Perspectives on organizational change: the merger of two nonprofit corporations.

Marilyn A. Rudolph

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PERSPECTIVES ON ORGANIZATIONAL CHANGE:
THE MERGER OF TWO NONPROFIT CORPORATIONS

by
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Presented in partial fulfillment of the requirements
for the degree of
Master of Public Administration
University of Montana
1994

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May 12, 1994
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CHAPTER 1
INTRODUCTION

This paper is a study of organizational change as witnessed in the merger of two nonprofit corporations: Big Bear Resources and Opportunity Industries, both located in Missoula, Montana. The purpose of this paper is to examine organizational dynamics during a major change process in hopes of providing lessons to improve the process.

The historical background that led to consideration of merger, as well as the implementation of the merger, illustrate perspectives on organizational change. This paper also offers recommendations based on post merger interviews conducted by the author with a random sample of management and direct service staff of the two organizations. The author was the executive director of Big Bear Resources during the merger negotiations and director of residential services post merger. Six months after the formal merger, 120 questionnaires were given to staff of the merged corporation. Sixty staff from each corporation were polled by questionnaire to assess response to the primary merger objectives. The conclusions allow the merger participants to examine directions for the future in managing the merger adjustment.

Opportunity Industries was incorporated in 1955 as Opportunity School Foundation. The purpose was to serve individuals with disabilities from the Missoula community. In 1955, these individuals were not considered able to attend school or to work. The purpose was
to provide activities outside the home for socialization. Parental concern was the motivational force. Opportunity School Foundation became Opportunity Workshop in 1960. The emphasis changed from social and recreational activities to work. Work was standard sheltered workshop fare: recycling aluminum cans, furniture refinishing and wood products manufacturing. The workshop was perceived as charitable works by the community. This perception garnered community support. The corporation maintained a solid image but did not become the strong force for progress in services to individuals with disabilities until 1985. At that time, Opportunity Workshop became Opportunity Industries, and the focus shifted to production and quality. The philosophy of Opportunity Industries was that individuals with disabilities could earn a living and the production of the workshop could support enhanced services. Contact with the community remained positive. Individuals with disabilities were seen in a new light: as capable reliable employees. Opportunity Industries became a business, not a charity.

Ivy Street Arts Activity Center was established in 1973 as a result of a grant written by concerned individuals who wanted alternative services to work provided by Opportunity Workshop. The thought was that some individuals with severe behavioral problems needed activities and socialization, not work. Ivy Street Arts provided a day activity program with emphasis on basic living skills and leisure activities. In 1978, Ivy Street Arts Activity Center became Missoula Developmentally Disabled Community Homes Council (MDDCHC) when board members and concerned citizens recognized the need
for residential facilities. This change set the stage for the basic difference between Opportunity Industries and Missoula Developmentally Disabled Community Homes Council. Opportunity Industries provided work skills, while MDDCHC, which became Big Bear Resources in 1982, provided residential services with an alternative day activity program.

The Department of Social and Rehabilitation Services of Montana was the funding source for services provided by Opportunity Industries and Big Bear Resources. The difference between the two corporations was the ability of Opportunity Industries to generate additional income through sales of products. Big Bear, by contrast, was in the unenviable position of operating group homes which require constant infusions of cash for maintenance and a day activity program which did not generate sales. The fiscal inequality of the two corporations was instrumental in the initiation of the merger talks.

Merger discussions had taken place on two earlier occasions between Opportunity and Big Bear. Each time Opportunity was in the position of strength because of fiscal viability. Each time, Big Bear failed to generate internal support from the staff, primarily because the goals of the merger were unclear. Merger talks stalled and died.

In 1991, several factors contributed to an atmosphere favorable to merger. The State of Montana was in a fiscal crisis, and the private nonprofit providers were told no additional contract funds would be available for services to individuals with disabilities. Big Bear Resources had hired a new executive director. Its board and the new director conducted an in-depth fiscal assessment of the corporation. Projections of funds to cover major repairs and requirements for
meeting the standards of licensure and accreditation were inadequate. Big Bear was finding it more and more difficult to cover basic expenses. Opportunity Industries was fiscally healthy and open to diversification and expansion of services, including becoming involved in the business of providing residential services. The State of Montana Department of Social and Rehabilitation Services provided incentive by agreeing to continue funding at current levels. The State agreed to consider the merger as an enhancement of services, not a cost saving measure. They agreed not to rescind funding when positions were eliminated due to duplication as an outcome of the merger. These factors, combined with a national trend of downsizing and flattening the hierarchical structure of organizations, fostered successful merger negotiations.
Chapter Two examines the strengths and weakness of each corporation to assess the viability of merger. The historical perspective allows the reader to understand the dynamics leading to the merger decision.

