LEADERSHIP IN TIMES OF CHANGE:
AN EXAMINATION OF A MERGER EXPERIENCE

by

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Abstract

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Mergers continue to increase globally. Leaders have a critical role in the success of those mergers based on the practices that they employ during this change phenomenon. This study examines leadership practices within a financial organization during a merger and explores how these practices influence the merger. This study also identifies challenges faced by organizations during the merger process.

During this qualitative study, interviews were conducted with 17 leaders to understand what leaders do in times of mergers. Through their stories, they identified leadership practices and described how these practices influenced the merger process. Seven leadership themes emerged from the data including: (a) Providing Strategic Vision, (b) Utilizing Effective Communication, (c) Creating a Positive Organizational Culture, (d) Commitment to Fairness, (e) Effective Negotiation and Conflict Resolution, (f) Problem Solving and Decision Making, and (g) Managing Change and the Unknown. The interviews also provided insights into some of the challenges faced by organizations before, during, and after a merger. A conceptual model grounded in theory helped guide the study.

Although the body of literature regarding mergers continues to grow, there has been limited examination about the influence of leadership practices before, during, and
after a merger. This study adds to the research literature in two ways. First, it has made a new contribution as academic research dealing with financial institutions and specifically the co-operative movement. Secondly, this study also builds on some of the scholarly work related to the leadership practices as they relate to creating a vision, creating a positive culture, effective communication, commitment to fairness, problem solving and decision making, effective negotiation, and managing change.
Dedication

Caren, where would I be without you, meandering through life I suspect. You have opened up the world for me, looked deep into my soul, called me forth, and stood by me when many would have fled. I give to you what little I have; my undying love.
Acknowledgements

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Finally, to my two daughters, Caitlin and Eden who often said in the face of my own lack of confidence “you can do it dad”; they give me a reason to continue to live, and make my life have meaning.
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Chapter One: Introduction

True leaders are sought after and cultivated. Leadership is not an easy subject to explain. A friend of mine characterizes leaders simply like this: “Leaders don’t inflict pain; they bear pain.”

Max De Pree
Leadership is an Art

This is a study about leadership practices and the merger experience. According to Gaughan (1999), the number of mergers and acquisitions has continued to escalate globally over the past 2 decades. In Canada, merger activity is also commonplace. In fact, in 2004, merger activity increased from the previous year by a daunting 74%. This increasing trend in merger activity has continued through the latter part of the decade. The striking reality is that many mergers are not successful. Some estimate that up to 80% of mergers actually fail (Cartwright & Cooper, 1990; Higgs & Rowland, 2005; Lotz & Donald, 2006). Leadership practices within organizations are critical to the success of these change initiatives as the business trend to merge continues to grow. Yukl (2006) argues that effective leaders use change-oriented behaviours to modify objectives, strategies, and work processes and facilitate adaptation to the external environment. A merger requires adaptation, not only externally, but also internally, for successful transition. Marks (2006) suggests that inadequate leader practices, such as lack of communication, failure to maximize coalition building, and inadequate planning, can have negative consequences for many merger activities. Whatever the case, leadership is crucial in mergers; it will have an important impact on the outcome of these initiatives.
Rationale

Despite the extensive body of knowledge that currently exists on leadership and change, few studies have empirically explored leadership practices during mergers (Armenakis & Bediean, 1999). Most of the literature that does exist focuses on the influence of the individual leader on followers (Bomer, Rich, & Rubin, 2005). This is unfortunate because studies of this nature would be of particular importance to organizations considering merger or acquisition business initiatives. In light of the trend towards mergers and the reported high rate of failure, it seems that organizational leadership during the merger experience is an important consideration. Given the increasing amount of merger activity, any insights that promote a greater understanding of leadership practices that enhance merger success would be welcomed by organizations.

Mergers have been known to create extreme upheaval in organizations. Although leaders are often the advocates, and even the catalysts of change, many employees prefer to maintain the status quo, favouring stability, predictability, and consistency (Marks, 2006). The practices that leaders choose in order to assist employees in their transition towards understanding, and, ultimately, their acceptance of a merger, are critical to the merger’s success. Specific leadership practices may be evident before and during the merger. These practices may include setting direction, challenging existing processes, developing people, and supporting and building collaborative cultures (Kouzes & Posner, 2002; Leithwood, Day, Sammons, Harris, & Hopkins, 2006). They also may include post merger activities. Marks (2006) suggests that post-transition elements may include
the consideration and demonstration of empathy, engagement, energy, and enforcement. Although considerable efforts have been directed at the financial and technological aspects of businesses prior to, during, and after the merger experience, human considerations and leadership practices also need to be explored. This is the focus of this research study.

**Purpose of the Study**

The purpose of this study is to offer insights into the leadership practices in a merger situation. One can assume that leadership practices during a time of organizational stability take on a particular form. In contrast, some would argue that leadership during a change initiative, such as a merger, takes on a significantly different form. This study explores leadership practices in times of a merger. In other words, what do leaders do?

Leadership is a topic that has fascinated both scholars and practitioners for centuries, and as such, there is a wealth of leadership literature; in fact, some scholars suggest that thousands of studies have been completed (Bass, 1985; Rost, 1991). Interestingly Bass (1985) has observed that we know a great deal about leaders but very little about leadership. Several leadership questions continue to exist, such as: What is leadership? Can leadership be taught or is it an innate quality that one is born with? Is there an ideal leadership style? Are there a basic set of leadership practices that are universal? Should the leadership practices chosen by a leader be determined by the situation? These are just a small sample of the questions that are often raised regarding leadership and it is certainly not within the scope of this study to attempt to answer all the prevailing questions about leadership. However, this study is intended to gain further insight into leadership practices before, during, and after a merger experience. What
practices do leaders demonstrate to meet the many challenges and opportunities during a
time of a planned strategic change?

During the spring of 2000, I worked for a credit union that throughout this
dissertation will be referred to as the Local Community Credit Union (LCCU). While
working for LCCU, I became very interested and intrigued by the phenomenon on
mergers. LCCU was approached by another credit union with a proposition to merge
both organizations and form the largest credit union in Oregon. My role in the
organization was that of Manager of Organizational Development. Prior to the merger,
my role with the organization was to focus largely on leadership development and
organizational culture. When the possibility of the merger became apparent, it was of
great interest to me to understand how leadership is practiced in times of mergers. At the
same time, I was researching and teaching in the areas of leadership and organizational
behaviour at a local university. In this capacity I was exposed to scholarly research that
presented more and more information to me about the role of leaders as change initiators
and change agents. Eventually, I approached the organization and was given consent to
study how leadership operated during (and after) merger.

**Research Questions**

The primary research question is: *How is leadership practiced during the merger of two financial credit unions?*

In order to properly address this question the following sub-questions will be addressed.

1. *What challenges do leaders face in times of a merger?*

Leaders, for the purpose of this study, refer to employees with formal authority within
the organization, typically referred to as managers. The challenges may include issues
affecting employees, such as de-motivation, insecurity, fear, job dissatisfaction, increased
staff turnover, and absenteeism, among others (Cartwright & Cooper, 1990; Marks, 2006).

2. How does the institutional context of a financial credit union merger shape, facilitate, or constrain leadership practices?

The context of the organization influences changes in the organization. This study examines two credit unions that became a new entity, Central Credit Union (CCU). The rules that govern a major organizational change, for credit unions, are different than rules that govern other organizations. For example, credit union members must vote to approve or reject a merger based on their ownership of shares in the organization.

