

CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

Are Humans the Input in Nonprofit Mergers: Synergies Created by Human Relations
Theory vs. the Ideal Type of Bureaucracy

A graduate project submitted in partial fulfillment of the requirements

For the degree of Master of Public Administration Nonprofit Sector Management

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August 2018

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Abstract

Are Humans the Input in Nonprofit Mergers: Synergies Created by Human Relations Theory vs. the Ideal Type of Bureaucracy

By

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Master of Public Administration Nonprofit Sector Management

Nonprofits are a public entity guided by a shared mission to address needs that are underserved by public resources. Pressured by donors in the private sector, nonprofit organizations are compelled to utilize funding in the most efficient and effective way for service delivery. With this pressure comes the push from internal and external stakeholders to merge with other nonprofits to avoid duplication of services. Currently, there is a trend towards consolidation in the private sector but mergers in the nonprofit sector are lagging behind (Seaman, Wilsker, & Young, 2014; Benton & Austin, 2010). This paper analyzes resistance to mergers, successful merger strategies, and degrees of integration to elucidate the slow growth of mergers. Drawing on the framework of Follett's theory of integrative unity and Human Relations Theory, resistance can form due to cultural differences that are not properly vetted early on in the merger process

(Cartwright & Cooper, 1993). In contrast, Weber's Ideal Type Theory postulates the idea that organizations are hierarchical with written rules of conduct suggesting a top-down approach in mergers (Spicer, 2015). Mergers are initially pursued to optimize efficiency but bringing the two organizations' cultures together should precede financial and administrative discussions. Mergers in the nonprofit sector fail due to a lack of clear communications and a failure to integrate human relations into discussions centered on consolidating and improving shared missions.

If this project went forward the research methods would use qualitative interviews with qualified Chief Executive Officers in the nonprofit sector. The research questions would be designed around the three themes of the research paper: resistance to mergers, successful strategies for mergers, and degrees of integration. In addition, the paper applies concepts from two theories: Human Relations Theory and Weber's Ideal Type Bureaucracy Theory, in order to understand and interpret the theories as they relate to the themes.

Introduction

The research proposal is a partial fulfillment of the Master of Administration Nonprofit Sector Management. The paper aims to analyze three themes, resistance to mergers, successful strategies for mergers, and degrees of integration as they relate to nonprofit mergers and postulate the data posited around Human Relations Theory and Weber's Ideal Type Bureaucracy Theory. If the project moves forward, the research methods will use qualitative interviews with Chief Executive Officers in the nonprofit sector to analyze three research questions: (1) Resistance derived from cultural differences amongst nonprofit organizations creates barriers and reasons that mergers fail. (2) Successful strategies can be effective if due diligence is done through strategic planning, open communication and transformative leadership prior to merger discussions. (3) Degrees of integration or acculturation can form the foundation of collective creativeness and integrative unity.

Background

A medium-sized nonprofit with over 15 employees and an annual budget of more than one million dollars has been asked to look at mergers for greater collective impact for service delivery. This research paper will look at themes in mergers and cover resistance to mergers, successful mergers, and degrees of integration (Bunger, 2012; Campbell, 2008; Thach & Nyman, 2001). Mergers are initially pursued from a financial and administrative perspective, but human relations that form the organizational culture are assessed after the merger process has moved forward (Cartwright et al., 1993). Using Human Relations Theory and the Ideal Type of Bureaucracy to conceptualize mergers will provide a tool to analyze data through a lens of integrative unity based on cultural fit (Pesch, 2008; Schilling, 2000). Data will be collected from interviews with five nonprofit Chief Executive Officers in Santa Barbara and Ventura County who have experienced a merger. All interview questions would be developed through collaborations with the Nonprofit Resource Network of Santa Barbara County, Santa Barbara Foundation, the Nonprofit Center of Cal Lutheran, and consist of ten questions designed around resistance to nonprofit mergers, successful strategies for mergers and degrees of integration.

Whipps (2014) contended that Follett's management principles were centered on the concept of integrative unity in that the group and the organization come together as one, with interconnecting responses that influence each other. This collective creation of management policy and open communication in nonprofit mergers can mitigate resistance and foster the development of cultural integration (Dick, Ullrich, & Tissington, 2006; Hatch & Schultz, 1997; Cartwright, 1993). Follett's ideal leader as Whipps (2014)

suggested, connects all voices in an organization and obtains power with diverse voices instead of power over them. In contrast, Weber advocated a rationalization process in management based on specialized division of labor and bureaucratic coordination of human action (Spicer, 2015). According to Spicer (2015) an ideal leader in Weber's view is a rational figure that is purely bureaucratic and can analyze a complex problem, weigh diverse options, and make impersonal, unilateral decisions based on efficiency. In mergers, cultural fit and diverse views must be taken into account to integrate successfully, thus optimizing efficiency and alleviating fissures of resistance that arise under bureaucratic coordination of human action (Campbell, 2008; Dick et al., 2006; Hiland, 2003; Cartwright et al., 1993).