Opportunity Industries operated from a position of strength because of its fiscal viability. According to community leaders and local press coverage, the community work programs were seen as valuable and successful. This created more community support and name recognition. People sought out the opportunity work force, which increased cash flow to enhance programs. It was a win-win situation. Opportunity Industries' reputation was one of a corporation that could get the job done well. This reputation served to create not only community business but also grants and contracts from the state level. The strong management team was the positive force that tore down obstacles and created options when new challenges were presented. For example, when a community business requested an Opportunity work crew and the job involved completely new work skills, the management team worked side by side with the crew to teach the new skills and assure the employer the job would be well done. Opportunity Industries was the organization in Missoula that provided progressive work programs for individuals with disabilities. This organization introduced individuals with disabilities to the world of work outside of the sheltered workshop. Traditional sheltered workshops took individuals
out of the home or school to teach socialization and work skills, but the skills taught were limited, and individuals with disabilities were segregated from the mainstream of society.

Supported employment was a program that matched an individual with a job in the community and provided a job coach to insure the adequate teaching of necessary work site skills. This encouraged employers to try working with individuals with disabilities because the job was guaranteed to completion. According to client satisfaction surveys and rehabilitation journal research, work increased individual skills which bolstered self-esteem. The final incentive was the earning of a paycheck.

Another strength of Opportunity Industries was the location and modern condition of the physical plant. The building was located on a main artery in a commercial district accessible to the public. This contributed to the philosophy of mainstreaming individuals with disabilities into the general population.

The modern physical plant was a large, free-standing, steel building, allowing for flexible planning and ongoing change. This building could be decorated to reflect state of the art office environments or be set up to accommodate an assembly line process. The bright sunlit show room for refinished furniture invited the public to enter the building and see the work in progress.

Big Bear Resources, by contrast, had extensive experience with residential programs. The challenge was to provide a home-like atmosphere while teaching daily living skills, addressing behavioral incidents, and encouraging community involvement. Big Bear Resources
operated five group homes, each housing eight individuals with disabilities. In addition, residential training was provided for 28 individuals in community apartments. Staff working in residential programs often worked independently, calling on their own judgment because situations were not predictable. Turnover rates for staff in the home care field are high because of high responsibility and low compensation. Maintaining quality care is thus a challenge, but one that Big Bear had met successfully.

Big Bear was a forerunner in the provision of services to individuals with traumatic brain injury. Experience with this population and the ability to meet the Medicaid licensing standards was one of its strengths.

If the organizational culture of Opportunity Industries was one of its assets, the organizational culture of Big Bear Resources was a major liability. According to Edgar H. Schien,

Culture is a deep phenomenon,... complex and difficult to understand, but... the effort to understand it is worthwhile because much of the mysterious and the irrational in organizations suddenly becomes clear when we do understand it.1

Opportunity's culture was a culture of empowerment. Rehabilitation's basic philosophical assumptions espouse empowerment. The Journal of Rehabilitation defines the basic tenets of rehabilitation as:

Rehabilitation of individual worth and dignity. Second, rehabilitation professionals have maintained that every person should have equal opportunity to maximize his or her potential and is deserving of societal help in attempting to do so. Third, the rehabilitation profession assumes people by and large strive to grow and change in positive directions.... Fourth, the rehabilitation profession assumes individuals should be free to make their own decisions about the management of their lives. The process of empowering an individual or a system means to give power or authority to; to authorize to make decisions.2

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Opportunity Industries had an empowerment mind set evident in the representative style of management. Decisions were made by committees composed of management staff, line staff, and individuals served. Employee satisfaction surveys were conducted annually. Suggestions and problems cited were addressed. In order to teach empowerment, professionals must work in a system that empowers or authorizes them to think of themselves as worthy of autonomy and allows them to maximize their potential. According to the research on empowerment completed by William Emener in 1985, "rehabilitation professionals who live an empowered life model empowerment effectively to individuals with disabilities."^3

Big Bear Resources' organizational culture, by contrast, was characterized by dependency. Dependency developed because the organization had operated in an undemanding market for so many years. Vocational services for individuals with disabilities had experienced ongoing change and challenge, but residential services had been the second class citizen; underfunded and undeveloped. Larry Hirschhorn, the author of Cutting Back: Retrenchment and Redevelopment in Human and Community Services, cites the negative consequences of a culture of dependency: "Facing an undemanding market, people turn inward and lose touch with the links between their personal experience at work, the roles they occupy in the organization, and the company's primary business task."^4 Big Bear employees, when interviewed, could not explain the mission of the organization. Information was routed via three page memos dictating policy with no employee participation. Employees were the victims of the authoritarian hierarchy of
management. When the organization faced a fiscal or program crisis, employees found it difficult to refocus on the needs of the organization in serving individuals with disabilities. Employees did not expect change. People expected to be protected and felt victimized if they were not. Management staff was given recognition and promotion by the revision of job descriptions, thereby creating a hierarchical decision-making process. Nonmanagement staff were not recognized and were not given regular raises, leading to attitudes of malaise and minimal effort. Neither performance nor longevity was rewarded or recognized, a morale defeating move. This centralized decision-making fostered passivity within the organization. Because no demands were placed on staff for performance, and because interpersonal ties were more important than work roles, the culture became one of "us versus them." As Hirschhorn states,

"In dependency cultures, people cannot confront and challenge one another directly. Because they do not take their own authority seriously and cannot see how they might authorize others, they replace straight talk with covert politics."