3. What specific leadership practices were evident during the merger experience?

Leaders use a number of different practices when faced with different situations. The practices they choose may be based on their past experience, knowledge, and education. They may respond to institutional factors (as noted above), or they may be also influenced by the external environment. This question seeks to identify what practices are evident, understanding the complexities of the merger situation.

4. How did leader practices influence the outcome of merger experience?

Each time a strategy is employed, different consequences or outcomes may occur. What are the reported outcomes that are tied to the leadership practices prior to, during, and after the merger experience?

Significance of the Study

This study examines the merger of LCCU and The North-West Credit Union (NWCU). I joined LCCU in the spring of 1998. The organization, at that time, was experiencing a period of stability and sustained growth. As the Senior Manager of Organizational Development, it was my responsibility to create a long-term leadership
strategy, which came to be known as the Local Community Way to Lead. One of the key criteria for this strategy identified by the senior leadership team (i.e., CEO & VP level) was that leaders in the future must be able to lead employees through change initiatives. This merger being a key change initiative provides an opportunity to more clearly understand what leaders do during a change, and how what they do, may influence employees.

This study is intended to assist practitioners and academics by informing them about leadership practices during a particular type of organizational change initiative, the merger. The aim is to help leaders to learn from this experience and possibly to inform their own leadership practices. Tobin’s (1996) theory of transformational learning suggests that employees must acquire the knowledge and skills they need to take command of their careers and to see how their own work contributes to the broader work in their organizations if a company is to progress. This is critically important for people in leadership positions. In today’s fast-paced environments, there appears to be an even greater urgency for individuals to develop and to contribute to their organizations. It is essential that institutions adapt quickly and consistently evolve in order to survive. I believe that this is important based on what I have seen over 25 years of professional experience. This is important for all types of organizations including public, private, and not-for-profit. Over the past 2 decades, the pressures to merge have resulted in the amalgamation of hospitals, municipalities, cities, and school boards. In the Medville area, small Catholic school boards merged to become larger, more centralized boards of Education with the view to leverage administrative efficiencies, infrastructure costs, and capitalize on economies of scale. Knowledge from this study can help those associated with all kinds of organizations plan for, and conduct mergers that work.
Context of the Study

In the spring of 2000, LCCU was approached by NWCU about the possibility of the biggest change initiative they had ever been presented with. They would consider and then implement a merger. Both organizations had been in existence for approximately 60 years. They were both full service financial institutions providing a variety of products to members, such as chequing and savings accounts, personal and commercial loans, and investment products and advice. Both organizations had a comparable staff size and membership size. LCCU had 500 employees and 180,000 members; NWCU had 450 employees and 150,000 members. LCCU’s corporate office and network of 15 branches was located in the North-Western USA. NWCU was located in central Oregon with 25 branches and a corporate office in downtown Northville. In 2000, LCCU and NWCU represented the second and third largest credit unions in Oregon, respectively, in terms of asset size. Although significantly smaller in size in comparison to the major banks, they had managed to carve out an alternative niche to the traditional banks in Oregon. Shareholders in a credit union have three basic entitlements, including an ownership share in the organization, access to the credit unions’ financial services, and one vote at the annual general meeting. One final important factor is that, as a result of membership, all credit union members have the right to vote on all important changes, such as mergers and acquisitions, to either approve or reject the pursuit of new business strategies.

Overview of Chapters

Chapter Two will provide a review of the current literature and different theoretical perspectives, beginning with leadership practices. This will be followed by an
extensive examination of merger theory, as well as a review of the literature related to
organizational culture and the impact of mergers on internal and external stakeholders.
In addition, Chapter Two will present a conceptual framework that provides a lens that
guided the data collection and analysis process. In Chapter Three, the methodology will
be discussed which will include participant selection, instruments, procedures, analysis,
and, finally, the ethical considerations of this study. Chapter Four will present an
overview of the merger experience. Chapter Five will present the study’s findings.
Chapter Six will include both discussion and analysis of the data. Finally, Chapter Seven
will summarize the study.
Chapter Two:  

Literature Review and Conceptual Framework

This chapter will provide an overview of the current literature and the conceptual framework used to guide this study. It will begin with a brief overview of leadership theory. Specifically, the literature with respect to leadership practices will be broadly described. The chapter will then examine the literature that exists with respect to understanding mergers, challenges faced during the merger phenomenon, leadership practices and mergers (pre-merger, during, and post-merger), and finally, the influence of leadership practices during the merger phenomenon.

The final section of the literature review will explore the influence of leadership practices. The chapter will conclude with an overview of the conceptual framework used to guide this study. The conceptual framework will provide three areas for investigation. These areas are leadership practices, the merger experience, and the outcomes as a result of leadership influences.

It is important to note that upon review of the contemporary literature, much of what is available seems to revolve around what constitutes effective leadership practices and how organizations can find methods to make mergers successful.

Leadership Practices

Over the years a number of scholars from both the noneducational and educational sectors have agreed that there are some common leadership practices that are valuable to most organizations (Bass, 1990, 2007; Leithwood, Jantzi, & Steinbach, 1999). However, the debate continues as to what these practices are. There is significant discussion and debate about leadership theory. Recent critiques of the myriad of theories,
such as managerial/scientific, participatory, transformational, charismatic, transactional, contingency, situational, ethical, distributed, emancipatory, and trait theory, have been well documented (Yukl, 2002, 2006, Rost 1991, Leithwood, et al., 2006). It is not within the scope of this study to revisit all the current leadership theories. It is, however, the intent to review the current scholarly literature regarding leadership practices.

Scholars and practitioners would likely agree that there are different ways of viewing leadership and leadership practice. Some even go as far as to suggest that perhaps we should consider revisiting the meaning of leadership. Lagace (2005), for example, is concerned that we have lost the true meaning of leadership because, in modern society, we tend to be consumed by economic performance instead of looking at the leaders’ ability to forge new meaning and purpose for an organization and its employees. She goes on to suggest that values and purpose have been replaced by efficiency and rationality. Rachel Carson (1964) summarized it this way:

The modern world worships the gods of speed and quality, and of quick and easy profit, and out of this idolatry monstrous evils have arisen. Yet the evils go long and unrecognized. Even those who create them manage by some devious rationalizing to blind themselves to the harm done to society. As for the general public, the vast majority rest secure in childlike faith that someone is looking after things, a faith unbroken until some public-spirited person, with patient scholarship and steadfast courage, presents facts that can no longer be ignored. (As cited in Lear, 1988, p. 194)

While her comments provide rich commentary for consideration, it remains
worthwhile to explore leadership practice and to give full attention to how leadership is practiced in modern organization.

Ryan (2005) has suggested that there are three basic elements of leadership practice. These elements provide an opportunity to reflect on how leaders relate to others within their organizations, whether they take a collectivist or individualistic approach, and how these elements influence organizational outcomes. These elements may influence the leadership practices that leaders select. Following is a list of the elements and the questions one might ask in order to provoke reflection.

1. **Relationships.** Are they more hierarchical or, instead, more horizontal? How do the organizational leaders relate to one another? In terms of relationships, do leaders have power over individuals as a result of their position? Does the power reside within their ability to influence others because of their personal qualities? Or, is leadership more equitably distributed amongst all people?

2. **Role.** Is leadership found within the role of one individual or is it more shared, or is it collective process?

3. **Ends.** Is leadership organized to maintain the status quo, or, instead, do the ends sought by leadership challenge existing paradigms?