Nonprofits pursuing mergers will often go into discussions as opponents, due to the fact that they are pursuing the same resources and goals prior to merger negotiations (Benton & Austin, 2010). Creating a neutral space for open communications and cultural assimilation can alleviate initial resistance and adversarial mindsets, and create an environment for new mental models to form (Dick et al., 2006; Denzau & North, 1994; Cartwright et al., 1993). The model that is created is one collective shared vision taking elements from each organization, not one absorbing the other (Cartwright et al., 1993).

Literature Review

Introduction

Nonprofit organizations with similar missions and constituencies are likely candidates for mergers, which can enable them to make a greater collective impact. As mergers in the private sector are witnessing growth, mergers in the nonprofit sector are languishing and can be viewed as a destructive force (Milway, Orozco, & Boero, 2014; Benton et al., 2010). With a push from institutional forces to be more efficient and eliminate duplication of services, why does so much negativity surround the idea of mergers in the nonprofit sector? With proper planning, cultural assimilation and the creation of a new brand, can ideologies of the two organizations be entwined and become one shared mental model?

In analyzing mergers, Follett's idea of integrative unity and Human Relations Theory are useful tools in creating a framework for the blending of two cultures into one. Human interactions, a culture derived from the collective impact of the interactions, form a society that works together to problem solve to reach shared impact. In contrast, the theory of the Ideal Type from Weber suggests a hierarchical organization that offers written rules and delineated lines of authority to integrate organizations into one. This paper will examine the three themes in nonprofit mergers and acquisitions that include: resistance and barriers to mergers, successful strategies, and reasons to merge and degrees of integration.

The significance of the work will be to produce tangible strategies that can enlighten nonprofits to transcend thinking as one and apply a systems thinking approach based on integrative unity for greater impact (Denzau, Minassians, & Roy, 2016).

Factors that sour negotiations from the start can be avoided through open communication, transformative leadership, and acculturation. Framing the discussion as “we” versus “I” can organize the merger discussions around positive factors and avoid being enemies from the start. Benton et al. (2010) noted that staff and board members that identify strongly with their pre-merger organization find it difficult to transition to a shared model. To avoid this, relationships and trust should be built in before merger discussions begin (Milway et al., 2014; Benton et al., 2010).

Theory

Two theories can illustrate the cultural aspects of mergers in nonprofit organizations. Human Relations Theory is concerned with organizational culture, the human element, and Follett’s theory of integrative unity (Hatch & Schultz, 1997). Follett’s idea of integrative unity, saw behaviors as interweaving and evolved based on the situation and the creators (Mendenhall & Marsh, 2010). In contrast, Weber’s theory on the Ideal Type of Bureaucracy focuses on taking the human emotional element out of the equation and thus created a rational man that uses logic to make decisions (Spicer, 2015). The civilized man is a product of the rationalization process and goal-oriented process that leads to efficiency, coordination and control over the social environment (Hedoin, 2009). An organizational merger process guided by the Ideal Type of Bureaucracy is highly goal-oriented. Rational choices, written rules of conduct, and division of labor are implemented to create a systemized approach to management and organizational structure.

In the late 1880’s women were barred from receiving a Ph.D. so Follett delayed higher education and focused on community work (Whipps, 2014). From this

community work came a greater understanding of the interconnectivity between people in organizations working collectively to produce results. O'Connor (2011) stated that Follett believed that Human Relations Theory would make democracy more representative and needed to be comprised of small grass-roots organizations working together. Follett argued that to engage people at a higher level, one needed to make them feel like they are part of the process and responsible for its success (Whipps, 2014; O'Connor, 2011). With mergers in the nonprofit sector, engaging staff and management at all levels creates collectiveness towards goal achievement.

Follett was ahead of her time in comprehending the intricacies of management in organizations (Barclay, 2005; Schilling, 2000). Follett understood human relationships and the interactions between people as the drive for organizations to succeed and her writings were the precursor to the idea of stakeholder theory (Barclay, 2005; Schilling, 2000). Schilling (2000) suggested that Follett developed ideas parallel to interpenetrating systems theory that can be conceived as a subset of stakeholder theory. Follett goes on to argue that an administrator weaves together the different interests of all parties concerned. According to Schilling (2000) the magnitude of movement relies on “stakeholders respect to the degree of importance they place on their own stake, and degree of importance management places on their stake,” and the powers between management and staff (p. 225). Human inputs and their connections to each other create a circular relatedness that produces collective creativeness. Phipps (2011) contended that Follett was a staunch advocate of group experience and recognized that an individual’s idea alone was inferior to a collective idea produced from a group. Follett saw conflict as an opportunity for learning and achieving outcomes through integrative unity. Berman &

Van Buren (2014) suggested that Follett believed exclusion of employee participation, whether intentional or not, would inhibit new ideas from being formed from a variety of viewpoints.

