OUR HEALTHIER NATION

Health at Work IN THE NHS

HEALTHY EVER AFTER?

SUPPORTING STAFF THROUGH MERGER AND BEYOND

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Executive Summary

Embarking upon a merger is to travel a road where every dimension of an organisation will change and continue to change: values, behaviours, managerial styles, cultures and capabilities will all be affected (Devine & Hirsch, 1998).

This publication is aimed at senior managers (at board and director level) and staff of NHS organisations which are currently, or likely to be involved in merger activity. Key issues for NHS organisations to consider at each phase of the merger process are covered and supported, where possible, with examples of practical approaches which have proved useful to other organisations.

Mergers - points to consider

The way people are handled, *all the way through* the merger process and *for two years or more afterwards* is the crucial determinant of success or failure.

Many aspects of managing mergers are extensions of good management practice - but applied in extremely demanding circumstances requiring high calibre leadership for success.

Mergers happen infrequently in most top managers' careers, so few have prior experience of leading them even if they have been involved previously.

The approach and skills required to merge organisations are in many respects similar to those required for the management of change generally - only much more so. The difference is in the speed of change, the scale of change, and the critical mass of the unknown. This is particularly so when restructuring of services is planned alongside the merger.

Not recognising or paying enough attention to the human dimension leads to political infighting, disrupted lives, loss of trust between staff and managers, loss of valued employees, slipping performance and lost opportunities for organisational learning.

The concept of a merger of equals is almost always a myth. One partner is usually seen as dominant, even if only in size. Almost invariably, one set of staff will feel as if they have been taken over by the other.

Culture clashes between the joining organisations are commonplace, and will often become the main reason for failure if they are not recognised, and managed well.

Almost all mergers and acquisitions cost more, achieve less and take longer to recover from than was anticipated.

Before the merger

HR strategy is important during all stages of mergers and acquisitions and needs to be addressed as early as possible in the merger process, and *followed through during all stages.*

Good communication, more communication and yet more communication is the only way to prevent rumours becoming the most important source of information to employees.

The synergy anticipated as a result of a merger will not be realised if the top team is in conflict.

A close look at the cultures of the merging organisations may reveal significant differences in basic management styles and values which could prove problematic.

During merger negotiations

Most people are unrealistic as to how much work will be involved. Management teams are invariably over-confident about the ease and speed with which they can achieve integration. Their focus is often on the

ultimate benefits to be achieved and the technical and financial issues involved. Much less importance is given to the human or emotional aspects of the merger. Creating a separate management role to look after the merger process itself, i.e. how the merger and staff are handled, may help to improve the situation.

Top managers from each of the merging organisations should be clear, agreed, and explicit about their objectives and communicate them well. Frequent and repeated communication is necessary and must be open, honest, two-way and relevant to employee concerns.

The benefits from the merger cannot be achieved without properly supported staff.

After the formal merger

The periods just before and particularly just after the formal coming together of the merging organisations are critical. Words and actions at this time set the tone for expectations in the new organisation: *therefore say what you mean, and mean what you say and do.* Think carefully about the symbolic as well as the practical interpretation staff will place upon your early actions and comments, both formal and informal.

The need for and benefits of a merger may not be readily understood or accepted by many staff, and this may make them reluctant to go along with it. Fear of change is nurtured by rumour, concerns for personal and job security and apprehension about loss of autonomy and changing work practices.

Part of the inherent difficulty in merging is that the organisations which encouraged staff to develop an identity and sense of belonging are now asking the same people to change allegiance. Expect, allow for and support a grieving process for the loss of the past.

The roles, behaviour and attitudes of all managers make a fundamental difference to how well employees cope with the changeover and adjust to life in the new organisation.

Middle managers and professional staff are most vulnerable during this period, and special provision for their support should be made.

Employees are often hit by waves of anxiety and need to be supported throughout the transition into the new future.

In the longer term

Organisations and the people in them usually take at least two years to adjust to the impact of a merger. There are different stages within this, and different issues matter most in each stage. Clear signals should be given to the workforce as each milestone is completed.

In the NHS, parts of different sites or different services may need to find different ways and cultures for working together. But this should be planned and managed - not just left to evolve haphazardly.

PART ONE: Introduction to mergers

Mergers are not a totally new phenomenon in the NHS, but many senior managers and staff will be experiencing a merger for the first time. In recognition of this, this publication is divided into two distinct parts. Part One provides an introduction to mergers and key issues for NHS organisations to consider throughout the merger process. Part Two provides practical guidance and strategies for supporting staff through all phases of a merger. Ideally, the two sections should be read in sequence, but if this is not possible, it is advisable to consult the executive summary before moving directly onto Part Two.

1 The context

What is a merger?

A full merger, as defined here, is the coming together into a single corporate body of two or more previously separate organisations. In the NHS, as in the commercial world, mergers are being attempted with increasing frequency in the late 1990s. This report focuses on NHS trust mergers and on mergers of health authorities. Although Primary Care Groups (PCGs) are in some ways similar, and may find some of the findings documented here of relevance to them, they are not the focus of this work.

Is there an alternative?

It should be noted, however, that a full merger is not always the only (or best) option available; if only parts of the organisations need to combine forces, it is worth considering if it is necessary to put all the other parts through the strains - and the risks - of a full merger. The benefits may be obtainable in less drastic ways. Marks & Mirvis (1998) describe a range of commercial sector alternatives: ranging from licensing, through alliance and partnership or joint venture, to full merger or acquisition.

Alternative options to a full merger within the NHS include service restructuring and joint appointments for key staff (e.g., consultant staff, senior nurses, or managers having contracts with two or more trusts, or joint NHS and academic appointments), joint funding and/or management through a legally constituted sub-committee of two or more parent organisations (e.g., HA and Social Services pooling funds for a joint service), and sometimes aspects of Private Finance Initiative (PFI) schemes.

However, it is worth noting that alliances can have an even higher failure rate than mergers, although the consequences of failure may also be less dramatic (Cartwright and Cooper 1994).

NHS Mergers on the increase

More and more mergers are taking place in the NHS. In England alone, 22 mergers were formalised on 1 April 1998, and more are expected in the financial year beginning 1 April 1999 (Crail 1999). As each merger involves at least two organisations, and some three or more (so far, mostly NHS trusts, with only a few health authorities), almost fifty NHS organisations will have merged in each of the last two years. This constitutes about one fifth of trusts in England.