As expected, scholars hold different views on these matters. Jaques’ (1988), for example, has suggested that leadership is based on a hierarchy and that leadership is designed in a hierarchical structure. Gronn (2002) has challenged this notion and proposed that leadership can be distributed across the organization at a number of different levels, at different times, while respecting individual talents and skills. Ryan (2002) contends that leadership should be organized to attain particular ends.
Is leadership practice, then, individually focused or, instead, collectively focused? There has been an abundance of research viewing leadership as an individual process, including those dealing with the “one great man theory” and touting charismatic leadership (Avolio & Bass, 1988; House, 1977; Tosi, 1982; Yukl, 1981). However, over the years, scholars have increasingly begun to question and present a more collective view (Corson, 1996; Gronn, 2002; Ryan, 2002). The various practices of leadership are represented in the various ways in which scholars have described what leaders in organizations do.

Leadership Practice

Riggio and Conger (2007) have suggested that the practice of leadership is one of the most complex aspects of what people do. They have added that the increasing complexity of organizations and more demanding workforces have made the practice of leadership even more daunting. What they have been able to provide is hope that there are leadership practices that do work. Riggio and Conger (2007) warn that good leadership practice depends on “doing the right thing under particular circumstances—taking into account the task, the followers, the situation, the timing, and the process.” (pp 123)

Following is a summary of some individual leadership practices that scholars have identified as being the most effective for organizational success.

Yukl (2006) has presented one useful model that identifies 12 practices of leadership. These 12 practices include supporting, developing, recognizing, consulting, delegating and empowering, clarifying roles and objectives, short-term planning, monitoring, envisioning change, encouraging innovative thinking, external monitoring, and taking risks, and leading by example.
Leithwood et al. (2006) have identified four core practices which are supported by 14 more specific practices. The first practice is setting direction, which is supported by three subpractices, identifying and articulating a vision, fostering the acceptance of group goals, and creating high performance expectations. The second core practice he has identified is developing people. He offers a subset of practices to support this, including offering intellectual stimulation, providing individualized support, and providing an appropriate model. Leithwood et al. (2006) offer a third core practice they refer to as redesigning the organization. They suggest that these can be supported by three more specific practices including strengthening cultures, modifying organizational structures, and building collaborative processes. Finally, Leithwood et al. (2006) suggest a fourth core practice is managing the teaching program. Although this core practice is the most specific to education, it could easily be re-titled managing operations and relate to any organization as they describe staffing, providing support, monitoring and buffering staff from distractions from their core work.

Kouzes and Posner (2002) offer what they have referred to as the “Five Practices of Exemplary Leadership.” This study is not intended to determine what best practices are or should be. However, their work is useful, not in terms of the subjective measure of best leadership practices, but instead, from the perspective of describing what leaders do. The five practices include the first practice whereby a leader models the way. This is described as clarifying personal values and then setting an example by aligning actions with values. The second practice is inspiring a shared vision by envisioning the future, enabling possibilities, and enlisting others in this common vision. The next is challenging the process through searching for opportunities and innovative ways to change and experimentation by taking risks. The fourth is enabling others to act by
fostering collaboration while sharing power and discretion. The final practice promoted by Kouzes and Posner is to encourage the heart by recognizing contributions, showing appreciation, and creating a spirit of community.

There are a number of scholars who write in a similar vein to Kouzes and Pozner (2002). Conger and Kanungo (1994) have identified six practices that organizational leaders follow including creating a vision and articulating these visions, creating environmental sensitivity, initiating unconventional behaviour, taking personal risks, being sensitive to member needs, and challenging the status quo. Podaskoff and Mackenzie (1996) have articulated their own thoughts on leadership practices including articulating a vision, providing an appropriate leadership model, fostering the acceptance of group goals, setting high performance expectations, and providing individualized support, and intellectual stimulation. Bass (2007) has suggested that strategic leadership may include as many as 15 practices. These practices include providing top down direction, clear strategies and priorities, creating an effective top management team, using open communication, and providing effective coordination. He goes further to describe the following leadership practices such as the allocation of clear accountability, focus on outcomes and processes, seeking to acquire and leverage knowledge, fostering learning and creativity, improving work flows by attention to relationships, anticipating internal and external changes, maintaining a global mindset, embracing a diversity of multiple stakeholders, building for the long-term, and developing human capital.

Upon review of the preceding leadership theory, it would seem that there is some general agreement about leadership practices that are evident in organizations. These include inspiring a vision of the future, fostering the acceptance of group goals, communicating high performance expectations, providing intellectual stimulation,
### Table 1

**Taxonomies of Leadership Practices**

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<tr>
<td>2. Short-term planning</td>
<td>- Vision</td>
<td>- Envision the future by examining and enabling possibilities</td>
<td>2. Fostering the acceptance of group goals</td>
<td>2. Does not maintain the status quo</td>
<td>2. Clear strategies &amp; priorities</td>
</tr>
<tr>
<td>5. Debating and empowering</td>
<td>2. Redesigning the Organization</td>
<td>2. Challenge the process</td>
<td>2. Fostering the acceptance of group goals</td>
<td>6. Anticipating internal &amp; external changes</td>
<td>5. Improving work flows by attention to relationships</td>
</tr>
<tr>
<td>8. Taking risks and leading by example</td>
<td>- Individualized support</td>
<td>- Strengthening others by sharing power</td>
<td>5. Individualized support</td>
<td>8. Developing human capital</td>
<td>8. Developing human capital</td>
</tr>
<tr>
<td>9. Recognizing</td>
<td>- Emotional understanding and support</td>
<td>4- Experiment and take risks</td>
<td>4. Sensitivity to member needs</td>
<td>9. Seeking to acquire and leverage knowledge</td>
<td>9. Seeking to acquire and leverage knowledge</td>
</tr>
<tr>
<td>11. Monitoring</td>
<td>- Individualized support</td>
<td>- Recognize contributions by showing appreciation</td>
<td>6. Providing an appropriate model</td>
<td>11. open communication</td>
<td>11. open communication</td>
</tr>
<tr>
<td></td>
<td>- Find your voice by clarifying values</td>
<td>- Set the example by aligning actions with shared values</td>
<td>7. Unconventional behavior</td>
<td>13. Maintaining a global view</td>
<td>13. Maintaining a global view</td>
</tr>
</tbody>
</table>
A number of leadership practices have been presented. Although the total list of current literature available would be impossible to present within the context of this study, a summary of some of the more notable definitions sets the stage. As noted, there are some similarities found within the definitions such as creating a vision for the future, looking for opportunities for change and taking risks, developing and supporting individuals, and developing collaborative systems and intellectual stimulation. In summary, this provides a foundation of understanding of the basic leadership practices that exist within many contemporary organizations and a starting point to understand leadership in times of mergers.

Understanding Mergers

A merger is a type of organizational change that has far-reaching consequences on all organizational stakeholders. It is commonly understood as the combination of two corporations in which a new corporation arises and the previous two cease to exist. Most often mergers are voluntary and involve stock swaps or cash payments to the target. Mergers can typically be classified into one of four categories. Horizontal mergers occur when two merging companies produce a similar product in a similar industry (Belcourt & McBey, 2007). Vertical mergers occur when two organizations merge to achieve synergies to control all factors from production to distribution to retail sales (Belcourt & McBey, 2007). Concentric mergers involve firms in the same market with no mutual buyer/customer or supplier relationship (Belcourt & McBey, 2007). A conglomerate merger occurs between two firms in different industries (Belcourt & McBey, 2007). Gaughan (1999) believes that, currently, the largest numbers of mergers have been primarily horizontal mergers. It has been suggested that this type of large-scale organizational change has had tremendous impact on managers and employees due to the
high level of organizational integration required, including managerial, procedural, physical and sociocultural levels (Fried, Tiegs, Naughton, & Ashford, 1996; Newman & Krzystofiak, 1993; Seo & Hill, 2005; Shrivastava, 1986). Clearly, the merger process is a major type of organizational change initiative within an organization that is worthy of studying.