Line employees spoke with contempt about the management of the organization. Middle managers idealized the organization as unique and the only alternative program to the well-oiled machine of work: Opportunity Industries. Both contempt and idealization have deep roots in a dependency culture. People did not see their work as real or valuable, yet they saw the organization as all protecting; they would always have a job. This culture did not foster change.
Merger discussions held in the late 1970's were quickly dropped because of vested interests and unclear goals. In 1985, Big Bear experienced a severe fiscal crisis when the corporation could not meet payroll. The director resigned and the board of directors worked hard to put the corporate finances back together. Merger discussions were resumed, but when the president of the board of directors became the new executive director, these discussions halted. In 1988, Big Bear Resources' board president again approached Opportunity Industries' board of directors with the idea of merger. The reasons presented were fiscal considerations and a stagnant program. This time there was extensive discussion. Opportunity worked with Big Bear staff to design a proposal which included consolidation of administrative staff and salary raises. There was no internal support from Big Bear Resources administrative staff. Many staff persons expressed concerns regarding loss of identity and the fear of a mega corporation which would lose sight of the needs of the more involved (physically and emotionally) clients. Once again, merger discussions ended. Montana faced a fiscal crisis in 1991, and the private providers were told no additional funds would be available for current programs. In other words, in spite of inflation and spiraling costs of providing care, providers were asked to operate the same programs in 1992 with 1990 allocations.

Big Bear's board of directors conducted a financial assessment of the corporation. The corporation facilities were in ill repair and in need of major cash outlays to meet licensure, safety, and accreditation standards. If these standards were not met, the corporation would lose all state and federal funding. The board negotiated a consolidated
loan, which refinanced all of the properties to free equity monies to bring facilities up to standards. This, however, did not provide adequate funding for ongoing maintenance. In April, 1991, the executive director of Big Bear Resources resigned, effective July 31, 1991. A search committee was formed, and a new executive director was hired to start July 16, 1991. From April, 1991, to July, 1991, the Accreditation Council conducted a survey which pointed out overwhelming deficiencies. Montana required corporations receiving state funding to be accredited, and Big Bear could not be accredited. During the month of June, 1991, the outgoing executive director and Medicaid Services engaged in a difficult contract negotiation. Big Bear was not denied a contract, but Medicaid Services sought a new provider. Several of Big Bear's clients transferred to the new provider: Opportunity Industries. When the new executive director came on board in July, 1991, state agencies took a wait-and-see attitude. Mike Hanshew, state director of Developmental Disabilities, described the milieu of Missoula's services to individuals with disabilities as trapped in tunnel vision. Nonetheless, he considered Missoula the home of some of the brightest minds, and he encouraged creativity and innovation.

The first order of business was a review of the fiscal condition of Big Bear Resources post refinancing. The review indicated inadequate funding for staffing enhancements, wage equity, food and household budgets for the five group homes, and ongoing maintenance. A primary area of concern was the staffing ratio at the group homes. The mission of the program was to provide the least restrictive living arrangement possible, allowing for teaching basic living skills and
monitoring safety. The lack of adequate numbers of staff during client waking hours prevented teaching community access skills, such as using a local bus or making a purchase at a local store. One staff person on duty to supervise eight individuals would not allow an individual to have a community access experience without taking seven companions. The quality of life with this low staffing ratio was not desirable. Limiting the lifestyle of individuals with disabilities had the regrettable consequences of individual frustration and increased behavioral incidents.

In addition, no progressive wage scale was in effect. Staff hired in 1983 were at the same wage as new staff hired in 1991. There had been no regular increases. Staff performance evaluations were not completed in a timely manner; nor were they tied to any incentive programs. There was no reward for staff competency. Training did not appear to be a priority. Staff did not participate or did not complete the training. The mission of the corporation was not clear to the staff—as related when staff responded they did not know the mission. Staff also expressed confusion about their job duties. A study of job descriptions indicated duplication of the duties of the program coordinators and the on-site program managers. This duplication created a communication bottleneck in that the on-site program manager would not act in a given situation, waiting for permission from the program coordinator. This resulted in a delayed response for services. The corporation appeared unresponsive or uncaring. This entire pattern exacerbated employee morale problems. Although low
reimbursement rates for group homes created the atmosphere for problems in wages, food and household budgets, and maintenance, duplication and lack of vision added to the shortfall.