Follett's ideas contrasted with those of Weber, Taylor or Fayol that viewed an organization from a top-down approach to management (Pesch, 2008; Phelps, Parayitam, & Olson, 2007). Spicer (2015) stated that Weber stressed the need to take the human element of emotion out of the organization. For Weber, the ideal type of bureaucracy consisted of an ascribed role of a civil servant and it was their duty to follow the leader. Further, each office or program in the organization as Taylor viewed, had its own authority with fixed activity (Pesch, 2008). Taylor's theory in the Principles of Scientific Management, prescribed the one best way for a worker to complete an assigned task. (Phelps et al., 2007) The goal for Weber was defined as an action in which the means to attain the goal are chosen using rationality and guided by customary habits. Similarly in contrast to Follett's theories, Fayol developed the 14 points in principles of management along with a set of five management functions that were a comprehensive doctrine of command and control principles in organizational management. The five elements of management functions, planning, organizing, coordinating, commanding, and controlling as Fell (2000) suggested are similar to current management structures in large Japanese corporations and are still relevant today.

Whipps (2014) stated that Follett viewed the world as a "process of circular response, influencing and being influenced" (p.409). A group comes together simultaneously and is understood as a continuous collective unit, one individual affecting the other with a balance of power in effect (Whipps, 2014; Barclay, 2005; Schilling,

2000). Integrative unity as Barclay (2005) contended from Follett's definition is the process through which individuals integrate through shared interests and focus on this interdependence to create change. Building up employees and making them feel that their input matters was how a negative clash of cultures could turn into a positive gain by human participation at all levels of an organization, thus creating a social sense of worth (O'Connor, 2011). By understanding the insights of the past as Barclay (2005) suggested, the idea of circular response is not rigid but fluid and constantly changing based on social situations and pressures on the individual. In looking at mergers, it is this collective impact and knowledge that each individual has a part in something larger that shapes the environment (Whipps, 2014; Barclay, 2005).

Follett was against using the term power-over in a relationship and instead chose to incorporate the term power-with that created a participatory workplace environment. As Gibson, Chen, Henry, Humphreys, & Lian (2013) stated, Follett believed, "in a society that embraces power with, individuals approach problem solving in a way such that creative solutions that lead to positive and shared outcomes are reached" (p. 449). Power-with, instead of power-over, is the basic differences between Follett's relational theory and Weber's view on top-down management (Gibson et al., 2013). Phipps (2011) stated that Follett was concerned about the relationship between employee and management and understood that being under someone instilled a sense of insubordination, versus working with someone to provide results based on unity. In contrast, Spicer (2015) stated that Weber's view was to "eliminate from official business love, hatred, and all purely personal, irrational, and emotional elements" that can affect the full development of bureaucracy (p. 33). Spicer (2015) contended that Weber viewed

only the highest degree of efficiency is achieved when exercising authority over human beings.

In applying this to the blending of cultures in the integration process of two organizations, Follett's sweetened carrot approach that empowers employees to be part of the process can create vested interests in the process. Instead of the organizations viewing themselves as two separate entities in a merger, the language they use transitions from centering on individual interests to the collective good. Phelps, Parayitam, & Olson (2007) suggested that Follett viewed the organization as flat and emphasized that decisions were participatory and came from the idea of bottom-up authority. Thus, as Phelps et al. (2007) proposed from Follett's ideals, stakeholders create the synergy of the organization through cooperation and coordination.

Weber theorized that optimizing efficiency and creating a top-down bureaucracy is a necessity in the modern interconnected world. Quick and decisive actions are best made by a single leading figure with superior authority and expertise in the organization. With a single voice, Weber's ideal organization wields power over employees whereas Follett posits that power is derived from the bottom up. However, Spicer (2015) contended that Weber worried that rational authority in the form of bureaucracy, when pursued to its logical limits, risks the complete loss of individual freedom and initiative within an organization.

Weber's ideal organizational structure takes power and initiative out of the hands of individual employees and vests it in a supreme leader capable of making rational, decisive actions. Both executives and employees are expected to act impersonally in the interests of the collective whole and management defines those interests for lower levels

of the hierarchy. Hedoin (2014) stated that Weber believed humans in an organization to be “cultural beings endowed with the capacity and the will to take a deliberate attitude towards the world and to lend it significance” (p. 170). Therefore, employees led by a leader at the top of the hierarchy form a new culture and pattern of behavior premised on their mutual goal to operate most efficiently. Weber’s ideal bureaucracy was a set of specific patterns of behavior guided by rigid structure, fixed written rules, and administrative regulations that could be learned and directed by upper-level management.

The employees and managers come together from both sides in a merger and start a dialogue as a blended new organization through a mutual desire for collective creativeness and integrative unity. But what if the dialogue is plagued with differences that cannot be resolved? Denzau et al. (1994) suggested that a shared framework of mental models that groups possess provide an outlook on how they perceive their surroundings and the environment. According to Denzau et al. (1994) “mental models that the mind creates and the institutions that individuals create are both essential to the way human beings structure their environment in their interactions with it” (p. 5). Denzau et al. (1994) argued that unconscious perceptions can affect a decision due to the perceived images that are part of an individual’s mental models. Therefore, although ideals held by individuals may not be explicitly communicated in a dialogue, they can appear as preconceived thoughts and a pattern of behavior.