In recent years, all types of organizations have seemed to jump on the “merger bandwagon.” Examples of large scale private sector mergers are evident daily in the news. High profile mergers have included AOL and Time Warner, Royal Dutch Petroleum and Schell Transport & Trading, AT&T and BellSouth, and JP Morgan Chase & Co. and Bank One Corp. In Canada, The Toronto Dominion Bank and Canada Trust joined to form the newly created TD Canada Trust. In Ontario, school boards, like the Welland Roman Catholic Separate School Board merged with the Lincoln Roman Catholic Separate School Board to create the Niagara Catholic District School Board. Likewise, hospitals, such as Chedoke Hospital and McMaster Hospital merged to create Hamilton Health Sciences.

The rationale for a merger varies greatly among organizations. The most frequently cited rationale includes the need to protect or improve market share, achieve synergies and economy of scale advantages, acquire access to new markets and diversification (strategic), reduce variability of cash flow and to use funds from mature businesses to fund growing business, tax advantages, and to take advantage of undervalued company assets (financial) and management team needs, which include personal interests, higher salaries, and higher managerial prestige (Belcourt & McBey, 2007).
Despite the reasons that organizations choose to merge, inherently, there are both individual and organizational challenges that will exist. The next section of this review will explore some of the literature related to these challenges.

**Challenges Faced During the Merger Phenomenon**

This section of the chapter will examine the literature available with respect to first, individual challenges, followed by organizational challenges. Studies have explored the impact of extreme change on people. However, only recently have researchers examined the challenges individuals face as a result of experiencing the change phenomenon of merger. Seo and Hill (2005) have investigated the impact of mergers and acquisitions on people by examining six theories including Anxiety Theory, Social Identity Theory, Acculturation Theory, Role Conflict Theory, Job Characteristics Theory, and Organizational Justice Theory (see Table 2). Anxiety Theory states that individuals experience a myriad of challenges that cause anxiety, including uncertainty and anticipated negative impact on career and job which can result in low productivity, lack of motivation, and mental and physical illness (Brockner, Grover, Reed, & Dewitt, 1992). Social Identity Theory suggests that mergers bring on a loss of old identities and a loss of interaction with other organizational members. This can cause a sense of loss, anger, and grief, and can result in a denial and refusal to change (Ashford & Mael, 1989). Acculturation Theory argues that individuals experience difficulty in adjusting to a different culture. The outcome of this can include stress resistance and inter-organizational tension and conflict, often referred to as culture clash (Berry, 1980). Role Conflict Theory identifies underlining sources of problems, such as ambiguous and conflicting roles, which can often result in low productivity and low job satisfaction.
Job Characteristics Theory points to changes in post-merger job environments and is often associated with reduced job satisfaction and commitment along with absenteeism and turnover (Buono & Bowditch, 1989). Finally, Organizational Justice Theory addresses the issue of the perceived fair treatment of surviving and displaced employees with potential outcomes of psychological withdrawal and turnover (Cobb, Wooten, & Folger, 1995). Table 2 presents a summary of these different theories.
### Table 2

**Underlying Theories in Merger and Acquisition (M&A) Literature**

<table>
<thead>
<tr>
<th>Underlying Theories</th>
<th>Sources of Problems</th>
<th>Predicted Outcomes</th>
<th>Related Prescriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety theory</td>
<td>Uncertainty and anticipated negative impact on career and job</td>
<td>Low productivity Self-centered behaviours</td>
<td>Top-down communication; social support; participation in decision making; training managers to empathize and listen to employees; golden parachutes</td>
</tr>
<tr>
<td></td>
<td>Prolonged anxiety and uncertainty</td>
<td>Mental and physical illness Lack of motivation</td>
<td>Ongoing communication; speeding up transition</td>
</tr>
<tr>
<td>Social identity theory</td>
<td>Loss of old identities (organizational, professional, work group)</td>
<td>Sense of loss, anger, and grief Denial and refusal of change</td>
<td>Disengagement efforts (grieving meetings); proactively assessing strength of existing identities and framing new identities to be more appealing</td>
</tr>
<tr>
<td></td>
<td>Interacting with other organization’s Members</td>
<td>Intergroup bias and conflict Acts of noncompliance</td>
<td>Creating a new identity; fostering cross-organizational arrangements and activities</td>
</tr>
<tr>
<td>Acculturation theory</td>
<td>Contact with or adjustment to different organizational culture</td>
<td>Acculturative stress and resistance Interorganizational tension and conflict Culture clash</td>
<td>Cultural due diligence; fostering multiculturalism, facilitating intercultural learning; heightening awareness of thinking and behaviours that cause culture clash to develop</td>
</tr>
<tr>
<td>Role conflict theory</td>
<td>Ambiguous and conflicting roles</td>
<td>Low productivity Low job satisfaction</td>
<td>Two-way communication; leadership of role clarification</td>
</tr>
<tr>
<td>Job characteristics theory</td>
<td>Changes in post-M&amp;A job environments</td>
<td>Job satisfaction and commitment Absenteeism/turnover</td>
<td>Post-M&amp;A job redesign; employee involvement in job design; job transfer training</td>
</tr>
<tr>
<td>Organizational justice theory</td>
<td>Perceived fair treatment of surviving and displaced employees</td>
<td>Psychological withdrawal Turnover</td>
<td>Fair and objective human resource management; equal participation in decision making; treating employees with dignity and respect</td>
</tr>
</tbody>
</table>

*(Myeong-Gu Seo & Sharon Hill, 2005. Understanding the Human Side of Merger and Acquisition: An Integrative Framework)*
Organizational challenges are equally important to consider. Although many organizations use mergers as a business strategy to generate organizational success, many mergers fail to deliver on their promised financial projections, which include such things as share value, return on investment, cost savings, financial, and strategic objectives (Harwood & Ashliegh, 2005; Marks, 2006; Marks & Mirvis, 2001).

Between 50% to 80% of mergers fail to meet expectations (Bryson, 2003; Cartwright & Cooper, 1996; Epstein, 2005) and, therefore, it is not difficult to understand why there has been some interest in examining what determines success or failure. Challenges organizations face include poor planning, unskilled execution, misalignment of cultures, lost management, talent mismanagement, and poor financial forecasting (Linde & Schalk, 2006; Schuler & Jackson, 2001). In light of the number of failed mergers, it could be argued that, ultimately, the role of leadership should be considered. As noted by the Conference Board of Canada’s Annual Report on Mergers and Acquisitions (December, 2007), the number one challenge for the organization is the integration of culture. One scholar has suggested that a merger is in its broadest context an attempt to combine two cultures (Schein, 1985). While culture implies a larger organizational context, attention continues to focus on the issues of the individual and combined human factors regarding the success or failure of the merger (Legare, 1998).

