regarding higher education's cost, accountability, responsiveness, relevance, and other issues of performance.

One of the concerns presented as a reason for the merger was the transferability of credit between higher education systems. One supposed intent of the merger was to solve the transfer of credit issue, but the root cause of the inability to transfer credits between systems was the fact that the technical colleges were not yet accredited institutions. The introduction of the Minnesota Transfer Curriculum in 1994, independent of the merger, made significant improvements in intersystem academic credit transfer. Legislators, however, continued to react to the anecdotal evidence of the credit transfer problem. Ultimately, the need to improve the credit transfer system became the only substantive cause for merger to be widely articulated by policy leaders. The identification of transfer of credit as the precipitating cause of reform led many higher educators to conclude that the mandated merger was "a dramatic solution to a nonexistent problem" (Wallace, 1998).

Another key driver of the merger was the concern over what appeared to be a fairly high level of intersystem competition. It was believed that the systems were in competition with each other because their funding was enrollment-driven and, coincidently, the State of Minnesota was decreasing the amount of funding allocated to higher education, thereby fueling the competition even more. This led some policy makers to conclude that the structure of higher education was causing inappropriate and wasteful institutional behaviors at a time when the public demanded more collaboration and cost efficiency from the governmental sector (Wallace, 1998).

Transition to the Merger

The transition to the merger was an exceedingly traumatic period for Minnesota higher education (Wallace, 1998). In 1991, the higher education merger bill was introduced in the Minnesota state senate. The bill passed the senate with little controversy. As the bill reached the House of Representatives, joined with the resounding opposition from higher educators and students, the proposed merger was rejected. After intense battling of the house/senate committee over the issue, the proposed merger became law; the House of Representatives grudgingly agreed to the senate position. The agreement to pass the bill was mostly due to the fact that the constitutional deadline to end the legislative session and the senate's credible threat to withhold approval of the omnibus higher education funding bill for the next biennium was on the line. During the next four years, there were at least three major attempts by the house members to repeal the law. The senate was successful in defeating each repeal movement, and the merger became law, with no subsequent legislative resistance.

Between the passage of the merger law in 1991 and the actual implementation of the merger law in 1995, the new Minnesota State Colleges and Universities (MnSCU) system was expected to form in parallel with the continued operations of the three existing systems. The new system struggled to find clear direction and purpose during this time period. Students continued to express their concerns regarding the merger, there was broad resistance from colleges and universities, a lack of clear legislative intent, and continued efforts to repeal the merger. Prior to the implementation of the merger, a new board of trustees was formed. The board also had functional difficulties since some of the new board members were still serving as members on the boards of the three existing systems. In addition, with the new formation of the board, the interim MnSCU chancellor borrowed administrators from each of the three existing systems to assist with the transition. This placed increasing pressure on the existing systems, and the rising tensions were exacerbated by increasing demand which resulted in conflicts of accountability and loyalty, damaging the operational and organizational effectiveness of all three systems. Naturally, with all the criticism and resistance, the transition to the new system was difficult and unproductive. The absence of a clear vision and reasonable performance expectations for the new system resulted in significant uncertainty of purpose and direction.

Effects of the Merger

The emergence of the new system was marked by significant confusion, conflict, paralysis, and financial distress (Wallace, 1998). Issues arose from various aspects of the merger, including but not limited to the naming of the new system, the challenges faced with combining three different sets of policies and operating procedures, funding issues and allocation of funds, differing labor contracts, and many more.

The most difficult situation faced during the early stages of the merger implementation was the refusal of the legislature to provide adequate funding. In order to effectively implement the merger, the new system requested $60 million to properly integrate the three former systems without significant adverse consequences, but the legislature reduced funding for the new system. The insufficiency of critically needed resources sharply elevated the levels of stress, protectionism, and organizational dysfunction within the new system (Wallace, 1998).

The most visible early effect of the merger came in the form of institutional consolidations. Many communities had both a community and technical college in close proximity. Following an initiative, the MnSCU board began to consolidate the campuses into single, more comprehensive community and technical college campuses. On the surface, consolidating the campuses through "minimergers" was perceived as an effective solution when in reality, the effects were staggering because the consolidating institutions had dramatically different labor contracts, business practices, policies and missions.

Implications of the Merger

During the course of designing and implementing a merger there are bound to be implications for the involved stakeholders. The following section describes the implication of the Minnesota higher education merger on the institutions involved.