For a significant proportion of trusts and any English health authorities now merging, this may well be the second or more such combination of organisations in the past few years. In several cases, trusts were formed by combining previously separately managed units, while health authorities were formed by combining district health authorities (DHAs) and family health service authorities (FHSAs).

In its rush to merge, the NHS is not alone. Commercial and industrial mergers continue in Britain and the USA at a pace which has picked up since the early 1990s slump following the heady boom years of the 1980s. In Britain, there were over 180 public company sales in the first half of 1996 alone, and in the United

States over 200. They represented very large amounts of capital - $37 billion in the whole of Europe, and around $1300 billion in the US.

Government departments and other public sector bodies are also merging - and, in at least one case, re-merging again, as in the Department of the Environment, Transport and the Regions (DETR) which is bringing together again Environment and Transport following their separation in the 1970s. Also, the new Environment Agency has been formed by merging several previously separate organisations concerned with environmental protection, water management, and safety inspection (examples taken from Devine & Hirsch 1998).

Common driving forces behind NHS mergers

Three main reasons seem to be behind the decision for most NHS trusts to merge:

- a method for achieving strategic change and more effective service delivery
- better service integration through restructuring
- reduction in management and operational costs (Crail, 1999; Healy 1999 & Whitfield, 1999).

In addition to this drive for improved service delivery, integration and cost savings, the government's primary care agenda is also considered to be a catalyst for trust mergers. As one Project Manager for a merger of two trusts concluded: *'In future, trusts are going to take a back room, supportive role. PCGs are going to be the front of the NHS... (the) merger will usher in new ways of working for trust managers'* (Crail, 1999). Whatever the reason driving the merger, it is clear that staff are central to the achievement of all of the above goals.

Considering the effects of mergers on staff health

Mergers are an example of challenging staff to their limits which is why their health throughout this process is a major concern. There is now a stated commitment and framework for making the NHS a better place to work (Working Together, Department of Health 1998). This document recognises that 'the best employers - in the NHS and outside - know that to obtain the best from their staff they must gain their trust and treat them fairly and keep their promises to them' (section 2.3 para 3).

Mergers top list of staff health concerns

Mergers (and acquisitions) can be seen as extreme examples of organisational change. They differ from other aspects of organisational change in three important ways: 'the speed of change, the scale of change and the critical mass of the unknown that they present for both parties' (Cartwright & Cooper 1994).

Research commissioned by the HEA (Caspe Healthcare Knowledge Systems, CHKS, 1999, HEA) shows that management of organisational change is top of the list of staff health concerns, because it can cause high levels of mental ill-health. These findings reinforce an earlier HEA-commissioned survey of NHS staff health at work (Bevan & Seccombe, 1997, HEA). Five out of the top six staff concerns, expressed by three-quarters or more of the staff, were about the way change is managed.

In managing change, staff want managers to:

- communicate more openly with employees
- train supervisors and managers to be more sensitive to employees' concerns
- provide better quality information about changes in the running of the organisation
- provide or support stress management training
- give better information about changes in the NHS.

This is borne out in more detailed qualitative research as part of the same research programme (Sang & McClenahan, 1999, HEA).

Exceptional leadership key to merger success

Over the decades, much has been written on the impact of mergers in the commercial and industrial sectors. However, for most merging

organisations, their merger is a once-in-a-management-generation event, and the leaders of the merger have had limited previous experience to guide them. Consequently, failure rates are often high.

Effective leadership of a merger is in many ways just good leadership - but applied in unusually demanding circumstances. Even the most optimistic estimates in commercial mergers suggest that fewer than half succeed, and most estimates put the success rate at 15-20%. Unless a merger is led exceptionally well, it is unlikely to succeed in its aims. The way in which people are handled, all the way through the merger process and for two or more years afterwards is the crucial determinant of success or failure (Cartwright & Cooper 1994).

So how can the NHS do better? The HEA hopes that this publication, by providing a summary of evidence found in other literature, will equip NHS leaders involved in merger with clear examples of the common causes of failure as well as ways in which the organisational aims of the merger can best be achieved, while at the same time sustaining the health of the staff involved.

2 Mergers and their impact on staff health

All mergers have negative short term effects on staff health

All mergers involve complex systems of organisations and people, whether they are between banks, computer firms or healthcare organisations. Commercial organisations have had many more years experience than the NHS in dealing with mergers and acquisitions. Research into their experience also has a long tradition, going back to at least the 1960s and 1970s. Given the difficulties revealed in the research that they (still) have in bringing mergers to a successful conclusion, it is clear that mergers pose a significant challenge to the healthcare sector.

For the staff it may become a life-changing event. For some staff it can easily become a health-threatening event. Appropriately directed efforts by the organisation to sustain the mental and physical health of its employees throughout the merger process can enable staff to emerge from the process relatively unscathed, and their organisations to achieve their merger aims. The NHS has much to learn from the many pitfalls outlined below.

Good management helps people throughout the merger process

It has been suggested that selecting an appropriate merger partner has similarities with selecting a life partner, including:

- initial optimism
- blindness to any undesirable qualities in the other partner
- an over confident belief that any differences will be resolved as one partner adapts to the other post-combination (Cartwright & Cooper 1994).

However, for some organisations there is little or no 'choice' of partner (the phrase shotgun wedding comes to mind). Indeed, the concept of a merger of equals is almost always a myth. One partner is inevitably seen as the stronger, even if only in size. It seems almost inevitable that one set of staff will regard themselves as 'taken over' and suffer the ill effects of the merger to a greater extent. Careful management is required to avoid feelings of hostility, which may be exacerbated if the acquired organisation has competed directly with the acquiring organisation. Even ten months after a merger employees still spoke of two high street banks as 'we' and 'they' (Covin et al 1996).

There is commonly a lack of realism about how much work will be involved. Management teams are invariably over confident about the ease and speed with which they can achieve integration. Their focus is often on the ultimate benefits to be achieved and the technical and financial issues, whilst leaving the human aspect to look after itself.

A recent study (Devine & Hirsch 1998) of past experience of mergers and acquisitions revealed:

- the roles, behaviour and attitudes of managers make a fundamental difference

to how well employees cope with the changeover, and adjust to life in the new entity
- employees are often hit by waves of anxiety and need to be supported throughout the transition
- culture clashes between the joining organisations are inevitable and often become the main reason for failure

HR strategy is vitally important during all stages of mergers and acquisitions and needs to be addressed as early as possible.