There is certainly reason to believe that in order for leaders to be effective, they may need to lead differently in different situations. Mergers present a situation that differs from a stable operating mode (Yukl, 1981). This creates a major challenge for leaders in that mergers are complex and success or failure can be impacted by an “infinite” number of factors (Kavanagh & Ashkansay, 2006). Haspeslagh and Jemison (1991) contend that mergers demonstrate complexity in term of how firms select their
partners, negotiate the agreement to merge, develop postmerger plans, and interact with the merged firm to implement integration strategy.

**Leadership Practices and Mergers (Pre-Merger, During, and Post-Merger)**

This section of the literature review is presented by exploring the existing literature in terms of premerger leadership practices, leadership practices during the merger, and finally, practices evident postmerger. Each of these stages of a merger may present different challenges, and therefore may require increased focus on particular leadership practices. In addition, each of these stages may require specific planning and time requirements.

In the early stages of a premerger, communication is critical. Leaders need to be mindful of avoiding merger syndrome. Merger syndrome is described by Marks & Mirvis (1985, 1997) as occurring when communication begins to decrease and becomes more centralized. This results in increased rumours and distrust. In the early stages of a merger, it is critical that communication be open, truthful, and as timely as possible in order to quell rumours and reduce mistrust (Daniel, 1999, & DeVoge & Shiraki, 2000). All the literature seems to indicate that leadership communication is critical for the success of a merger. It is also one of the key components in combining organizational cultures (Balmer & Dinnie, 1996). It is dangerous for organizations to assume that employees understand why changes are being made and, therefore, it becomes critical that information is communicated by organizational leaders through a variety of communication methods in view of the fact that not all forms of communication have the same effect. Appelbaum, Gandell, Yortis, Proper, and Jobin (2000) have concluded that true communication is difficult to achieve prior to the merger because of numerous
obstacles, such as the amount of uncertainty and speculation that exists following the announcement of the merger.

Davy, Kinicki, Kilroy, and Scheck (1988) have suggested that for communication to be effective prior to a merger, it should be timely, comprehensive, and should be repeated in many media. Communication must be considered credible by employees and the rationale for organizational changes must be communicated by the leadership and continue through the pre, during, and post merger processes. This is particularly important with respect to ensuring that organizational culture be addressed.

In the premerger stage, it is important that senior leaders and the human resource departments map out plans for culture amalgamation (Tetenbaum, 1999). One of the key steps in the premerger phase is to decide upon which model of organizational culture will best suit the new organization. This may mean choosing one of the existing cultures, creating a culture that takes the best of both cultures, or building a completely new culture (Appelbaum et al., 2000).

The best way to execute a merger is to be open and honest with employees. If this does not happen, they may become cynical and mistrust the intentions of new leadership. This can lead to resistance and trying to maintain the status quo (Marks & Mirvis, 1985). Employees’ productivity may also be negatively affected due to a lack of knowledge about the long-term vision of the organization, communication about where the organization is going, and the impact of the merger on them (Smye & Grant, 1989).

Scholars have identified the merger time as critical when combining two sets of executives and identifying those employees who will stay and those that will leave the organization (Daniel, 1999; Marks & Mirvis, 1997; Smye & Grant, 1989). Doing this quickly allows employees to know where they stand in the organization. Human
Resources plays a critical counseling role with employees in this time of transition (Smye & Grant, 1989).

Bridges (1991, 2001) has noted that the best way to deal with the transition process is to bring any real or perceived losses felt by staff out into the open; ignoring situations only results in heightened frustration and attention. During the merger process, Booz, Hamilton & Hamilton (2001) suggest that CEOs should follow four key principles: (a) communicate a shared vision for value creation, (b) seize defining moments to make explicit choices and trade-offs, (c) simultaneously execute against competing critical imperatives, and (d) employ a rigorous integrated planning process.

Once the merger has been formalized through the process of legal and financial approvals, the merger moves into the postmerger phase. The area of postmergers contains the most extensive amount of research. There is literature that deals with postmerger performance (Daly, Pouder, & Kabanoff, 2004), surviving a postmerger culture clash (Bligh, 2006), establishing an employment relationship after the merger (Linde & Schalk, 2006), sensemaking in management team meetings (Rovio-Johansson, 2007), creativity after mergers (Zhou, Shin, & Cannella, 2008), dealing with people’s uncertainty (Davy, Kinicki, Kilroy, & Scheck, 1988), deliberate learning (Zollo & Singh, 2004), stress and communication (Lotz & Donald, 2006), employee feedback and performance appraisals (Miller & Medved, 2000), organizational identity (Kovoor-Misra & Smith, 2008) and leadership, work outcomes, and openness to change (Hinduain, Wilson-Evered, Moss, & Scannell, 2009). These are just a few examples of the types of research that have been conducted about post-merger situations.
The most extensive area of postmerger research continues to be focused on culture clash and a phenomenon sometimes referred to as survivor shock, and communications (Davy et al., 1988; Marks & Mirvis, 1992). Davy et al. have suggested three stages of survivor syndrome including a sense of anguish, brought on by increased job insecurity, the loss of friends and co-workers, a neutral stage when healing begins to take place, and, finally, the point when survivors start to become productive and contributing employees again. Part of what managers need to realize as employees may start to take on new and unfamiliar jobs is that they no longer feel lucky to still have jobs in the new organization. One of the strategies that leaders may employ through this period is demonstrating care, fairness and humanistic treatment with terminated employees. This demonstrates to survivors how they would be treated in the event they too were to be laid off (Schweiger, Ivancevich, & Power, 1987).

The culture clash that exists in many instances when two different cultures are merged often becomes most critical during the postmerger stage. The organizations have been merged and they must now start to produce products and/or services in order to satisfy longer term shareholder growth or client or stakeholder needs (such as in educational or public sector situations). As Marks and Mirvis (1998) have suggested, the best combined organizations often occur when there has been a fair amount of culture clash, which has resulted in positive debate about what is best for the company. Numerous studies have been undertaken about culture, culture and change, and culture and its impact on mergers (Appelbaum, Lefrancois, Tonna, & Shapiro, 2007; Marks & Mirvis, 1998; McKinnon, Harrison, Chow, & Wu, 2003; Stahl & Mendenhall, 2005). The consistent message that resonates throughout these studies continues to emphasize
that if cultural integration is not addressed then the chances for success of the merger are greatly reduced or potentially impossible.

One interesting cultural discussion was undertaken by Bourdieu (1973). He has explored the notion of Cultural Reproduction and how each generation passes acceptable cultural norms to each following generation. This reproduction tends to recreate structures from generation to generation, this leads to a degree of continuity. This continuity may be considered positive but it also points out the dangers of recreating social structures or classes. Bourdieu (1973) suggests that ‘families from different classes as well as that which is practiced by the school, work together in a harmonious way to transmit a cultural heritage…’ (pp. 73). Willis (1977) observed how cultural reproduction was practiced by students in his study titled The Hammertown case study. He conducted this through a case study method employing interviewing, group discussion, and participant observation investigating how culture was passed on from generation to generation within a particular school. What seems obvious is that culture is an important aspect of organizations and societies, it can be passed from generation to generation through a number of ways, language, symbols, artifacts, and customs (Schein, 1985). However, when a massive change occurs this can cause a stop or massive disruption in the cultural recreation which can cause people to react in a variety of ways, some which are negative.