With mergers, organizational culture created by brand or workplace habits can be so instilled in an organization that the subconscious mental model creates ingrained behavior patterns that are difficult to change. Thus, as the employee is saturated with the culture of an organization, Denzau et al. (1994) found that “mental models, institutions

and ideologies all contribute to the process by which human beings interpret and order the environment” (p. 21). This process is how we label and identify not only ourselves, but also the organization.

Organizational change instills fear of not knowing the system or interdependent parts of the organization. Theodoulou & Roy (2016) stated that Deming viewed an agency that operated not in isolation, but as a well-functioning organization that completed tasks and duties as an overall system with a shared goal or purpose. Similarly, Denzau et al. (2016) stated that Deming’s system thinking is a shared sense of how the organization functions and operates to create a cognitive map. Further, resistance to mergers can form if individuals involved in the merger process are unable to read each other’s cognitive map. Thus, different and conflicting mental models are not taken into account, hindering the process of integrative unity and the creation of a new model of the merged organization.

Themes

Resistance to Mergers

The roots of resistance to mergers can be found in cultural differences within the organization and the lack of proper vetting of shared goals (Proulx, Hager, & Klein, 2013; Benton et al., 2010). According to Hatch et al. (1997), “culture needs to be seen, not as a variable to be measured, accounted for and controlled, but as a context within which interpretations of organizational identity are formed and intentions to influence organizational image are formulated” (p. 357). Thus, culture is how individuals define and guide themselves and the organizations they create. In the article by Gibson et al. (2013), Follett argued, “Unity, not uniformity, must be our aim. We attain unity only

through variety. Differences must be integrated, not annihilated, nor absorbed” (p. 452). In a merger new thought patterns are created and implemented in a dialogue to forge a new culture.

Benton et al. (2010) stated that organizational culture is not static but evolving, and a blending of different views and cultures needs to occur at both the staff and executive levels. In contrast, Weber contended that organizations function at their highest level with bureaucratic, hierarchical leadership. As Spicer (2015) contended, Weber recognized that bureaucracy increases economic efficiency yet it must be tempered by other spheres of human action. In terms of mergers, economic efficiency is always the priority over bridging different cultures and including all stakeholders of an organization, leading to resistance. The acculturation process as Benton et al. (2010) stated includes various levels of change that can include: assimilation, integration, and pluralism. Further, due diligence in blending the cultures must be done to improve outcomes and provide transparency. In the article by Giffords & Dina (2003) Schein defined the concept of culture as:

A pattern of basic assumptions-invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration-that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems. (p. 74)

Cultural incompatibility is one of the reasons mergers tend to fail (Basinger & Peterson, 2008; Hiland, 2003; Panchal & Cartwright, 2001; Cartwright et al., 1993). Human agency is often overlooked as a prominent factor in merger negotiations, but the role of staff is an integral part of a merger (Basinger et al., 2008; Cartwright et al., 1993). Financial stability and organizational efficiency, as Basinger et al. (2008) stated, take

priority in discussions with stakeholders involved in merger talks. Further, Hiland (2003) suggested that the culture of an organization is invisible and can be imbedded in all aspects of the organization including human resources, programs, and administrative processes. If all these factors are not addressed resistance will form.

As Cartwright et al. (1993) argued, culture collisions resulting from proper lack of integration and in-depth analysis cause resistance and failure to integrate. According to Cartwright et al. (1993) to avoid the collision, a culture audit can be implemented that examines any “differences or similarities between the core values, beliefs, attitudes, and managerial style” in potential merger partners (p. 59). Hatch et al. (1997) explained that organizational identity is a holistic image held by a group of individuals that is fabricated and projected as a public image and brand. In the article by O’Connor (2011), Follett claimed that individuals influence an organization as much as individuals are shaped by their organization. Thus, the brand and culture is imprinted not only in the language between pre-merger groups but it is also part of the psyche. If mindsets and organizational identities are rigid, they cannot merge effectively, thus leading to resistance.

Shaping the merger discussion is a vital role of the organizations’ executives. Open and honest communications in the merger process between staff and management creates trust and a shared sense of culture (Galpin & Whittington, 2010; Teram, 2010; La Piana et al., 2005). Teram (2010) suggested that identity and how we understand ourselves reflects the complexity of the acculturation process. A leader’s lofty expectations about the merger, as Galpin et al. (2010) argued, can damage the trust between an employee and manager. Further, Thach et al. (2001) contended that emotions

run high during merger talks and can create emotional fallout and a sense of betrayal, being taken over, or anxiety about potential layoffs due to redundant staff positions and services. Accordingly Panchal et al. (2001) stated that, “acquired employees feel worthless and inferior due to a loss of autonomy and status” (p. 425). The anxiety, fear, and sense of loss all contribute to an overall feeling of negativity within the organization that leads to resistance.