The new executive director of Big Bear approached the executive director of Opportunity Industries to investigate their intentions regarding service options, such as Medicaid Services contract and proposed funding for Supported Living contracts. Opportunity would be bidding for expanded services, including residential services. This atmosphere of competition was a pivotal point for the fiscal health of Big Bear Resources. Opportunity Industries was a recognized, accredited program with fiscal viability. Big Bear Resources was not accredited and had been continuously in financial jeopardy. Once again, merger was proposed. Both executive directors agreed a merger had to have positive client outcomes in order to be acceptable. Several items emerged as necessary to foster the success of a merged corporation. The State of Montana had to indicate support by allowing cost savings of consolidated administrative staff to be utilized for program enhancement and not seen as money saved to go back to the state. The general public and interested parties needed to approve and indicate continued support. The two executive directors conducted preliminary research, proposing revised, combined organizational charts, explaining consolidated budgets, and obtaining feedback from key management staff. The magnitude of the project and the fear of change were discussed. Preliminary indications were positive. Each executive director approached their board of directors with the merger idea. In November, 1991, each board of directors passed a resolution
to explore a merger if three conditions could be guaranteed: demonstration of fiscal solvency by each corporation, the written support of funding agencies, and public approval. The boards then discussed the goals of a merger. They also agreed that the outcomes must be positive for clients. A joint board meeting was held to examine the merger possibility. This was an open session, which generated many questions. It was obvious the members of the boards had similar concerns as management staff: the magnitude of the project and fear of change. Nonetheless, the mood was positive. It was decided that if the merger was accomplished, both boards would fully merge, and a 20-member board would be acceptable until attrition reduced numbers to a more manageable number of 12. The boards then approved three merger objectives: 1) to increase service options; 2) to enhance staffing ratios; and 3) to improve salaries and benefits.
The three objectives of the merger were as follows: 1) to increase service options; 2) to enhance staffing ratios; 3) to improve salaries and benefits. A successful merger would accomplish all three objectives. This chapter illustrates examples of immediate abilities to reach these objectives.

The first objective of the merger was to increase service options for individuals in services. One immediate positive aspect of the merger was the elimination of the regional waiting list for services. If a consumer was in day activity at Big Bear Resources and he/she requested to work in Opportunity Industries' production center, then that request went to the regional placement committee for assessment and placement on Opportunity's waiting list for an open slot in the production center. With the merger, the concept of slots was eliminated. Consumers were surveyed as to interest and aptitude and jobs were created to meet their needs. Individuals could arrange trial periods at various job sites to validate their interest, and staff could utilize this time to assess skills. Consumers expressed appreciation for this change.

With the merger, all individuals employed by the merging corporations could access the full spectrum of services available. The staff of the merged corporation forged a commitment to create job sites according to consumer requests and skills. This was a dramatic change for Big Bear consumers who had previously requested a job change and had been waiting for over one year.
Additional funding was not available for existing programs, but state and federal grant monies were available for new programs. One distinct advantage of the capability of the merged corporation was the combined expertise of the management team. Request for proposals were written to create new programs for residential options. One contract allowed conversion of an eight bed group home to eight individual contracts to serve individuals who chose to live in apartments rather than in a group. Conversion meant contract dollars used to fund the group home would be converted to the less restrictive apartment program. There would be no additional cost to the state. The sale of the group home in Missoula's favorable real estate market created a cash surplus over and above the mortgage balance. State officials confirmed their support of the merger by allowing the surplus monies to be utilized as start up monies for the apartment program. This money bought furniture and household supplies for consumers and allowed an emergency fund.

The most difficult area of transition to new programs was not preparation of consumers but introducing current staff members to a philosophy of less restrictive environment. A common attitude was to take care of consumers rather than working toward and allowing independence. Big Bear's culture of dependency was evident. The task was to teach empowerment.

The management team had to take the lead in espousing the philosophy of least restrictive environment. Training became an integral brick in the building of a merged corporation. Weekly staff meetings became forums for discussion to air fears, questions, and
support for the changing philosophy. The actual move from group home life to apartment living nudged the staff to embrace the philosophy. The consumers constantly reminded staff of how much they appreciated the opportunity to explore their skills for independence.

The movement to a less restrictive environment was fueled by the availability of federal monies to serve individuals who had been placed in nursing homes inappropriately years before. The management team met with the regional staff of the Department of Developmental Disabilities to assess the needs of individuals eligible to move out of the nursing homes. Housing had to be completely accessible, as most individuals were wheelchair bound. Past experience indicated group living was not the choice of most individuals, and the state definitely did not have the money to build group facilities. This change in practice created another opportunity for public/private partnership. Local realtors were contacted to discuss the possibility of developers designing and building handicap accessible homes or apartments with the idea that consumers would be long-term renters with corporation staff serving as home trainers. Guarantees were not possible, but, historically, individuals with disabilities who had adequate community support made excellent renters and took good care of property. Realtors and developers joined forces to build accessible housing.