Organisations can take years to adjust to the impact of a merger. There is a growing consensus that the whole process takes at least two years (Cartwright & Cooper 1994). This period needs to be seen in different stages, with an awareness of the different issues to be addressed in each, and for clear signals to be given to the workforce as each milestone is completed (Devine & Hirsch 1998).

Attention to cultural influences

Any major change programme provides a stimulating challenge for many senior executives. Enthusiasm and energy are a prerequisite for tackling a merger, but the excitement generated tends to overshadow more practical aspects such as the feasibility of bringing two or more organisations together where there is a considerable difference in culture.

Top management teams' commitment to the integration process has a major influence on the motivation of other employees in the organisation. The synergy anticipated as a result of a merger will not be realised if the top teams are in conflict. Enforced integration does not work, and if the culture of the stronger party is imposed, tension, distrust and annoyance will result (Weber & Schweiger 1992).

Recent research confirms a continued lack of information gathering on the issue of organisational/cultural fit prior to completing the deal (as quoted in Cartwright & Cooper 1994). A closer look at the culture of an organisation may reveal significant differences in basic management styles and values. This will give a more realistic appreciation of compatibility and the scale of difficulties. The company GE Capital decided to walk away from a potential merger very late in the proceedings, despite favourable financial prospects, when it was realised that the differences in management culture in the target company could make integration difficult and contentious (Ashkenas et al 1998).

Communication and more communication is key

The need for and the benefits of a merger may not be readily understood or accepted by many employees, and this may make them reluctant to go along with it. Fear of change is nurtured by rumour, concerns for personal security, and apprehension about loss of autonomy and changing work practices. The management team will have an up-hill struggle to achieve integration if they do not respond to these understandable and very human problems. 'Even people who are unhappy about the outcome of a process will have less dissatisfaction and fewer dysfunctions than they might otherwise have if they understand the process through open communications and see that it was fair ...' (Schweiger & DeNisi 1991).

Top managers should be clear and explicit about their objectives and communicate them well. Open, honest, consistent, relevant, two-way and above all frequent and repeated communication to employees needs to be at the top of their agendas before, during, and for a long time after a merger. In the emotionally charged atmosphere which develops during a merger, it is very easy for the 'rumour mill' to take hold.

One carefully designed and ethically implemented research project examined the impact of good communication in the merger process. Two matched plants in one of the merging companies were studied. One received no more communication than was normal for the parent company to provide. The other received a more intensive - but still realistic - programme of communication (Shweiger & DeNisi 1991).

Immediately following the merger announcement staff in both plants shared an increase in anxiety and a decline in job satisfaction, commitment to the organisation

and trust in its managers. However, these effects gradually lessened for the employees benefiting from the increased communication. After three months the level of trust and commitment returned to nearly their pre-merger levels in the plant which had received more intensive communication. In the other, levels remained low, and had only recovered slightly by the end of the three-month study period.

Keep the human dimension central throughout the merger process

During the changes that occur during the merger process, the stresses and tensions of everyday organisational life are greatly intensified (Buono & Lombardi 1996). Every small detail of change is noticed and interpreted differently by individuals. Any inappropriate or ill-judged behaviour by a senior manager can have a major adverse effect on staff morale (Devine & Hirsch 1998). Even when change is wanted and viewed positively, staff experience stress, uncertainty and a sense of loss. The type of issues that are at the forefront of employees minds once the merger has been announced are summarised below. This will be true for staff at all levels, including those who are very actively involved in the merger process.

Will I:
- have to relocate?
- be able to work with the same colleagues?
- have control over my job?
- lose my job?
- have to take on more work than I am capable of handling?
- have to take a pay cut?
- have to learn new skills?
- have to take on jobs that I have not been trained for?
- be forced to take a demotion?

Will:
- my friends and colleagues lose their jobs?
- the new organisation be a good place to work?
- the culture of the organisation change?
- I fit in with the culture of the new organisation?

(Adapted from questionnaire in Schweiger and DeNisi 1991.)

What has been described as 'emotional waves' can occur unpredictably throughout the merger process, affecting different groups at different times, and even quite late in the process. Organisations which once encouraged staff to develop an identity and sense of belonging are now asking the same people to change allegiance. The sense of bereavement about the loss of a company name or logo is often under-estimated. There can be a feeling of worthlessness or being sold as a commodity. Failure to recognise and address legitimate staff concerns can lead to political infighting, disrupted lives, broken trust between staff and managers, loss of valued employees, slipping performance and lost opportunities for organisational learning (Devine & Hirsch 1998).

Higher risk groups

The type of human issues that need to be anticipated will vary enormously from one merger to another. The way in which different groups of staff react will vary depending upon their seniority, autonomy and potential employability elsewhere.

Some staff groups are likely to be at particular risk:

- top managers whose future is insecure following the merger, but who may be in a 'macho' or 'performance' culture unwilling to admit vulnerability (their own or others), and hence act in a way which is positively unhelpful to others as well as to themselves
- middle level managers and professionals having simultaneously to cope with pressure from above, worry about their own job security or promotion prospects, manage merger-induced change, and throughout all this try to support the staff who work for them
- people most highly threatened by redundancy - e.g., in functions, departments, or sites in which cost reductions are promised from the merger.

Many managers will be pushing through the merger process whilst maintaining the everyday business. Managerial competence and endurance levels will be stretched. Loss of

managerial autonomy is regarded as significantly more important than changes in pay and benefits and cited as a major reason for staff leaving merging organisations (Cartwright and Cooper 1994).

A loss of key staff may result from a lack of clarity about whose jobs are at risk, or undue delay in settling top level appointments. Covin et al (1996) noted that 58% of managers in an acquired organisation had left within five years.

Self-protective behaviours lead to a variety of other regressive acts by employees. Some become detached, and less inclined to communicate. Others go on the offensive, hoping to manoeuvre themselves into a position of greater power and prestige. The focus on integration is easily lost and it is more difficult for management to predict how staff will react when their behaviour becomes based more upon emotion than on logical or rational thought (Marks & Mirvis 1998).

Key issues for NHS organisations

Merger management

Merging healthcare trusts is somewhat analogous to major transplant surgery. Cutting into vital organs, disrupting the blood flow, drugs to prevent rejection, intensive care, counselling and rehabilitation are all stages experienced before the benefits of a new quality of life are achieved. Surgeons take years to gain the technical expertise and an understanding of the physical and emotional pain to which patients will be subjected.