The Outcomes of Leadership Practices before, during, and after the Merger Phenomenon

This study will look at leadership practices in a particular merger. It will also examine how these practices influenced what transpired. A number of different possibilities can occur. Some of these have been previously studied, and others are yet to
be revealed. For example, some scholars have noted that cultural differences can result in cultural conflicts, leading to outcomes such as polarization, anxiety, ethnocentrism of acquirer and top management teams, top management turnover, inadequate communication, information systems integration, and ineffectiveness (Lubatkin, Schweiger, & Weber, 1999; Sales & Mirvis, 1984; Schweiger & Goulet, 2005; Triantis, 1999; Weber & Pliskin, 1996).

It seems that leadership practices related to the merger phenomenon have the potential to influence the culture of the organization significantly. Organizational culture can be generally described as a set of shared mental assumptions, ideas, beliefs, and values about how people should feel and behave that guide interpretation and action for various situations (Dennison, 2001; Fiol, 1992; Louis, 1983; Martin, 2002; Wallace, 2003). Robbins and Langton (2004) provide a simpler definition when they suggest that culture provides stability while providing employees with a clear understanding of “the way things are done around here.” At some point all employees will go through a socialization process that integrates them into the organizational culture (Johns & Saks, 2005; Robbins & Langton, 2004). Socialization is the orientation process new or transferred employees experience through observation, sensing, and being verbally provided information about the organization.

When large change initiatives in organizations, such as mergers, take place, this can cause organizational members to call into question the central and distinctive attributes of an organization and challenge the “collective self-perceptions” employees have about organizational context (Golden-Biddle & Rio, 1997). Scholars have suggested that when substantial organizational change takes place, members need to reinterpret and reframe what is central and distinctive about their organization (Fiol, 1992; Gioia &
Chittipeddi, 1991). Members will often go through a process of “sensemaking” as they attempt to construct their identities in dynamic and turbulent contexts associated with significant change (Fiol, 1991; Maitlis, 2005; Weick, 1995). Sensemaking allows people to rationalize situations in order to deal with uncertainty and ambiguity and to take action (Maitlis, 2005). In situations where significant change, such as a merger, takes place, people lose their ability to identify with the organization and their capacity to take action.

In such unpredictable times, leaders face the daunting task of generating employee acceptance (Michaela & Burke, 2000). As Kouzes and Posner (1987) have suggested, leadership practice includes the art of mobilizing others to want to struggle for shared aspirations. Dennison (2001) has observed that organizational change includes cultural change and, yet, cultural issues are often ignored. He suggests that if changes are not reflected in the culture, then these changes may have a very short life span and will not be instituted. Kavanagh and Ashkanasy (2006) have gone so far as to suggest that organizations are inherently resistant to change and designed processes to neutralize the impacts of attempts to change. As Johns and Saks (2005) point out, a strong culture that has been appropriate for past success may not support the new order. A shared set of values and behaviour that makes a strong culture may be very resistant to change.

From an anthropological perspective, cultural changes have been viewed in some quarters as a process of revitalization. Phelan (2005) see this as a 5 stage process that includes: (a) initial culture, (b) aberrant behaviour, (c) new leadership vision, (d) reorganization, and (e) successful cultural change. He hypothesizes that the leader must organize employees into accepting the new behavioural norms to replace the traditional or currently accepted norms that have failed to cope with perceived threats to the group culture. Phelan further noted that cultural conscience is important in coping with anxiety,
while significant contradictions or dissensus can contribute to increased anxiety and result in withdrawal, neurosis, reactive disorders, and violence. Dennison (2001) puts it most succinctly when he suggests that when trying to create change that will last and be translated into action, culture is an important place to intervene. Although an organizational culture may be very difficult to change due to resistance from employees, it remains one of the key elements in a successful merger implementation strategy.

Although significant change, such as a merger, can create an unstable organizational environment, scholars seem to agree that leaders play a key role in the development, transformation, and institutional aspects of culture (Jung, 2001; Schein, 1992; Nadler, Thies & Nadler, 2001; Weber, 1996). Conger and Kanungo (1987) have suggested that at the very least, leaders need to follow the practice of creating a vision for employees in order to promote change. Some have argued that the culture of an organization, and the way employees respond to it, is shaped largely by the practices of the leaders (Fishman & Kavanaugh, 1989).

Clearly, researchers have given due consideration to the influence of leadership practices as they relate to organizational culture. It will be interesting to determine, through this study, if other areas of influence emerge.

**Conceptual Framework**

The conceptual framework (Figure 1) focuses the study around the three primary areas: leadership practices, the merger experience, and the influence of leadership practices during and after the merger. It also recognizes individual and organizational challenges that may occur during the merger phenomenon. It is important to note at this time that this thesis will focus on the individualistic perspective. It is my intention to take a more individualistic approach in this thesis based on the belief and observation of
individual leadership practice during a merger experience can provide greater insight into what happens than can a collective perspective. The conceptual framework was developed to provide clarity of the key concepts relevant to the research and as a way to organize and focus the study.

Figure 1 provides a visual representation of the conceptual framework.
Figure 1. Leadership practices and the merger experience.
Leadership practices seem to be an obvious starting point due to the influence that leadership practices have on most aspects of an organization. Bommer, et al. (2005) have summarized it this way: “In any type of organizational setting it would seem extremely difficult to separate leadership from the larger context of organizational change since leadership influence on followers represents an organizational change at the individual level” (p. 734).

Throughout the study, leadership practices are examined. I explored and attempted to find evidence of the leader practices. Although leaders were found at every level of the organization, this study concentrated on leaders with positional authority. These people had influence within the organization, including decision-making, responsibility for human capital and technical resources. The dramatic impact of change on people has been noted for some time, including stress, confusion, and reduced productivity (Cartwright, Tytherleigh, & Robertson, 2007; Koonce, 1991; Nelson, Cooper & Jackson, 1995).

Leadership practices that may include building trust, effectively communicating, fostering cultural integration, and treating individuals fairly have been studied from a variety of perspectives (Buono, Bowditch & Lewis, 1985; Meyer, 2001; Nikandrou, Papalaxandis, & Bouantes, 2000; Range, 2006; Risberg, 1997; Schreyogg, 2006). Cartwright and Cooper (1996) have concluded that the neglect and mismanagement of human resources during mergers may be the primary reason for the disappointing outcomes for many mergers to date.

Mergers because of the extreme change, uncertainty, and turmoil they cause on organizations and their constituents require additional attention to the practice of leadership. Of note are: Yukl (2002, 2006) supporting, empowering, and encouraging;
Leithwood et al. (2006) vision, developing others and collaboration; Kouzes and Posner (2002) walk-the talk and challenge the status quo; Podaskoff and Mackenzie (1996) individualized support and intellectual stimulation; Conger and Kanungo (1994) environmental sensitivity and personal risk; and, finally, Bass (2007) developing an effective top management team, accountability, and engaging of multiple stakeholders. Interestingly, when the aforementioned scholars’ research is investigated more thoroughly, we find reference made to change either directly or indirectly in each of their definitions. In addition to the above, there have been a number of practices more closely aligned when major change initiatives, such as mergers, are underway such as creating a burning platform\(^1\), increasing urgency, organizational alignment, and letting go of the past (Bridges, 2001; Conner, 1992; Kotter & Cohen, 2002; Marshall, 2000). These practices are not all entirely unique and some may be seen in different forms in the normal day-to-day operational activities with the real difference being the intensity and frequency with which they are displayed. Based on this, it seems anchoring the model through understanding the myriad of leadership practices is critical to moving through the steps in the conceptual framework.