Passion for Reform. The passion for reform is often fueled and legitimized by the corporate view of organizational change held by policy leaders. Often, concepts and methods used in the restructuring of a business are believed to be equally applicable to higher education institutions. Following business models can be effective, but if there is a lack of appreciation for the unique qualities, norms, and protocols of academic organizations and their distinctive cultures, the results can be demoralizing and devastating.

The lack of appreciation of these implications was strongly evident in the formation of MnSCU through the merger of Minnesota's higher education systems. Merging the three systems was perceived as a way to easily decrease unnecessary cost and improve executive management. It is apparent that minimal effort was put into identification of the potential consequences of the merger. In the end, the institutions and their employees suffered the consequences of a poorly planned merger for the sake of higher education reform.

Seduction of Merger. The seduction of a merger can be enticing. The merger seems like the cure for the disease. The merger attracts the support of those more interested in achieving big change fast than in dealing with the hundreds of critical issues involved in actually improving organizational effectiveness in the interests of the students.

Ambiguity of Vision. Rationality would dictate that a radical organizational change that affects the education of thousands of students and involves the expenditure of hundreds of millions of dollars per year would be grounded in a clear vision of the purposes, advantages, and expected outcomes. Unfortunately, this was not the case in Minnesota. The passion for reform and the seduction of merger as a quick and simple solution eclipsed essential considerations in the formation of a new system (Wallace, 1998).

Misapplication of Business Models. The widely held perception that mergers are commonplace in business and industry and are generally successful is contradictory to published reality. Corporate merger experts who worked with higher education leaders during the implementation of the Minnesota higher education merger indicated that most corporate mergers are not only highly traumatic, but they often fail to achieve the expected outcomes. It is abundantly apparent that the key elements identified as being necessary for successful mergers—such as clear vision, effective planning, strategic investment, inclusive decision making—were not fully applied to the Minnesota higher education merger.

The central focal point generally found in successful mergers also appears to have been nonexistent in the Minnesota higher education merger. In most corporate mergers, there is a central organizing principle which assists in binding the separate entities into one cohesive organization. With a shared vision of such a central focus, each of the merging institutions would have had the same goal to work towards and the ability to form a common bond in the process.

Mythical Savings. The perception that merging would create cost-effectiveness through the reduction of administrator positions was proven to be false, resulting in a mythical savings associated with the merger of the Minnesota higher education system. Prior to the merger, considerable financial constraints had already reduced administrative expenditures to the minimum levels required to maintain functionality. Other forms of anticipated cost savings failed to materialize as well. The only savings that can be attributed to the merger resulted from the closing of a few small programs. In spite of the intent of the Legislature, there were no cost savings resulting from closure of whole campuses.

Ironically, as it turns out, the merger which led to the formation of MnSCU ultimately proved to be a very expensive endeavor. Very significant costs were incurred in bringing the technical colleges into state government, reorganizing operations, developing new business practices, and creating new information systems. The governor and many legislatures refused, however, to accept these costs as necessary and provided appropriations consistent with the errant premise that a merged organization requires fewer resources (Wallace, 1998). If the leaders of the merger had conducted a thorough study of the economic dynamics of corporate mergers, this almost inevitable effect could have been identified and many costly mistakes could have been avoided.

Post-traumatic Shock. Consideration also needed to be given to how the employees of merged institutions felt about and reacted to significant and abrupt organizational change. Although the technical act of the MnSCU merger occurred in an instant with the signing of a bill into law, the resulting traumatic impact was divided into two distinct phases arrayed in a sequence similar to Elizabeth Kubler-Ross's stages of death and dying. Prior to the merger, anticipatory trauma occurred as reactions such as denial and bargaining failed to change the course of the state's new higher education policy. The impending merger was dominated primarily by feelings and expressions of anger. The most significant phase, however, was the period immediately following the merger's effective date. At this time, the employees' anger transformed rather quickly to grief as the three former systems, in which people were heavily invested, were quickly stripped of their identity, traditions, and long-established practices. A wave of great but relatively pointless nostalgia swept over higher education as the comfortable and familiar gave way to the chaotic and uncertain (Wallace, 1998).

Fueled by anger and frustration, a lack of collaboration between higher educators and legislators also resulted from the merger. The ambiguous nature of the merger also had a negative impact upon the relationships between the merging institutions. The previously held spirit of cooperation, collaboration and communication degraded into competition as the threatening confusion of the merger took over. The inadequate planning, communication and execution of the merger also resulted in resignations of several key personnel.