Alasadi & Askary (2014) contended that resistance can be heightened by the unpredictability of not knowing what a merged organization will look like and the loss of convenience of old work habits being replaced by newer unfamiliar models. For a leader to combat this sense of loss, Chen & Krauskopf (2013) stated that it is important to highlight a new cultural identity that preserves and honors past traditions, values of the organization, and key elements that determine the organization’s culture. Giffords et al. (2003) found that this must be done in a timely manner due to the effects of mergers on staff that can include “workplace ambiguities and uncertainties for workers” (p. 72). In essence, the faster the merger process the less emotional stress for employees.

In the article by Gibson et al. (2013) Follett found that leadership is not contingent on possessing a persuasive personality but instead is based on knowledge of the organizational structure and all its intricacies. According to Gibson et al. (2013) Follett believed that “leaders are the ones who can organize the experience of the group and have the power of transforming experience into power” (p. 449). Thus, it is the role of the leader to be the facilitator in transforming the organization by creating a sense of collectiveness that brings in both organizations to become one in a merger. In the article by Gibson et al. (2013) Follett found that the leader is not a position or personality, but

merely exhibits a leadership function. According to Gibson et al. (2013) Follett believed that “the individual is not a sole unit; rather, it is a social entity that shapes groups, organizations, and ultimately, society” (p. 450).

Mergers can be organic or organizations are forced into relationships due to a scarcity of resources. Prior to mergers, organizations are often competing for the same resources and perceive each other as enemies. Proulx et al. (2013) stated that as competitors from the start, each partner has an economic interest in the other’s failure. According to Dick et al. (2006) this unhealthy work environment “creates a threat to the organization’s identity and thus the employees’ social identification with their organizations” (pp. 69-70). Further, workers form social identities in the workplace due to the amount of time spent there. Thus, it is essential to address the social implications that emerge during merger negotiations and understand that two distinct groups are becoming one. Gibson et al. (2013) claimed that Follett advocates for a process that gathers facts from all levels of stakeholders because the same set of facts can be interpreted differently from diverse viewpoints. The collective adverse impact of a divisive work environment between two organizations and the negative emotions attached to the merger process can further perpetuate resistance.

Other barriers that can derail mergers include prolonged length of time during negotiations, management and board egos, and improper facilitation of brand blending or framing (Fischer, Vadapalli, & Coulton, 2017; Milway et al., 2014). In the study done by Fischer et al. (2017) leaders’ egos can be a barrier, but leaders with a shared vision and goals can make the merger process more productive. Accordingly, Fischer et al. (2017) noted that “if one of the organizations is substantially larger than the other, negotiations

can have an air of takeover rather than a mutual balance of power” (p. 47) Further, Fischer et al. (2017) argued that a strong effort and support should be given in the due diligence process.

Successful Strategies for Mergers

Despite the inherent conflicts involved with merging disparate organizations and mental models, mergers can lead to an efficient assimilation process that is beneficial for all parties. Restructuring can be encouraged and guided by outside funders to be more efficient and effective in achieving an impact with services. According to Fischer et al. (2017), basic concepts underlie the theoretical framework of constructs for nonprofit mergers and consist of “necessity, asymmetry, reciprocity, efficiency, stability, and legitimacy” (p. 41). Likewise, Proulx et al. (2013) noted that collaborations come from the collective realization that the issue cannot be confronted individually, but through joint efforts that address needs and result in a shared responsibility for creating change. In addition, Benton et al. (2010) stated that shared goals can be the driving forces to encourage successful mergers and include: improving the financial state of the organization, improving image, and enhancing client services. Successful mergers are mission-driven and are proactive in nature versus reactive mergers that are driven by financial problems.

Dick et al., (2006) stated two factors that leadership should address to forge a successful merger are recognizing the socio-emotional factors that underlie merger integration and countering adversarial attitudes with frequent, open communication. Similarly, the role of a leader is to develop effective communication that creates mutual trust and then begins the discussion with the inclusion of staff in inter-organizational

restructuring (Galpin et al., 2010; Teram, 2010; Campbell, 2008). According to Campbell (2008), trust is the main ingredient needed in negotiations and, “mutual trust may be reflected in personal compatibility; the development of a statement of common understanding, or the ability of each organization to demonstrate it understands the concerns of the other” (p. 223). Galpin et al. (2010) suggested that the role of leadership is to create new mental models for all employees of both organizations that are well planned, executed effectively, and assessed frequently. La Piana & Hayes (2005) found that creating a new sense of shared cultures includes: “consistent communication about the changes, clear messages about the values and goals of the new organization, and clear definitions of the original cultures that will be preserved” (p. 3). By increasing employee involvement, Alasadi & Askary (2014) argued that the employee becomes a stakeholder and is part of the change process.

When managed effectively, the human elements of emotions or stress can be channeled into productive work (Panchal et al., 2001). Organizational change that happens in a merger contains human elements of stress that can affect the culture of the organization (Hill & Lynn, 2003). Organizational culture is a system of shared values and behaviors held by members of an organization that define what they value (Hill et al., 2003). Social acceptance of each other’s cultures can be difficult and provoke emotions of resistance (Hill et al., 2003). So how do you lower resistance and achieve integrative unity? In the article by Barclay (2005), Follett defined integrative unity as “the process through which individuals integrate their common interests by focusing on their interdependence as well as their joint responsibilities” (p. 746). Successful collaboration is facilitated by organizational commonalities such as shared values and beliefs. Thus,

compatible change happens when values and professional norms are legitimized (Hill et al., 2013; Panchal et al., 2001).