The change phenomenon (merger experience) resides at the centre of the diagram and takes into account the three phases of a merger, which include before, during, and after the merger. The importance of this cannot be overstated as the scholarly research indicates that over half of all mergers fail and this can be traced to inadequate strategic rationale behind the merger, a lack of premerger planning (before), inadequate evaluation

\(^1\) Conner (1992) uses this analogy to describe decision making during when presented with a major change. He asks people to imagine standing on a small platform 100 feet above a burning oil platform in the North Atlantic Sea. One decision is to stay on the platform and risk sure death by burning to death. The other choice is to jump from the platform into the frigid waters below hoping someone will come to your rescue in a very short period of time.
throughout the merger process (during), and lack of post-merger implementation management (after) (Cartwright & Cooper, 1996). It is critically important to investigate and understand these phases as failure at any stage can ultimately result in the failure to meet the overall expectations of the merger. The inevitable flow and relationship between the leadership practices and the impact they have on the merger experience creates a natural flow for exploration and investigation as Figure 1 demonstrates.

Figure 1 illustrates that the study will investigate the outcomes of leadership practices. This may include outcomes on internal stakeholders, as well as external stakeholders. It may include outcomes on organizational culture or the financial stability of an organization. Sudarsanam (2003) has cited financial and strategic reasons as a key reason that mergers fail to deliver on expected rests but, as noted earlier, neglect and mismanagement of the human aspects (both internal and external) have been increasingly recognized as a cause for concern (Cartwright et al., 2007). Financial considerations, such as uncooperative labour–management relations which result in huge financial costs – can impact the external shareholder value and member service experience (Bryson, 2003). In addition, underestimated financial costs for the merger itself, such as the relocation of employees, terminations as a result of amalgamation of jobs, and loss in employee productivity will be considered. It is important to address the issue of cultural integration on internal stakeholders (Buono & Bowditch, 1989; Cartwright & Cooper, 1996). Recent research has suggested that cultural incompatibility is the biggest reason for not reaching projected performance levels (Appelbaum et al., 2007). Weber (1996) has suggested that performance and effectiveness after a merger is proportional to the differences in the two top leadership teams. The culture of an organization is often set by
the senior leadership team in an organization. As a result, if there are competing cultural influences by the two merged leadership teams this can create confusion and resistance by organizational constituents.

The external stakeholders may also play an important role in the success of the merger, especially in the case of the Central credit Union merger where the members voted to approve the merger. Many of the decisions the leadership group makes before the merger, such as the formation of the Board of Directors, how employees are treated, for example, with the job offer guarantee, the name of the new organization, the impact on service and the location of the new corporate office would have a significant impact on how the members would vote. In addition, external stakeholders, such as the Co-operative Associations Act 1994 and The Department of Finance, look at how this merger will impact the industry and whether or not it is financially viable and can it be successful so as to protect the members.

And, finally, the individual and organizational challenges must be considered. Individual challenges include the importance of reacting to different organizational cultures (Cartwright & Cooper, 1996). The individual aspects, such as identity that may be lost with the evolution to a new identity, and the shifts in power that may cause upheaval and concern among individuals warrant consideration (Bartels et al., 2006; Piece & Dougherty, 2002). A majority of the identity problem seems to refer to the issue of infusion of new identities while some individuals try to maintain their identities from the previous organization (Bartels et al. 2006). In the case of power and the pervasiveness of power-as-domination, which in many ways guides organizational practice, it is worthy of some discussion regarding how power is created, enacted, and
maintained in many organizations (Pierce & Dougherty, 2002). In the case of Central Credit Union a question may be asked as to whether or not communication was used as a source of power over the employees and members.

Organizational challenges include the current economic conditions and external competition (Conner, 1992). Current external issues might include economic stability, interest rates as set by the Bank of America, proposed bank mergers, proposed changes to the Co-operative Associations Act that may remove provincial bonds of association, and increased competition from other financial institutions especially other larger credit unions such as Le France Credit Union which will be discussed later in the study. As a result, the conceptual framework becomes a useful tool for organizing this research study. As the research study unfolds in the following chapters, the value of the conceptual framework will become increasingly more evident.

**Conclusion**

The presentation of the conceptual framework provided a useful guide to help explore and understand the merger as a specific phenomenon. At the beginning of the chapter, a review of the current literature on leadership practices was undertaken. This was followed by a review of the literature concerning the challenges faced, individually and organizationally, during the merger phenomenon as well as leadership practices during the merger phenomenon. Following this, literature relevant to leadership influences during a merger was considered and, finally, individual and organizational

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2 A bond of association restricts a credit union from expanding its business beyond certain regulated parameters. For example, a credit union may be restricted to a membership that belongs to a certain union group or to a certain region. A change in this bond of association to allow a credit union to not only do business in one state but to expand to any state in America would greatly change the competition.
challenges were presented. This review will assist in providing a framework for the information that follows in the findings and discussion chapters.
Chapter Three: The Merger Experience

This chapter will provide an overview of the merger between Local Community Credit Union (LCCU) and North West Credit Union (NWCU). See Appendix (A) for a full listing of acronyms.

The merger of LCCU & NWCU credit unions differs from other types of mergers because credit unions are unlike other types of financial institutions in North America. Both LCCU and NWCU have existed for approximately 60 years when the merger was proposed. Both credit unions operated (and continue to operate) in southern Westville. As members of the cooperative movement and governed by the Cooperative Associations Act 1994, they are different than other financial institutions, such as banks. Cooperative institutions abide by several principles: (a) every person who wishes to conduct his/her financial affairs through the credit union must be a member. Membership is gained either through a deposit of funds or through the payment of a membership fee, often in the $25 to $50 range. This money is returned if a member decides to close the account and move to another institution. Employees are also members, and it is expected that they will do some of their financial business through their employer and, as a result, must be a member. (b) The next principle of credit unions is the idea of participation in governance. Each member receives one vote at the annual general meeting. Issues are presented in a general forum where members are expected to vote and have their voice heard. This differs from many other organizations where major decisions are made by a senior management without the requirement of having to seek approval of shareholders first.
(c) Members have the right to vote on proposed mergers. This is normally not the case in other forms of business mergers. Decisions about mergers are often made by senior executive teams working with the Board of Directors’ approval. Sometimes, a credit union may offer a new share offering in the form of investment certificates that members can purchase. Members will then often get additional shares and votes; these shares will require a separate vote in addition to the general membership vote. In the case of the Central Credit Union (CCU) merger, a number of different share offerings had taken place over the years and, as a result, seven different votes had to be held and all had to pass by a 66-2/3% majority. This is also governed by the Cooperative Associations Act, 1994. If any one vote did not pass the required amount, the merger would not have been approved. These principles are both specific to credit unions and are critically important to this study because they drove many of the decisions prior to the merger.

Over the 60 years of operation both organizations had made small acquisitions as a part of organic growth opportunities; however, neither organization had been through any major merger activities until the spring of 2000 when LCCU was approached by the Smallville Credit Union (SCU). The SCU was subsequently acquired by LCCU. This proved to be more of an acquisition then a merger, in other words a merger in name only. Because SCU was much smaller in size (financial and membership), it adopted the Local Community Credit Union name and operating processes, and all previous SCU executive staff left the organization. This opportunity did give Local Community Credit Union the opportunity to operate outside the Southern Westville boundary and expand into a more south-central operating base in Westville. Although it was not part of a planned strategy for LCCU to seek out mergers or acquisitions, it was something that had been considered
based on an understanding that expansion would require moving beyond the Medville Region.