NHS managers also gain expertise over time in managing change and, in many respects, the approach and skills required for merging NHS organisations are similar to those applied to any change management programme. But there is a difference. A surgeon dealing with minor surgery is not expected 'overnight' to be ready to undertake a transplant. The difference is in the scale, speed and uncertainty of change.

Merging trusts is a very considerable undertaking. Where reconfiguration of services are planned to take place in parallel, the magnitude increases. This is further compounded if additional pressures exist such as a political imperative to move quickly, one of the partners still feels the impact of a previous merger, or a merger comprises more than two trusts coming together.

Continuing the transplant analogy, all of the stages in surgery and rehabilitation need to be followed through in a reasonably coherent sequence and the patient treated holistically, if the chances of survival and realising the full potential of a revitalised life are to be achieved. Similarly with merging trusts it is vital to understand the different phases of a merger, and the impact it has on every individual employed by the organisations involved. As in the early years of transplant programmes, survival or high quality life are *not* guaranteed.

Paving the way at Pinderfields and Pontefract

Two trusts with very different cultures merged, aiming for rationalisation of services and the proposed rebuilding of acute hospital facilities. This was a major change scenario with disruption set to continue for several years. Despite this, absence rates and turnover have remained remarkably constant over the last two years. This been achieved by a multi-faceted approach, and a strategy that places open, direct communications with staff at the heart of 'organisational health'. Anne Baird, Human Resources Manager, says: *'We felt we had to gain staff confidence that if there was something to be shared we would share it. And that would mean that if nothing had been said or we said we didn't know, that was also the case.'* Part of this approach includes:

- involving the unions within a joint consultative committee specifically designed to address the merger issues
- keeping staff informed with a monthly Team Brief from The Trust Board supported by verbal briefings from line managers, training on Team Briefing to encourage feedback from staff, open meetings with the Chief Executive and Chairman, and putting staff feedback as a regular item on the board agenda
- providing a 24 hour confidential hotline and publicising answers to queries using e-mail and the intranet
- bringing staff from all the sites together at social events (examples include five-a-side football, quizzes, an Irish ceilidh evening, etc.)
- extending the role of the Occupational Health Department to help staff develop coping strategies in the face of continuing change
- using external measures to evaluate the process (including an audit of quality standards by the King's Fund Health Quality Service, and applying for Investors in People status).

'It's about creating a working environment where people feel valued and where they feel they can influence events; and where they can't, they're at least given information so they can decide how they're going to respond to circumstances.'

Cultural sensitivity

When considering the likely impact of mergers within the NHS it is appropriate to reflect on the context in which staff have worked in recent years. Whitfield (1998) quoted managers at a public meeting to explain why a merger had failed to generate promised savings, as blaming many of the problems encountered during the merger on the *'highly competitive environment of the NHS at the time' (p.16).*
Other examples include:

- heavy workloads and recruitment difficulties (especially in nursing)
- a change of ethos moving into, and now away from, the internal market
- local restructuring and rationalisation of services within trusts
- the volume of centrally driven, and sometimes contradictory, priorities
- the high levels of stress observed in NHS staff (Borrill et al 1996)
- the priority staff give to the need for good communication (CHKS 1998)
- the importance to staff, and perceived lack of, autonomy, managerial support, feeling valued and maintaining a healthy balance between work and personal life (HEA 1998).

Communications

Even in times of stability it is not easy for organisations to sustain a communications strategy which is regarded as effective by all staff. Communication is an issue with which the NHS struggles (see for example Greg Dyke's 1998 paper on the New NHS Charter) and has an implication for staff health.

In surveys carried out in 14 NHS Trusts (Bevan & Seccombe, 1997, HEA) staff were asked what would most help to improve or sustain their health at work. The results show that staff gave greater priority to organisational matters than to issues of individual health and lifestyle. The two areas to emerge of most importance were the need to communicate more openly with employees and to train supervisors or managers to be more sensitive to employees' concerns. Several of the Trusts involved had either been, or were currently undergoing mergers. The report goes on to suggest that some of the findings reflect frustration or satisfaction with the way change, and communication about change, has been managed. Others suggest that some employees are concerned about the extent to which senior managers take account of the impact of change on the workforce.

A practical example reported by an occupational health colleague explained the value in his organisation of having produced a public timetable, widely distributed, so that people knew when to expect things to happen. It helped to scotch rumours and suspicions that things were being done in secret, to be able to point to the timetable and say 'we don't expect decisions on changes in this area to be decided until ... [whenever].'

Good HR management

Major change programmes, including mergers, were a feature in nearly all of the trusts participating in the HEA's Health at Work research programme (CHKS, 1999, HEA). The findings show that while much managerial effort is focused on the change programme, few trusts appear to recognise the value of using workplace health activity as a means of reducing harm to staff's physical and mental well-being while at the same time achieving change *'... the merger won't help health at work. It's definitely the wrong time to get managers to be more enthusiastic about such issues. Their focus will be on self-preservation.'*

Common ground for the NHS and other sectors

Many of the problems encountered in commerce and industry are already reflected in merger experience within the NHS.

Examples of problems reported in the NHS include disbanding the merger team when the merger was formalised (just as it became most needed); losing all continuity of top management, as there was a wholesale replacement of the top teams following the merger; and lack of opportunity to value the past and grieve for its loss. However, in one merged trust a few months after merger, the retirement party of a long-serving staff member allowed an unplanned but valuable opportunity for reminiscence which helped the healing process.

Another respondent thought that existing counselling services should be strengthened. However, she said, if there is no existing service, it may be better to direct people to an existing service with a good reputation, in another local organisation (e.g., a neighbouring trust, university, or local authority) rather than trying to set one up from scratch. A new service would provide no basis for staff to feel secure in its confidentiality or expertise, just when that is most needed.

Other issues are summarised in the table on page 11.