In April, 1992, the State of Montana announced the availability of additional federal funds for apartment programs. Providers had to answer a request for proposal stipulating population estimates and date of expected implementation. The residential management team developed a proposal to serve eight individuals over age 55 in apartments of
their choice while attending senior citizens day activity or working at a job site of choice. Staff would be assigned according to need. This proposal was accepted, and two members of the management team had to meet with the state funding committee to defend the proposal. Missoula was awarded funding for four individuals. One major question of the funding committee was risk management measures and agency response techniques to assure health and safety of individuals served. The proposal and the members of the management team developed risk assessments and emergency response directories to assist direct line staff in carrying out their assignments. These residential options indicated a progressive move to less restrictive environment. It also answered the requests of many relatives who were aging and wanted monitored living arrangements for their loved ones when they were no longer able to provide care.

A second objective of the merger was to enhance staffing ratios at the group homes to encourage more community access. It was determined after interviewing group home staff and managers and individuals served that 40 additional hours of staff time at each residential site would allow more individual teaching and community access. The annual cost of additional staff was $12,400 per site. There was a commitment from the beginning that this enhancement was a priority if the merger was to stay true to the objectives.

Another inequity that had to be addressed was the low salaries of group home managers. The salary average of Big Bear Resources managers was $13,800 per year. The salary average statewide was $18,000 annually. The boards of directors, along with both management teams,
determined the salaries should range from $17,000 to $20,000, allowing for merit and longevity raises. Managers were the second level of the organizational hierarchy, yet they were the front line people responsible for handling emergencies, training direct line staff, and maintaining accountability. They were integral members of the decision making process and deserved compensation for their contribution.

Residential food and household budgets were so low in 1991 that truly creative culinary and cleaning tactics had to be enforced to stay within budget. This was extremely difficult for all residential staff. To feed and maintain a household of eight on $750 a month was asking too much. There was no cushion for special diets or special occasions. The merged corporation budget allowed $250 additional monthly for each home. This was enough to encourage experimentation in teaching consumers to cook and move toward some individualized meal planning for those individuals preparing to move out on their own.

A wage scale was in place for staff of Opportunity Industries, but Big Bear Resources staff lagged behind in wages. Thus an overall wage adjustment was completed prior to the actual merge to bring staff wages on line. This wage adjustment was included in the merged budget calculations. The management team recognized that Big Bear staff would benefit from the merged corporation in higher salaries, while Opportunity Industries staff would see no change.

According to the merger literature reviewed, any corporation considering reorganization as a solution to its strategic concerns should think through the concerns and mold the reorganization around those concerns. The merged corporation must develop a specific plan
which minimizes the impact on the morale of those remaining, as well as those being laid off. This process allowed the consideration of reassignment rather than lay off. The literature also recommends identifying specific redundancies and holding discussions with management staff to solicit feedback and support. Considerable duplication existed in the areas of administration and support staff, which was a highly sensitive subject involving past history, turf, and culture. Staff costs were only one element of expense. The corporations looked critically at controlling projected expenses in all areas before making lay off decisions. Reorganization alone was not the answer, but a first step in a long process.

Originally, the team of management staff looked at eliminating seven positions. A preliminary estimate of cost savings was $130,000. The team utilized original and combined organizational charts, job descriptions, employee feedback, and management team expertise to determine which layoffs were mandatory. Six positions were eliminated, but reassignment was offered to all six. Three accepted and three chose to leave the corporation to work elsewhere. Relocation monies were offered to pay for private employment agencies if necessary. Only one employee took advantage of this offer. All left in good standing. A first rehire agreement was also offered, which stated if an equal position opened in the future, that person would be invited to apply.

The merger plan called for improving salaries and benefits in the long term by using the size and sheer numbers of the merged corporation to negotiate better benefits at a lower cost. An immediate benefit to
Big Bear staff was that health insurance for employees would be fully funded by the corporation as opposed to a percentage formula utilized by Big Bear Resources.

The strength of Opportunity Industries was evidenced in their staff's acceptance of the merger. They spoke of the opportunity to serve consumers more expediently and with less bureaucracy and improved crossover communication. They were welcoming of transition assignments to assure smooth implementation of the merger. By contrast, Big Bear employees expressed trepidation about the loss of identity and the loss of ability to provide alternative services, especially artistic endeavors which had become a focal point of day activity.

The challenge was to develop excitement, anticipation, and innovation. The merger opened the door for change. Once staff realized new ideas would be accepted and researched, everyone made suggestions from how to better handle transportation routes to recommendations for new entrepreneurial businesses. Participatory management had sprung from the chaos of change. All of this occurred during the six months of merger preparation. It was a trial period, and it seemed to be working. The management team knew there was much work yet to complete, but, philosophically, it was coming together.
Chapter Four outlines the steps in the merger process. It explains the methodology and responses to a post merger study conducted by the author. This post merger study would be the basis for assessing the success of the implementation of the merger.

In January, 1992, a general announcement of the resolution of the board of directors to consider merger was sent out in memo form to staff of both corporations. Preliminary meetings had been held with management staff. Letters including the resolution were sent to all involved funding agencies requesting meetings with both corporation executive directors to further explain the intent of a merger and to seek support and approval. Both directors attended a Regional Council meeting to announce the merger resolution and solicit comments and support. Regional Council was a body of community representatives who advocate for client rights. Letters were sent to all consumers, relatives, and guardians, requesting comments and announcing a public forum to be held January 21, 1992. Announcements of the public forum were published in the area newspapers.