Open communication and trust are key factors in forming a sense of collectiveness and cultural assimilation (Basinger et al., 2008; Cartwright et al., 1993). Developing a shared vision must start with the knowledge of how each organization is not only operated, but also what distinct cultures they have developed. According to Denzau et al. (2016), Deming's systems thinking, "is built upon a shared awareness, or sense of understanding, of how one agency's functions and purposes are interdependent with others operating in a common system" (p. 473). Communication, cultural awareness and as Denzau et al. (2016) suggested cross-agency communication promotes shared mental models. Communication and interpretation are exclusive and may be subjectively understood based on the subject matter (Denzau et al., 2016). With multiple layers of dialogue, communication, and values, discourses may be shrouded by moral ambiguity (Teram, 2010).

The primary work of the manager involves devising incentives and strategies to encourage collaboration between organizations (Hill et al., 2003). Thus, leadership is compelled to examine the cultures of pre-merger companies and investigate differences, then strategize on how to minimize them (Panchal et al., 2001). Achieving a good match in mergers, as Hill et al. (2003) defined is favored by distinguishing leadership that can either be transformational or transactional. With today's economic challenges of business being more complex and competitive, business leaders need to generate employee trust and know that they are able to make the right choices at the right time (Caldwell, Dixon, Floyd, Chaudoin, Post, & Cheokas, 2012). According to Caldwell et al.

(2012) this “transformative leadership is an ethically based leadership model that integrates a commitment to values and outcomes by optimizing the long-term interests of stakeholders and society and honoring the moral duties owed by organizations to their stakeholders” (p. 176). As Caldwell et al. (2012) suggested a transformative leader seeks out new solutions that require employees to rethink their assumptions and resolve problems with new ideas. Further, Schein (1975) contended that integration is only possible if management chooses to make it possible. In the context of mergers, a transformative leader elicits trust from their employees and then can posit new mental models of organizational change that lead to a successfully merged organization (Chen et al., 2013; Caldwell et al., 2012; Galpin et al., 2010).

Antonakis & House (2014) contended that strategic leadership is the concept of understanding the systemic nature of the organization and then adapting to its environment, which in turn produces the stability of the system. Further, Antonakis et al. (2014) found that “by knowing the dynamic and systemic nature of the organization, the leader is able to set reasonable but attainable strategic objectives, structure tasks appropriately, and provide necessary guidelines for task completion” (p. 750). Thus, the leader must understand the culture of the organization and not rely on good intentions, but have the ability to gather and synthesize the information to assess similarities that can provide positive movement in the merger process (Galpin et al., 2010). O’Connor (1999) suggested that a leader must bundle together the inner forces of human drive and motives in order to achieve organizational harmony. Galpin et al. (2010) explained that integration issues facing organizations that are merging must be viewed through multiple perspectives, including: financial, strategic, structural, human resource, and cultural. In

addition, leadership differences in style must be addressed early on and not exacerbate employee stress caused by poor integration of management (Galpin et al., 2010).

Degrees of Integration and Reasons Behind the Willingness to Merge

Degrees of integration can range from collaborations to full mergers. Proulx et al. (2013) stated that there are three levels of partnerships: collaborations with no formal commitment, strategic restructuring with shared resources, to strategic alliances. In addition, other models include: joint ventures that involve partnership of programs, partially integrated mergers where each organization remains independent but shares services, and fully integrated mergers where one organization keeps their identity and absorbs the other nonprofit. In addition, Bunger (2012) suggests that joint ventures could include sharing administrative resources like space, funding, or staff. Joint ventures can make fundraising more efficient and optimize efficient delivery of services in a nonprofit sector facing increasing fragmentation and scarcity of resources.

According to Bunger (2012) “co-opetition” or organizations coordinating while still competing within the nonprofit sector is only viable or successful if trust is present (p. 1156). Mendel (2013) stated that there are differences between achieving meaningful partnerships and shallow collaborations. As Mendel (2013) suggested, partnerships that are conceived voluntarily to seek new funding, implement a new program, or cut costs produce measurable value for all parties involved.

According to Guo & Acar (2005) integrations can be described as: “nonprofit collaboration that occurs when different nonprofit organizations work together to address problems through joint effort, resources, and decision making and share ownership of the final product or service” (pp. 342-343). Collaborations and mergers are driven by

various factors to improve delivery of services, enhance resources, leverage new ideas or programs, and satisfy pressures from internal and external stakeholders to utilize funds available for service delivery most efficiently (Sowa, 2009). To understand the motivations behind mergers, Sowa (2009) contends that one must first comprehend the “fundamental goals of the collaborations for those directly involved in delivering services to gain an accurate benchmark against which to assess outcomes” (p.1004). Beginning discussions with an understanding of the intended goals of the merger can facilitate better measurement of outputs once the merger has taken place, then foster a shared understanding of changes to service delivery (Sowa, 2009).