Selective experience from respondents in NHS mergers

Example Issue	*Several trusts in process of merging*	*Two trusts recently merged*	*Two trusts post merger*
Merger fatigue	One of the trusts is on its fourth merger in 5 years		High probability will de-merge in near future
Communication	Joint appointments to improve communication Open forums for staff and public with CEO present Team briefing	One trust gave lots of communication, the other none at all Senior managers started rumours	Lack of continuity due to delay in appointment of senior staff
Culture	Staff in small 'cottage hospital' feel taken over by dynamic acute trust	Cultures totally different	Loss of whole top management teams
Staff support	Health at work given a high priority by only one partner	Independent counselling available but no take-up at director and senior manager level	Excellent counselling service halted during merger process - just when most needed
Identity	Staff, local people and outside agencies alienated by a new organisational name	Importance of new name	
Morale	Loss of staff due to lack of permanent contracts, lack of clarity about whose jobs would be affected and delay whilst final decisions were taken	Staff demoralised by outcome such as directors appointed from the trust which had failed to rectify its deficit	Merger feels unfair and demoralising for the workforce who had made a success of change to Trust status
Managerial pressure	Merger taking place alongside service reconfiguration	Expected to support staff whilst own jobs were in jeopardy	Expected to support staff whilst own jobs were in jeopardy

(Source: selective telephone feedback from NHS respondents to request in HaWNHS newsletter 'Working Well'.)

3 Stages in mergers

ALL stages matter to success

The whole process of merger influences the outcome: from inception to several years after the combination is made. Most authors distinguish three or four distinct phases, though they may give them different names.
We describe four phases:

- Pre-merger discussions
- Formal negotiation and agreement of terms
- Post-merger (the first few months after formalisation)
- Long term 'living together.'

Marks and Mirvis (1998), describing essentially our first three phases, characterise the difference between typical, and successful, approaches (in a sample of banking/ finance mergers):

Phase	*Typical emphasis*	*Successful emphasis*
Pre-merger	Financial	Strategic
Merger	Political	Merger planning
Post-merger	Damage control	Merger management

The issues vary at different stages

The same authors offer (in their Exhibit 12.2 below) a useful top level summary of the issues and questions that dominate each of the phases before, during and after the merger process.

Learning from each phase in a merger

	Pre-merger	*Merger*	*Post-merger*
The issues	The extent to which people understand the purpose and promise of the merger The ways in which people anticipate being affected by the merger	The quality of planning and decision-making The creation of a new organisation by design or by default	The extent to which people are prepared to contribute to the new organisation The extent to which individuals, teams, departments and functions are aligned
The question	Are the benefits understood?	Is a better organisation emerging?	Do people have what they need to get focused on work and perform at the desired level?

PART TWO: Strategies for supporting staff through a merger

This section provides practical guidance on how to support staff through each of the four phases involved in a merger. These include: pre-merger discussions, formal negotiation, post-merger and longer term 'living together'. After a brief discussion of the main issues associated with each phase, the text identifies key messages and a range of practical approaches that can be followed. By adapting these approaches, a trust or health authority can fulfil its responsibility as a good employer, and assure (as far as possible) a successful future for the new organisation.

4 Strategies for sustaining workplace health

All mergers are difficult and stressful for almost everyone affected. On the basis of evidence of good practice from other sectors, you should aim to:

- have a clear and explicit rationale for why the merger is being attempted
- communicate that rationale simply, intelligibly and honestly, and above all *repeatedly and for a long time (up to two years)* to the wide range of interested parties - many different staff groups in all merging organisations, union representatives, local HAs and region, neighbouring trusts and GPs, Community Health Councils (CHCs), the local public, and local politicians
- manage the merger so well that the inevitable dip in performance just before and for months after the formal merger is minimised - by multiple channel and two-way communication with staff, focussing on delivering short term benefits (within the first 6-18 months), and respecting all staff affected
- plan for *and resource* the extra workload for top management, departments or locations most affected by the merger
- decide early on top level positions, and clarify as quickly as possible whose jobs will be at risk or otherwise most significantly affected
- provide explicit and helpful career guidance and outplacement support to staff who lose their current jobs

With effective leadership and good planning, you can rebuild staff morale and performance within about two years, and achieve most of the anticipated benefits within two to five years.

Phase 1. Pre-merger discussions

In this initially informal phase, the parties to the prospective merger explore and begin to define the rationale for merger, the degree of 'strategic fit', the cultural similarities and differences between the organisations, and the nature of the association and benefits sought from the merger.

Common reasons for merger

In commercial and industrial mergers, a wide range of reasons may drive a merger (Marks and Mirvis 1998). In spite of long-standing evidence that mergers are rarely successful, the sheer excitement for top management initiators, the possibilities of career advancement or personal reward, the prospect (for professional advisers) of substantial fees, and a potential boost to the share price, seem to provide more than adequate incentive for further mergers to be attempted, especially in periods of economic growth.

Most NHS mergers seem to be driven by one of a smaller number of reasons, dominated by 'resource sharing', 'risk sharing' and 'service diversification'. NHS examples include:

- cost reduction, notably through board and senior management staffing reductions, site rationalisation, and combination of 'overhead' functions such as finance, HR, estates, communications and IT systems, and staffing. The formation of Primary Care Groups (PCGs)

will increase the pressure on HAs to merge as they lose more and more of their present functions to the PCGs. However, estimated management cost savings (said to amount typically to £200-300,000 per merger in the NHS) can easily be outweighed by the performance dip and loss of management focus during the post-merger period
- risk reduction through pooled medical staffing and other on-call cover, and meeting more stringent Royal College training accreditation requirements
- service restructuring driven by economies of scale in the use of expensive facilities and equipment, the need to provide more local access for non-inpatient services, or technological change, or increasing clinical and research specialisation with the requirement to pool scarce specialist staff (including public health and commissioning staff in HAs).

Conclusion of pre-merger discussions

This initial stage commonly concludes with a public announcement of the intention to proceed with merger, or a private agreement not to proceed. Sometimes, media interest or intense speculation may require public calling-off of further negotiations.

The message for top NHS managers considering a merger

Think VERY carefully and honestly 'Why are we, and why am I, doing this? How are we going to explain the purpose intelligibly to others? What are we going to do to support staff through what will be for them particularly, months or even years of anxiety, uncertainty, and increased stress? How likely is it that the anticipated benefits can be realised in practice?'

Approaches that seem to help

- Make sure, if at all possible, that all staff in all the merging organisations hear very quickly of the intention to explore merger first from top management (not from the media), in person. This means an intense series of meetings with all staff groups over one or at most two days (and remember to include briefings for shift-working and part-time staff). It may be of practical and/or symbolic significance who delivers the news - think about the messages this will send.
- Set the right tone from the start and pay particular attention to the symbolic significance of early actions, and how staff will interpret them.
- Be honest and open about what is not yet known, as well as what is, and ensure that ALL who give the briefings tell the same story about WHY the merger is being considered.
- Supplement the personal briefings with written material for those not able to attend.
- Don't make promises you can't keep; make sure that any you do make are kept to the letter so as to avoid creating mistrust in the future.