The response was positive. Concerns centered around the possibility of an individual becoming lost in the enlarged system of services. These concerns were noted and addressed. The atmosphere was one of open, direct communication and caring. As Zig Ziglar states, "People don't care how much you know until they know how much you care...about them."
It was this openness and concern that encouraged consumers and parents to air twinges of resistance and fear of change. Consumers voiced their fears to fellow consumers and to staff. Parents called or wrote letters to express concerns or support. All letters and phone calls were addressed by the executive directors of both corporations.

A most surprising aspect of the announcement was the unsolicited responses from community members. It was amazing the number of people who had monitored both corporations and applauded the effort to consolidate administration in order to generate money for enhanced services.

Communication with staff proved to be a formidable challenge. Memos were generated with weekly updates, but they could not begin to keep pace with the rumor mill. The bottom line for most staff was, "How will this affect me?" Until that question could be answered, most staff were resistant to the change. "Resistance is a way of indirectly expressing vulnerability and loss of control," explained Price in *After the Merger*. Change in an organization brings many vulnerabilities for staff members. Will my role be diminished? Will I be less competent in my new role? Will I be more exposed to forces I cannot adequately influence? Change also brought redistribution of power and authority. Individuals would gain or lose some control. Individuals worked to create some form of balance within their work world. Change threatened this balance. Feeling the loss of control, people sought to regain control. The effort could be overt, such as blocking the proposed change. It could be more indirect, such as sabotaging the plans for change by delaying implementation. The
individual or group was trying to restore the balance that allowed a sense of control. Stripped of old habits, people feel stripped of identity. This was a major fear of employees. Resistance was a natural psychological response. The problem came when people did not directly express vulnerability and control issues. The staff member who said, "I'm afraid I won't get the support I need to succeed in this new assignment," was being direct. This was not resistance. The staff member who sat silently in planning meetings, repeatedly asked for more detail on implementation and consistently overdue in submitting revised program material was expressing resistance.

Helping people who were expressing resistance meant acknowledging the resistance was not personal. It was about the people expressing resistance and their feelings. The management team realized it was about feelings, not reason. Providing information helped reduce feelings of vulnerability or loss of control. Because resistance was related to feelings, dealing with it required helping people to express their feelings. The team did this by labeling the resistance and supporting expression of the feelings of vulnerability or loss of control. Meetings were held for this purpose. The management team made individual time for staff exhibiting symptoms of resistance. The team prepared for resurfacing of resistance with each new vulnerability or loss of control issue. An example of resistance during the merger trial period was the solicitation of suggestions for merged forms to address all aspects of the corporation. Big Bear staff indicated their forms were the best, and Opportunity thought it would be easier to adopt their current forms. A committee was formed to review all forms,
and revise and revamp as necessary. Encouraging everyone to get involved granted ownership. Ownership was the first step to creating a shared vision. A shared vision of the merged corporation would reduce or eliminate resistance. The merger literature reviewed for this study repeatedly cited people as the most important requirement of a successful merger and communication as the principle problem of management.

The combined corporations committee approach became the method to revise and revamp all aspects of the corporations to prepare for the merge. A joint committee was formed to review personnel policies. The joint committees reviewed policies and changes in health insurance and leave allotments. Recommendations of this committee were given to the board of directors for review and approval. Other committees examined merged policies and procedures to make changes and to include residential requirements. This process was a learning process for all involved.

One roadblock to the merge was the search for adequate health insurance. Opportunity Industries' current insurer would accept Big Bear employees as new insurables, but the deductible and coverage was not comparable to Big Bear Resources' present policy. At least ten policies were reviewed before the staff and board settled on a policy that accepted all currently enrolled.

Another problem was the occupation of two separate buildings, which would physically maintain a separateness. Opportunity Industries owned a building large enough to house the merged program, but half of the building was leased to another corporation, and that corporation
did not want to move. A trade was suggested in that the Big Bear building could house the third corporation. That idea did not meet with favorable response. After six months of active negotiation, a trade was accepted. The Big Bear building had to undergo some renovation in order to meet the third corporation's requirements. Negotiating the merger took time, effort, compassion, and energy. All of the parties involved had to have a common mission and set personal agendas aside. The roller coaster of emotion was to be expected but could never be understood until it was experienced. The visibility of improved service options was only the beginning of the merger. Management constantly monitored attitudes and acceptance and modeled open communication to encourage expression of feelings as change impacted staff and consumers.