The merger also had deleterious effects on the number one priority of the Minnesota higher education system, the students. The statewide student associations from the three former systems had opposed the merger from the beginning and became ever more critical as they received little attention in merger planning and implementation. Ironically, students, who as the "consumers" of education are the main reason to have a higher education system, became alienated and the issue wasn't addressed until halfway through the second year of the merger. Ultimately, the new MnSCU chancellor secured board support for the system's first strategic plan, which carried the theme, "Putting Students First".

Culture Shock. The organizational cultures of the three former systems were completely different from one another. Traditionally, the technical colleges' origin as the post-secondary vocational extension of high schools had kept them separate from higher education community. Consequently, traditional collegiate issues such as accreditation, faculty scholarship, course articulation, and general education were not a significant part of their culture. The culture of the state university level was associated with great autonomy and self-determination. At the time of the merger, Minnesota's community colleges were already involved in transforming from their original junior college character to becoming more comprehensive institutions of higher education. The final cultural challenge during the merger was the consolidation of the community and technical colleges. These institutions, which had been viewed as competing against each other for student enrollment and had made apparent their differences, were forced to combine cultures instantaneously.

Employees, especially faculty, expressed their discontent with the merging of the institutions. Dissatisfaction and heightened feelings of discontent was a direct result of their negative experiences with cultural change.

Public Confusion. As result of the merger, there was also a loss of support and enthusiasm from the general public for investing in a higher education system with no clear vision. Due to the lack of clear goals and outcomes of the merger, the public was left confused as to what had actually taken place. From the public point of reference, there was a general lack of understanding of the benefits the merger was attempting to accomplish. The goals and objectives of the changes that occurred during the merger were not thoroughly identified and communicated. A golden opportunity to elevate public support and enthusiasm for efforts to improve higher education was missed.

Conclusions

The merger of the Minnesota higher education intuitions is an example of a merger that could have been much more successful even though the new institution is currently functioning. First, no such merger should be attempted without clarity of purpose, a clearly expressed rationale for dramatic change and a well-articulated vision of what the new corporate structure will be and why it will be superior to the old structure. Second, it is absolutely crucial to ensure that all possible consequences are identified and discussed prior to the merger, and proper management and communication techniques are identified, developed, and deployed in order to carry out an efficient and effective merger of multiple organizations. It must be recognized that institutions of higher education institutions are inherently different from the corporate world and must be treated as such. Careful analysis and planning over a sufficient period of time are necessary to create a synergistic new system in which the whole is more effective than its former parts. Third, it is critical to involve the people who will be affected by the change. The MnSCU experience clearly identifies that the use of educators, employees, students, and the general public as a database of ideas could have resulted in a more favorable outcome. Leaders must understand and embrace the fact that involving the parties who will be impacted by the merger throughout the planning and implementation process is one way to generate new and different ideas as well as create "buy-in" from stakeholders. Fourth, mergers of institutions of higher education must be supported with the deployment of sufficient financial resources to ensure effective implementation and eventual success. Finally, the organizational mission of higher education must be constantly maintained with the interests of the students and the improvement of teaching and learning held as the central focus guiding every phase and in every decision in the process of merging institutions of higher education.

Chapter IV: Discussion

The purpose of the study was to identify the different types of mergers and acquisitions activity in higher education and identify the impact mergers can have on employees and organizational culture.

Conclusions

After reviewing the literature and examining the case study, it can be concluded that mergers can negatively impact employees and the organizational culture if leaders and senior managers do not pay close attention to the interests and needs of their employees and the cultural differences between the merging institutions. By neglecting or underestimating the potential impact of any of these key aspects for a successful merger, the merger is clearly more prone to failure. If the merger does not result in total failure of the newly formed entity, the resulting employee dissatisfaction and an unproductive organizational culture can clearly diminish the likelihood that the new institution will successfully meet its stated goals and objectives. Ensuring that clear objectives and anticipated outcomes are determined prior to the implementation of the merger is crucial for the success of a merger in higher education. Creating a shared vision in communication of the mission and goals with key stakeholders will also assist in alleviating some of the stress inherent in the merger of organizations.

Recommendations

Although a tremendous amount of literature and research is available on corporate mergers, limited studies have been conducted on mergers in higher education. Therefore, the sources of information are limited and further research in the area is recommended.

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