Phase 2. Formal negotiation (and public consultation in the NHS context)

Success is governed by a combination of strategic fit and organisational fit

The success of a merger is governed by a combination of *strategic fit* and *organisational fit*, according to Cartwright & Cooper (1994). The former is effectively about choosing the right partners, with a good match between their respective strengths and weaknesses, and is traditionally the focus in the pre-merger phase of commercial mergers. (Given the geographical concentration and local near-monopoly of most NHS organisations, the choice of merger partner is rarely wide).

The latter is effectively about *making the chosen partnership work well,* and includes consideration of 'how well the partnering

organisations are matched in terms of their administrative systems and procedures, demographic characteristics, managerial style, and organisational cultures' (ibid, p50).

They suggest that equal attention should be paid in advance to investigating the degree of organisational fit, and quote evidence that the better informed the partners are in advance, the more likely they are to pick a successful partnership.

Issues in successful mergers

Strategic fit	*Organisational fit*
Choosing the right partner	Making the partnership work
Complementary strengths and weaknesses	Matching systems and procedures
Financial expectations	Demographic characteristics
	Managerial style and compatible cultures

In horizontal mergers (the commonest form in the NHS) 'members of one culture commonly try to dominate members of the other.' The more willing the staff in an organisation are to abandon their old culture, and the more attractive the other culture is perceived to be, the more likely is a smooth transition to full assimilation (ideally in both directions). Otherwise, outcomes can range from alienation of one group, through separation (preservation independently of both cultures) to integration by dominance - usually with the departure of many members of the dominated, and some of the dominant, staff groups.

Merger outcome possibilities

Perception of the attractiveness of other culture	*Willingness to abandon old culture* High	Low
High	Assimilation	Integration by dominance
Low	Alienation	Separation

Commercial merger errors

At this stage in commercial and industrial mergers, it is common to involve not only the top management teams of the merging organisations, but a host of specialist external advisors. Much expert attention is paid to defining and quantifying the anticipated benefits, and to 'due diligence' in examining all parties' financial and operating figures and legal position.

Generally, insufficient attention is paid to HR and other 'people' issues. Only informal consideration tends to be given to matters such as 'cultural fit,' and how the people issues will be handled. However, the crucial importance of involving HR considerations early on is becoming more widely recognised.

Because so much of the success or failure of the merger to achieve its potential depends on the attitudes of the staff affected, now is the time you need to start planning in detail how their concerns and interests can best be looked after. If you lose them, you may lose it all.

Weak points to avoid

Typical weak points in the formal negotiation phase include (Marks & Mirvis 1998):

- unclear strategy (lack of clarity about the rationale)
- acquisition to shore up a weak core business
- poor combination strategy (lack of forethought about how to manage the merger process)

- pressure (from headquarters) to 'do a deal' (any deal, not necessarily a good one)
- hurried 'due diligence' (inadequate attention paid to potential pitfalls, or limiting investigation just to confirming instinctive initial impressions - proving what you already believe)
- overvalued targets and overestimated synergies, prospects and returns.

Learning from past mistakes

Some organisations have developed an approach which learns from their past. GE Capital Services, originally a financial offshoot of the US General Electric company, has conducted so many acquisitions over the past decade that it has developed an approach which incorporates their learning from previous failures and successes. They refer to it as 'the wheel of fortune' (Ashkenas et al 1998 - see the (adapted) diagram below).

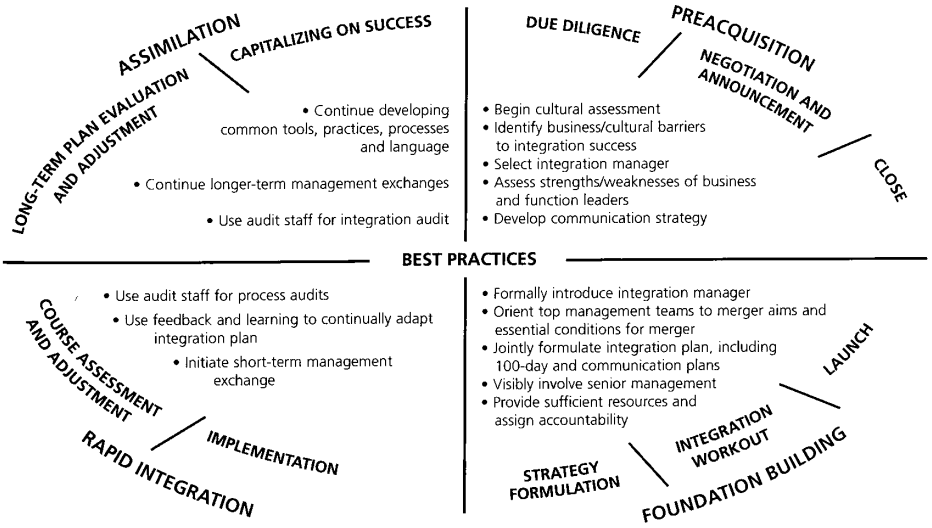
Some terms used in this diagram may need further explanation. The 'integration workout' referred to in the lower right quadrant is a rapid series of meetings between groups of senior managers and their counterparts in each merging organisation. These meetings are held as soon as possible after confirmation of the decision to go ahead with the merger, and are used to explore cultural and practical issues of integration of their respective areas, and to plan and initiate actions for the first few months post-merger, including a communication strategy for their staff groups.

There is no simple formula for identifying cultural differences. Potential issues include:

- personal leadership styles (e.g., authoritarian vs. participative) and learning style preferences of the top teams, and other senior staff
- what values are espoused, and how far they are acted upon, in different parts of the merging organisations
- attitudes to decision making and delegation (how much autonomy staff are accustomed to exercising at different levels; whether the management style is centralist or devolved)
- what is managed tightly, and what loosely, in the respective organisations
- attitudes to risk taking, and what happens when people make well-intentioned and genuine mistakes - praise for the attempt, or blame for its failure (at the extremes)
- the speed, openness and manner of communications in both directions with staff at all levels.

Later, in the Assimilation phase, 'integration audits' are used to review how (perhaps even whether) these differences have been addressed, and to plan any further action required.