Six months after the merger, a five question, four point Likert scale survey was developed to assess employees' perceptions regarding service options, working conditions, and benefits of the merger. (See Appendix B for copy of survey.) Surveys were distributed to staff at corporation staff meetings. One hundred twenty surveys were handed out. Staff was asked to note previous corporation affiliation by marking a B or an O at the top of the survey. Responses to questions one and three were unanimously positive. Staff from both corporations indicated service options and abilities to provide services improved with the merger. As expected, responses to question two were positive for surveys marked B, because former Big Bear staff received salary increases. Responses to question four indicated staff did not feel adequately informed in either corporation during the merger process.
Responses to the staff benefits question were split 50/50. Personal interviews were conducted with a random sample of staff members six to nine months after the merger. These interviews illustrated the dissatisfaction with the benefits. Big Bear staff felt their former insurance policy was more comprehensive, and Opportunity staff felt their incidental benefits, such as bonuses and incentive pay, had suffered in the merge. Included in the survey were two open-ended questions to illicit further comments regarding the merger.

Comments received from the question "Please list your positive experience with the merger" are reported below:

- Management team is more involved and more available.
- We are able to voice opinions.
- Much more organized
- Enjoy meeting and working with all the staff
- Communication between residential and vocational services staff has improved.
- Services are not competitive, more continuity
- Morale improved considerably
- More options for staff
- Better overall idea of scope of services available
- Greater support for consumers
- Professional, positive attitude
Comments received from the question "Please list your negative experience with the merger" are reported below:

Health care benefits not as comprehensive

Residential services don't seem to be viewed as "important" as vocational.

Earning incentive leave is difficult

Administration tends to get spread too thin

Bonuses are smaller

Gauging the response to the merger by the use of a survey was an effective anonymous way for staff to express their concerns and ideas. Management must maintain a hands-on style to reduce negative response. The merger represents a starting over for both corporations thus management can use the merger as an opportunity for motivating employees and moving ahead on new programs.
CHAPTER FIVE
CONCLUSIONS

The post merger study by the author was requested by the succeeding executive director and the management team. This chapter draws conclusions from the post merger study which provide lessons to the management team of the merged corporation for further merger integration.

To consider a merger was the easy part. Far more difficult was knowing how to implement the merger so it accomplished the objectives. Depending on the merger implementation, the reorganization could strengthen employee morale or destroy it. It could be the solution or a grand new problem.

The post merger study involved personal interviews with the succeeding executive director, board members, management staff, line staff, and consumers. The primary criticism of the process as expressed by those interviewed was failure to involve staff earlier in the decision making process. They said they "should have been informed and assigned tasks to assess the possibility of the merger." If committee work was not available for all staff, they wanted to be considered for individual tasks on arranging consumer meetings or revising chapters of the policies and procedures. Interviews indicated joint staff meetings with published agendas to encourage input should have been started immediately, holding the meetings at various times and places to include all staff. Another criticism was the inaccessibility of the two executive directors during the merger and
the need for open office hours so staff and consumers could have asked questions and expressed concerns. Staff appreciated the frequent memos and the biweekly newsletter that kept people up-to-date. Price, in his book, After the Merger: Managing the Shockwaves, emphasized the importance of being honest. If the answer was not yet available or a policy had not been finalized, the circumstance must be explained. Making false statements in hopes of pacifying staff was a common merger mistake cited in the literature.

Participation helped employees develop insight into the reasons why change was necessary. This approach took patience because it was more time consuming, but it led to more effective and acceptable change, and it strengthened employee morale.

Once this mission and participatory change process was in place, the organizational context existed to survive setbacks such as the health insurance dilemma. Face-to-face interaction was the key that allowed managers to confront and resolve the negative feelings and conflicts inevitable in undertaking change.

The implementation of cross training of staff and consumers simultaneously was cited as extremely helpful to both corporations in allowing the vision of improved services and the merged corporation. Moving staff with consumers allowed a comfort level for the consumer because someone was nearby that was familiar, and it encouraged staff to become competent at several jobs. Barnes, in the PA Times, stated, "Allowing training to play an intervention and revitalization role can save an organizations best and brightest employees." During the trial merger period, it was imperative to pay close
attention to employee concerns. Many worried about job loss or reassignment. Cross training minimized fear and uncertainty. Once employees realized the intent of the corporation was to utilize their present skills or retrain them to assure job security, they were more eager participants.

One often voiced fear of Big Bear employees was that the strength of Opportunity Industries organization would mean a take over, not a merger. It was clear from the outset the need to encourage Big Bear employees to apply for position openings at Opportunity to foster a sense of acceptance. A commitment was made to blend the corporations over the six month trial period in order to alleviate the fears of Big Bear employees. According to Naisbeth, "The managers role is to create a nourishing environment for personal growth in addition to the opportunity to contribute to the growth of the institution."\(^{10}\)

Even when employees were favorable, emotions ran high. One corporation director survives; the other must accept this. Waterman illustrated a positive attitude about mergers in his book, The Renewal Factor:

Renewal is about builders. Many people can introduce change for change's sake and call it renewal. This is illusory. A builder, on the other hand, leads an organization toward renewal that outlives the presence of any single individual and revitalizes even as it changes.\(^{11}\)

Opportunity Industries and Big Bear Resources became Opportunity Resources, Inc. A new name blended two corporations and signaled true merger to the community, but actions within the merged corporation signaled success to the consumers and employees. Employees, when interviewed, expressed satisfaction with management accessibility and
responsiveness post merger. Staff recognized the effectiveness of corporation-wide staff meetings. When concerns were voiced at the staff meetings, management responded. Group home managers stated maintenance chores were addressed in a timely manner, and they appreciated the attention to their requests. Merger success came from planning and commitment to the objectives.