The impact of environmental uncertainty as Foster & Meinhard (2002) argued has fueled the idea for nonprofits to collaborate or create alliances as a strategic response for greater impact. Foster et al. (2002) suggested two theories, resource dependence and transaction cost theories to better understand strategies for collaboration. First, resource dependence theory postulates the idea that an organization is driven to become economically stable through collaboration to avoid closure, and the scarcity of resources promotes cooperation instead of competition (Foster et al., 2002). Second, transaction cost theory, as Foster et al. (2002) stated are alliances that form to reduce transaction costs in order to improve efficiency and as a result maximizes economic and psychological benefits. Meaningful partnerships as Mendel (2013) stated are transformative and go beyond just a financial transaction. Degrees of integration are partnership of equals sharing a vision to illicit change.

Conclusion

Follett's idea of collective creativeness transforms the individual interests of the stakeholders into thinking as a whole and the administrator is ideally the integrator vying for the interests of all parties concerned (Schilling, 2000). The affects are circular and each interaction and response leads to a process whereby the organization is constantly evolving and stakeholders constantly interact (Mendenhall et al., 2010). The human element and culture that it represents affects the result and should be considered an input. On the other hand, Weber's theory postulates a different ideology that emphasizes a top-down management approach that is hierarchical in nature. Resistance to mergers is due to cultural incompatibility, or the lack of addressing the human relations that form the organization. Success lies within the ability to construct a strategy based on open communication, cultural connectedness and transformative leadership. Reasons to merge should be examined not only for financial purposes, but also more importantly for cultural fit.

Research Questions

- One: Resistance derived from cultural differences amongst nonprofit organizations creates barriers and reasons that mergers fail.
- Two: Successful strategies can be effective if due diligence is done through strategic planning, open communication and transformative leadership prior to merger discussions.
- Three: Degrees of integration or acculturation can form the foundation of collective creativeness and integrative unity.

Methods

Introduction

This paper seeks to explore three themes that affect mergers of nonprofit organizations and include: resistance to mergers, successful strategies for mergers, and degrees of integration. The study method includes data to provide insight into the relationship of variables that form for mergers to fail or succeed. In addition, this paper applies Human Relations Theoretical concepts by Follett in comparison to Weber's Ideal Type Bureaucracy Theory to understand the themes and their effects on resistance to mergers, and successful mergers. The study is a partial requirement for the fulfillment for the degree of Master of Public Administration Nonprofit Sector Management.

Details

The unit of analysis is data collected from interviews of five nonprofit Chief Executive Officers in Santa Barbara and Ventura County who have experienced a merger process. The sampling procedure by the researcher is non-probability sampling. Participants are chosen from the Santa Barbara and Ventura County area that either went through a successful nonprofit organization merger or failed attempt at a merger. The participants are selected using a non-probability method from diverse social sector nonprofit organizations.

The study is cross sectional and instruments include personal interviews that address the themes of the article that include: resistance, successful strategies and degrees of integration. All interview questions are developed through collaborations with the Nonprofit Resource Network of Santa Barbara County, Santa Barbara Foundation, the Nonprofit Center of Cal Lutheran, and consist of ten questions per theme. Interviews

provide first-hand data to understand subjects' perceptions of pre- and post-mergers within the nonprofit sector. Interviews are objective and neutral and a standardized procedure is adhered to during sessions. Additionally, open-ended questions are added to gain insight into the effects of the merger to increase cultural perceptions. The measurement uses categorical variables that utilize nominal items and ordinal scales.

Research Questions

- One: Resistance derived from cultural differences amongst nonprofit organizations creates barriers and reasons that mergers fail.
- Two: Successful strategies can be effective if due diligence is done through strategic planning, open communication and transformative leadership prior to merger discussions.
- Three: Degrees of integration or acculturation can form the foundation of collective creativeness and integrative unity.

Concerns

The research methods are interviews with five chief executive officers of nonprofit organizations. Due to the volatile nature that can occur in mergers with loss of jobs, loss of organizational identity, interviews could contain biased content according to the nature of the merger. Forced mergers due to economic strain can result in layoffs and the assimilation process would be adverse even before the merger process begins. As a result, participants may find the interviews moot since their perceptions of mergers could be pre-existing and negative. Considerations are in place to find participants that are

unbiased and come from an even number of successful and unsuccessful mergers. With this said, biases could still be present in the data.

The study can be improved through triangulation. Specifically, the individuals being interviewed may be more diverse and include lower management staff, board members, and volunteers. In addition, community members and/or volunteers can also be interviewed to provide input from the perspective of an outside stakeholder. Further, a confidential survey can be added to the methods to provide a wider lens to study the data collected from internal stakeholders at every level in the organization that experienced the merger process. With a survey of this type, participants might be more apt to open up and share more personal information regarding the merger process than they would share in a personal interview. Also, a survey can be used to provide more substance to the results in analyzing both units of study.