Figure 1. The GE Capital Wheel of Fortune



The message for top NHS managers in formal pre-merger negotiations

This is the time at which to reconsider and quantify the anticipated benefits of merger, sharpen the messages to be conveyed to staff, other organisations affected, CHC(s) and the public, and take a final hard look for potential 'roadblocks' which could make nonsense of the intended merger. Before the public announcement, ensure that top management teams are agreed on why the merger is considered worthwhile.

Public consultation should be completed. Informal accounts of experience to date suggest that public concern has been limited, unless there is simultaneously a threat to valued local services, particularly A&E.

Approaches that seem to help

Take account of public feedback, and explain via the media, CHC(s) and local interest groups what can be done to respond to public concerns, and why other things cannot.

Make detailed plans for extensive two-way communication with staff to continue for many months post-merger, by the widest possible variety of means e.g:

- organise team briefings (try to make sure they reach everyone and allow for questions to be asked upwards, and answered)
- instigate walkabouts by top management
- write sections in existing staff newsletter if there is one (or initiate a special merger newsletter) every month or two; support with supplementary communications as needed, e.g. using a distinctively coloured paper
- encourage suggestion schemes
- set up meetings with staff groups about to face imminent change in their part of the organisation
- set up a telephone 'rumour-scotching hotline', with questions and answers posted on notice boards around the organisation
- proactive management of information fed to the media.

Put in place methods for assisting the different staff groups and individuals who may suffer 'waves of anxiety' at different times as the impact of changes hits them in particular.

Give assurances (if you can) of 'no compulsory redundancy' - and reiterate them (staff will find it hard to believe, and will feel doubly mistrustful if it is subsequently not true). If you *cannot* give these assurances, it helps to be clear at least about a realistic and staged timetable for decision-making about future posts, and the process for filling them, in different parts of the future organisation.

Establish or strengthen existing methods for career and stress counselling, and provide access to outplacement services for those whose present jobs will or may be lost.

Obtain additional resource to help both to manage the merger and continue normal operations through the typical 'performance dip' which follows the announcement.

Establishing a merger co-ordinator or 'merger integrator' whose job is to manage the process of merger effectively. This is a different role from that of the line management who will be

attempting to deliver the benefits from the merger. A few NHS staff are gaining experience in such roles, and you may be able to find one to help your merging organisations.

Announce simultaneously or within a few days of the final decision to merge, how the top management posts in the new organisation will be filled, thereby minimising staff uncertainties about who will be in place to take much needed decisions.

Watch out for the interpretations staff will put on who gets early appointments, and from which organisation.

Celebrate the past of all merging organisations, coupled with expecting grief for the loss of it - and supporting staff through that grief.

Phase 3. Post-merger

Early actions set the tone

The periods just before and particularly just after the formal coming together of the merging organisations are critical in forming early expectations. They set the tone for what must follow over the coming months and years. Remember the strong symbolic significance of early management actions, and the intense hunger staff will have for any clues about how the future will be different from their own past. Because of this hunger, all top managers and senior clinical staff must work particularly carefully at this time. Say what you mean, and mean what you say and do, in the early days. Even informal remarks may be misinterpreted, or attributed a significance that was not intended.

Consider what type of partnership will best suit you

At this point, if not before, it is worth considering explicitly what type of new partnership you seek. Cartwright & Cooper (1994) suggest three increasingly close forms of partnership:

open: partners retain high autonomy and cultural separation, subject to meeting expected targets, with minimal changes perhaps limited to administrative and reporting systems and - in the NHS context - merged top management

traditional: the acquired or non-dominant partner adopts or adapts to the culture and practices of the dominant partner

modern or collaborative: in which there is high mutual respect, no dominant partner, and a meaningful commitment to create a 'best of both worlds' culture, with exchange of best practice and close collaborative working.

In the NHS, different services and/or sites might find different types of partnership best for them, rather than needing or trying to impose a uniform style for everyone. However, this needs to be planned and managed, not left wholly to the discretion of the constituent parts.

Actions speak louder than words

This is true at any time, and particularly now. One of the quickest ways to lose staff trust at this point (when it will be naturally low anyway) is to take actions which are at variance with your stated values or aims for the merger. So if the merger was foreshadowed as 'a coming together of equals', and the first few appointments are almost all from one organisation, scepticism will be naturally high. Cultural clashes are most likely, and more serious, if there are historical differences in power and control mechanisms, decision-making responsibilities (at equivalent organisational levels) and decision-making styles (e.g., centralist vs. delegated; authoritarian vs. participative (Cartwright & Cooper 1994 reporting on others' work).

Apparently less important are reward and incentive system differences, although interim arrangements may be urgently needed to iron out major discrepancies before fully 'fair' policies can be negotiated in detail (ibid).

Resolving cultural differences

One of the ways to help resolve cultural differences found to work well by GE Capital is to get people from previously separate groups to work together to tackle a problem and accomplish results that could not be achieved before the merger. Great care needs to be taken by the larger (or otherwise more apparently dominant) partner's senior management and clinical staff when first visiting the other organisation not to behave insensitively (Ashkenas et al 1998).

Speedy decisions help contain anxiety

Delay in decision-making only prolongs the agony for people expecting change, and has been shown not to be helpful, even when it is thought that 'people need a settling down period' and then 'things will sort themselves out'. If 'overhead cost reduction' or 'pooling of common services' were among the aims of the merger, then redundancies will be expected and delays in decision-making about them seen as unhelpful. However, pressures on management time will mean that not everything can be tackled at once, so an early statement about priorities and timetables for actions affecting different services, departments, or staff groups will be helpful to contain anxieties.

Easing the stress in NE Essex

Moving mental health services into the community results in staff becoming dispersed and communications made more difficult. As a result, the sense of belonging becomes diluted and stress levels rise. John Walshe, Director of Quality, explains: *'an enormous amount of tension and anxiety can be "bottled up" within an organisation. Once you change the structure your stress and anxiety levels will go through the ceiling.'* The Trust helped ease the pain for staff by piloting a strategy developed by the HEA which tackled the organisational causes of stress (Health Education Authority 1996).

A Stress Management Group managed the total programme with assistance from external consultants. A two-day event 'The Listening Group' helped to air the tensions and perceptions about the culture and managerial style and the pressures caused by moving out from the old asylum - Severalls Hospital - against a tight time-scale. An organisational 'Stress Workshop' followed, during which action plans and action groups were established.