Concentration on training programs that integrated employees from all areas was one method of uniting staff from the two corporations. Management continued to espouse philosophy and mission. Attitudes were evaluated frequently. In April of 1993, CARF, the national accreditation agency, was evaluating Opportunity Resources in order to continue accreditation. The accreditation team met with the executive director regarding concerns about the lack of integration of the residential staff into the merged corporation. Additional effort was necessary to place equal importance to residential program as was given to vocational program. Response to the staff questionnaire had revealed this trouble spot. Trouble shooter staff was assigned to spot problems and address them immediately. Merging vocational and residential services were difficult because of the nature of the two programs. Work was structured and compensated. Residential sites were more loosely defined, and chores were not compensated. Crossover staffing patterns eliminated the tendency to see one assignment as easier than the other and to promote a team approach to the various problems. The idea was to foster an atmosphere of cooperation by pointing out the interdependency of programs for successful outcomes.
"The Nonprofit Sector in the Global Economy" identified nonprofit organizations as having certain characteristics in common: "The primary function: to serve underserved or neglected populations, to expand the freedom of or to empower people, to engage in advocacy for social change and to provide services." The merged corporation of Opportunity Resources, Inc., had adopted the mission statement: To provide support services to maximize the potential of individuals with disabilities in their community. The merged corporation truly was serving the local mission and the global definition. Naisbeth stated it most clearly in the book, Reinventing the Corporation: "When you identify with your company's purpose, when you experience ownership in a shared vision, you find yourself doing your life's work instead of just doing time."
STEPS TO COMPLETE IN A MERGER PROCESS
FIRST EIGHT MONTHS

Month One:
- Preliminary Evaluation of Corporation
- Meeting with Board of Directors to Adopt Resolution to Explore Merger

Month Two:
- Review Financial Books
- Meet with State Officials
- Announce to Staff

Month Three:
- Continue Meetings with State Officials and Funding Sources
- Examine Policies and Procedures of Both Corporations
- Request Volunteers for Committee Assignments
- Meet with Local Groups such as Regional Councils
- Hold Public Meeting
- Biweekly Newsletter

Month Four:
- Consolidation of Budgets
- Negotiation of Personnel Changes
- Continue Committee Meetings with Update Reports to Management Team (Combine Management Team)
Month Five:
Initiate Benefits Search
(Health Plan & Retirement)
Closely Review Annual Leave
and Sick Leave Policies to
Assure Fair Policy

Month Six:
Joint Board of Directors
Meetings
Board Redrafts Articles of
Incorporation, By-Laws,
Consult Legal Counsel
Continue Committees Meetings
Hold Contest for New
Corporation Name

Month Seven:
Have Corporation Wide Vote
on New Name. Board
Approval. Formal
Resolution.
Mail Application to
Establish New Merged
Corporation with the
Secretary of State
Have Board of Directors
Review Policies and
Procedures and Approve.
Decide on Health Care
Plan. Distribute
Enrollment Forms.
Hold Staff Meetings to
Review Changes in Policies,
Procedures, Benefits, etc.

Month Eight:
Merge
Hold a Celebration. Reward
Staff. Recognize Efforts.
Continue to Communicate!!
Please circle the answer that most closely describes your opinion.

* Service options improved with the merger?
  Strongly Agree  Agree  Disagree  Strongly Disagree

* Staff salaries improved with the merger?
  Strongly Agree  Agree  Disagree  Strongly Disagree

* Abilities to provide services improved with the merger?
  Strongly Agree  Agree  Disagree  Strongly Disagree

* You were informed during the merger process?
  Strongly Agree  Agree  Disagree  Strongly Disagree

* Staff benefits improved with the merger?
  Strongly Agree  Agree  Disagree  Strongly Disagree

Please list your positive experience with the merger.

Please list your negative experience with the merger.

The purpose of this survey is to provide improvement for future merger processes. Please comment freely, thank you.
ENDNOTES

1 Schein, Edgar, Organizational Culture and Leadership (San Francisco, California: Jossey-Bass, 1985) 1-22.


3 "Ibid."


5 "Ibid."

6 Zig Ziglar, Top Performance (Fleming H. Revell Co., 1986).


8 "Ibid."

9 Barnes, Ruth Joyce, Training in Tough Times Should be a Priority in PA TIMES (August 1992, Volume 15, Number 8, 8).

10 Naisbith, John and Patricia Aburdene, Reinventing the Corporation (Megatrends, Ltd. 1985) 53.


13 Naisbith, John and Patricia Aburdene, 26.