Reliability may also be a concern of the study. The stability and equivalence of the study is questionable considering data is extracted from the interviews with one investigator conducting the interviews. Concerns arise in collecting data when uncontrolled variables exist in the participants' moods changes, fatigue, attention span, or other factors. To check stability each interview should be recorded and analyzed by two separate individuals. If few inconsistencies are found in translating the data, then it can be assumed that the measure is stable and reliable. The equivalence of the study might be an issue so additional interviewers are added to the interview process.

Others issues with the study include assessment of reliability or the interview questions themselves. Interview questions may be ambiguous or irrelevant to the themes, participants might find the questions offensive if the merger experience was not positive,

and the answers could be subjective. Further, social desirability could be a factor in the interview answers. The subject might show bias in answering questions with the need to reflect a more positive role that he or she had in the merger process. For example, a CEO might want to deflect blame to others in the organization for the failure of a merger when in fact they themselves played a pivotal role in resisting the merger and creating cultural friction amongst employees.

Project Conclusion

If this project went forward, the paper would offer possible reasons behind the slow growth of mergers in the nonprofit sector. The paper highlights three themes in mergers that include: resistance to nonprofit mergers, successful mergers, and degrees of integration. Integrative unity can form if a cultural fit exists. This paper examined two theories: Follett's theory of integrative unity and Weber's Ideal Type of Bureaucracy. Follett postulates that an organization reaches its goals and is most representative of stakeholders when led from the bottom up, whereas Weber advocates top-down management principles with proscribed roles and specialized division of labor.

This paper takes both theories and applies them to the three research questions: (1) Resistance derived from cultural differences amongst nonprofit organizations creates barriers and reasons that mergers fail. (2) Successful strategies can be effective if due diligence is done through strategic planning, open communication and transformative leadership prior to merger discussions. (3) Degrees of integration or acculturation can form the foundation of collective creativeness and integrative unity.

The method that would be used would be a qualitative study and the units of analysis are data collected from interviews of five nonprofit Chief Executive Officers who have experienced a merger process. The participants are selected using a non-probability method from diverse social sector nonprofit organizations.

If this research progressed, the paper would identify that collective impact through mergers is successful if organizations form open communication and create a sense of belonging to one model versus holding on to the existence of two organizations. Through a sense of cultural amalgamation, organizations have a better chance to avoid resistance to mergers and move on to a new mental model of shared collective impact for service delivery.

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Appendix A

This project is for completion of a Masters in Public Administration degree. Your answers will be kept confidential and we thank you for your participation.

Research Questions

Resistance to Mergers

1. When I ask you about mergers, what is the first thing that comes to mind?
2. Do you feel that due diligence was done in informing the staff about the merger?
3. How did you inform the staff about the merger? In what way did you communicate to them? Was it in a staff meeting or in groups?
4. What was the timeframe on informing staff about the merger? Did they know well in advance, or did they find out through other sources about the merger?
5. Did the board or staff of the organization sign any kind of non-disclosure agreement?
6. After the merger discussions began, did you feel the culture of the organization change? If so, how?
7. Once the merger process began, did it affect work production? If so, how?
8. Overall, how did the moods or behaviors of employees change during and after the merger?
9. After the merger, or failure of the merger did the culture of the organization change? If so, please describe how.
10. Was there resistance to the merger? If so, how could the organization do a better job at lowering the resistance?

Successful Mergers

1. How often did you communicate with your staff about the merger? Were you honest with them about all the details of the merger, or did you leave some out? If so, what details did you not inform the staff about?
2. For those directly involved with the merger process, were sensitive issues kept in confidence? If so, do you think that it helped integrate the two organizations cultures or did it form resistance, explain?
3. What were some strategies that helped with integrating the two organizations?
4. Did you feel like your staff was supportive at first during the merger? If there was reluctance how did you change their views about the merger, or did their views change?
5. What was the timeframe of the merger process? Do you think it should have been slowed down or should the merger have been done in a shorter period of time?
6. After the merger, what do you think could have been done to make it more successful?
7. Do you feel that the merger has resulted in increased efficiency within your programs or service delivery? If so how?
8. What are some ways that you found that help blend the two cultures of the organizations? Were they very dissimilar going into the merger process?

9. As a leader, did you put time and effort into understanding the systems of the other organization? If so what did you do?
10. Was trust present throughout the merger negotiations? If trust was present, how did it help the process? If trust did not exist, how did you overcome its nonexistence in communicating during the merger process?

Degrees of Integration

1. Do you think the organization is fully integrated after the merger? If not, what processes could be done to fully integrate the cultures?
2. How long did it take for the organization to integrate?
3. Do you think work production increased or decreased after the integration? What were the changes?
4. Before the merger, did you view the other organization as a competitor or ally? Can you elaborate?
5. In the integration process, did you share similar goals? Please describe them.
6. What do you think it means for integrative unity?
7. Were any obstacles present that hindered integration? If so can you describe them?
8. Describe the missions of the organizations before the merger. How did they change after the merger?
9. Were other forms of integration discussed besides a fully integrated merger? If so, please describe them?
10. In general, what is your overall view of the integration process?