The need to commemorate the passing of an era was recognised: the hospital memorial stone and flagpole now rests in the Trust headquarters garden, a photographic history booklet was distributed to all staff, and a grand commemorative event took place on the hospital's final day - just an hour after the last patient moved out of the old main building. A cascade briefing system and the chief executive and senior managers 'walking the patch' have improved communications. Social events and enabling exchanges of staff from one division to another are helping to unite staff. A staff charter has been introduced to inform staff of their rights, encourage consistency in management style and provide general reassurance. Staff support mechanisms are now more widely publicised. Proposals for a management audit and training needs analysis for new managers are in hand.

Sickness absence and turnover levels have improved and a more relaxed and open atmosphere has been generated. *'People feel that we care more than we used to'*, says Chris Horsnell, Director of Human Resources. *'We're prepared to listen more and we're not so dismissive when someone says they're suffering from stress.'*

Support the most vulnerable groups

Middle managers and professionals are very vulnerable during this phase. They are simultaneously having to manage the day-to-day work, face insecurities about their own careers while also trying to support their own staff facing similar anxieties. At the same time, they may be bringing together working teams from partner organisations. Top management have at this point such a heavy agenda themselves that they are unlikely to have much time or energy to spare for this particular tier of the workforce (Cartwright & Cooper 1994).

Ways of easing the situation include:

- ensuring that top management demands are not unreasonable in the circumstances
- providing additional resources to cope with the extra workload of managing both ongoing day-to-day activities, and managing the merger process
- providing confidential counselling for middle managers/professionals and their staff
- setting up support groups for middle managers/professionals.

Treat staff fairly and consistently

Some members of staff may feel unable to move forward positively. While it is important to treat them fairly and consistently, resolute action to challenge persistent resistance may be necessary to limit the damage to morale of others. It does not help anyone to leave it un-addressed for long. Time may be a great healer of some things, but after a merger it does not heal on its own, and may instead allow resentment or disillusion to fester rather than heal. Above all, it is important to be fair and to be seen to be fair, respecting others' views and dignity, even if they no longer accord with 'the way we do things here now.'

The message for NHS managers at all levels in the post-merger phase

This is one of the most important stages of the merger to lead well. Early example counts for much in setting the tone of the whole process for the merging organisations. Expect, but try to minimise, anxiety, uncertainty and stress which may all peak unexpectedly and at different times in different staff groups, departments, or site teams.

Approaches that seem to help

- Communicate honestly, consistently, openly, two-way and frequently, repeatedly and continually.
- Set the right example by what you say, and by what you do in early and highly significant decisions and actions.
- Introduce the role of a dedicated merger co-ordinator or 'merger integrator' whose job is to manage the process of post merger effectively. This is different from that of the line management who will be attempting to deliver the benefits from the merger.
- Decide top level appointments fast, and clarify roles as soon as possible.
- Develop interim policies for pay, appraisal, and administrative procedures that are seen to be broadly fair; and see that they are applied consistently. (Leave full and detailed negotiations to a later stage, as it usually takes too long to resolve all outstanding issues formally - and many of them may have been longstanding independently of the merger).
- Ensure extra support for middle managers and professionals who are most likely to feel the pressure from both above and below.
- Implement previously made plans to provide career advice and outplacement services for anyone made redundant, accepting voluntary redundancy or early retirement.
- Bring people together in new combinations to tackle issues not previously soluble in order to achieve tangible even if not dramatic results (the getting together for a common purpose is at least as valuable as any results, welcome as those are).
- Plan carefully for some visible 'early wins' within the first six to eighteen months, to reaffirm the benefits of merger and sustain motivation, which will otherwise flag.

Phase 4. Longer term 'living together'

It will be years before the full fruits emerge

The full working through of the impact of a merger takes years, not months, before there is widespread acceptance of 'the new organisation' as a whole, and a full restoration of performance and morale. None of the references suggests that you should expect this to take anything less than two years after the formal merger. One review of over 100 major transformational changes (not mergers) found that the peak level of change was not reached until years 4 and 5 in one of the most successful changes studied (Kotter 1995) - and for most organisations, mergers represent a similar scale of change, albeit of a different kind.

Note that life will never 'get back to normal' after a merger - the new 'normal' is inevitably different. Hankering after a golden past age (even, some studies report, describing an age that never actually existed!) gets in the way of re-achieving and hopefully improving on past performance levels.

Constant reminders reinforce success

Some reiteration is helpful during this period of the benefits sought from the merger, and some early wins should now be being achieved, based on earlier planning. Make the most of them, to act as positive reminders of the purpose behind all the pain and hard work, and re-focus on the future strategy of the newly (hopefully) assimilated and combined organisation.

The message for top NHS managers in the new organisation

The key issues for a successful merger remain the same even at this phase. Remember to monitor and review your approach to:

- identifying and addressing priority health needs of staff at all levels
- managing the long term process of the merger into a new organisation
- cultural differences between different staff from the previously separate organisations as well as new staff who join post merger
- effective two-way communication with all staff
- good HR management.

With effective leadership and a supportive approach to staff, you can rebuild morale and performance within about two years, and achieve most of the anticipated benefits within two to five years. To paraphrase the NHS' HR Framework, 'First class health care can only be delivered by first class staff which requires first class employers'.

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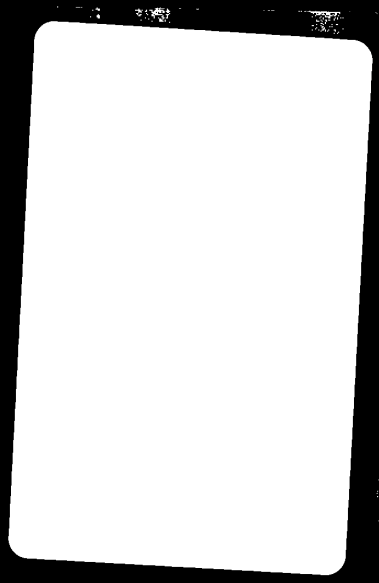

Healthy Ever After?

Supporting staff through merger and beyond

This publication is aimed at senior managers and staff of NHS organisations which are involved in merging or contemplating a merger. It is designed to be used as a practical reference tool, introducing general information about mergers; key issues for the NHS; and guidance on supporting staff throughout a merger. The guidance draws upon case studies and examples from NHS trusts which have already merged.

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