Although LLCU was successful in this acquisition of SCU and was able to expand operations to the Salem area, it was restricted by what is known as the bond of association, also legislated within the Cooperative Association Act, which restricts them from opening up locations anywhere they want. They can only operate in the area where they are registered to operate in with their existing membership base. Therefore, approved mergers or acquisitions are the one way that credit unions can expand geographically.

NWCU had not been involved in any major merger activities. There had been some discussion the previous year with other credit unions, yet they had decided not to pursue these opportunities as a result of governance issues. These governance issues included the make-up of the Board which allowed faculty members of local universities to be board members. NWCU did not feel that this provision in the governance bylaws would be consistent with their long-term principles. In the spring of 2000, the Board Chair of NWCU approached the Board Chair of LCCU to see if there was potential opportunity for a merger. This had been driven partly because the CEO of NWCU had retired during the winter of 2000 and at this point they had been unable to find a replacement. They were, at the time, in the midst of the recruitment process, but were looking at other opportunities including the potential of a merger with another successful credit union. At that time, NWCU’s three senior Vice Presidents were managing the operation as a joint leadership team. The Board Chair from NWCU directly contacted the Board Chair from LCCU. This was an unusual overture as merger activity is usually an operational consideration and discussed at the CEO level, as opposed to the Board level.
Although this was viewed as somewhat unusual approach to begin discussions for a merger, there was no doubt that it was a recognized opportunity to create something better than what the two entities offered separately. Mergers can transform organizations and assist in organizational revitalization at a speed beyond organic growth (Angwin, 2001; Harrison, 2002; Haspeslagh & Jemison, 1991; Salama, Holland, & Vinten, 2003).

Following the contact between the Board Chairs from both credit unions, and subsequent discussions with the CEO of LCCU, it was agreed that the Board Chairs and Deputy Chairs would meet to see if there was an appetite to move further in the merger discussions.

Bert, MacDonald, and Herd (2003) suggest that it is critically important to have discussions early to start to discuss the guiding principles and management priorities. The leaders of both organizations realized that they needed to start discussions about moving to the next step in the process, which was confirming to see if there was interest from both parties to merge.

The Board of Directors played an extremely important role in the decision-making process at this point. At the conclusion of these Board meetings, it was determined that the executive team members would be informed to create a sense of awareness and build a sense of buy-in. At this point, all discussions were extremely confidential as further investigation, such as the due diligence process, needed to take place.

Due to the sensitivity and secrecy often associated with mergers and acquisitions, the majority of employees do not find out about the merger until it has been agreed to and accurate information is not always easy to access (Salama et al., 2003; Walter, 1985). Early discussions with executives included a number of important conversations as
individuals from both organizations analyzed whether they wanted to go through this process. Slowly others which included the senior management teams and all board members of both legacy organizations were informed by their CEOs of the merger proposition which allowed a larger working group from both the board and the executive teams to answer some of the more critical questions, such as: Why would we do this? What is our vision of the future? What are some of the barriers? What are the deal-breakers?

Kouzes and Posner (2002) have concluded that one of the key leadership practices is to be forward looking and be able to envision the future and mobilize people towards the vision. One of the first, and most contentious issues, was the determination of who would be the CEO of the new merged organizations. This was a critical piece for LCCU and became the first major “deal breaker.” The Board of LCU indicated that if their current CEO was not to be the CEO of the newly merged enterprise, then LCCU would not continue with merger discussions. Although this seemed to present an impasse, it was agreed by the two groups that since an independent third party was recruiting a CEO for NWCU, if LCCUs current CEO proved to be the candidate for this position, then NWCU would accept him as the CEO for the new merged entity.

Ultimately, people would determine whether fairness and rigor were applied to this process. Clawson (1999) contends that one of the four cornerstones of leadership is the demonstration of fairness and equity towards followers. As a result of going through the recruitment process, Alan Sampson (CEO of Local Community Credit Union) was, in fact, identified by an externally hired recruiting organization as the ideal candidate for the CEO position of the merged entity. This put aside any concerns of the LCCU Board
members and also satisfied NWCU members as due process had been conducted. There remained some concern from NWCU because the new CEO was unknown to them. In this case, there may have been a concern about the shift in power since the CEO of LCCU would become the CEO of the new entity. Conger and Kanungo (1987) suggest that when organizational change does occur in the form of a merger, structural changes can occur which may shift organizational power relationships.

Following this, and prior to the merger being completed, a process of due diligence was undertaken by both parties. Due diligence for the purposes of this merger included an examination of the current financial position of both organizations (i.e., assets, debt, loans and capital), current technology platforms and banking systems, branch and commercial network systems, banking operations, legal and Board governance, human resource programs and policy, and the current marketing process. An external organization that specialized in mergers due diligence and transition processes was contracted to assist with this process. The process included the identification of work streams to explore issues and look for possible solutions. The work teams included cross-functional teams from both organizations to address a number of different concerns regarding, for example, Board (governance), marketing (communication), finance, operations, human resources, information technology, and sales and service. This process began in June of 2000 and was scheduled to conclude at the end of September that year. During the due diligence process, it was apparent that the two organizations had different cultures, and this impacted how each believed the merger and transition plans should proceed.

Feldman and Spratt (1999) have suggested that a merger is like a “transition minefield—with no map, no armor, and no clue” and that having a clear concise plan of
what needs to be done is critical to success (p. 11). Comments also started to immerge about the importance of trust. Some of the trust issues may be indicative of protectionism (Lewicki, McCalister, & Bien, 1998). Marks (1994) has suggested that cynicism and mistrust are not uncommon throughout the transition and integration process.

There were a number of issues that transpired over the 3 months during the due diligence process. Some of the issues related to fear of the unknown and some of them related to systems and processes. Bartels et al. (2006) and Van Dick, Ullrich, and Tissington (2006) have commented that mergers may present a threat to employees’ stability within the organization, the continuity of employee identity, and contributed to concerns of job insecurity.

By the end of September 2000, considerable work had been completed as a result of the due diligence process. Although there was debate regarding some of the issues that emerged, it was determined that resolutions could be found. Issues included selecting the name for the new organization, determining a Board structure, identifying a new governance model, determining the corporate office location, and establishing a common technology platform. The main goal for those championing the merger would be to secure the support of the membership during the membership vote. It was, therefore, critically important that processes were established to communicate with members and employees as to why this merger would be desirable, both for them and the organization.

Feldman and Spratt (1999) have commented that clients are the most precious asset to an organization, that they are hard to get but easy to lose, and that during a merger they need to be courted and attended to. Although there was concern by members about what they may lose in the final scenario, a case was presented that convinced a
majority of members that the merger was a good thing; something they could understand and benefit from.

Communication with customers is critical during the merger; it is about mobilizing support, building acceptance, and removing uncertainty (Feldman & Spratt, 1999). As a lead up to the mergers, the branch networks (43 retail outlets) of both organizations were very involved in answering questions and assuring members that the merger was a positive business strategy. Communication face-to-face in the branches was viewed as critical. Communication via newsletters, town hall meetings, and employee audio conferencing was designed to provide employees and members with a level of comfort to get the vote. Between February 17th and February 24th 2001, a series of seven votes took place between the two organizations. All of the votes, with the exception of one, passed with a wide margin of success. The main membership vote attended by NWCU employees in Northville was the sole vote that passed by only a slim margin. The vote passed by only 13 votes [2,000 voters turned out].

As Kotter (1995) has suggested, in any type of major change initiative, such as a merger, leaders must be able to create a sense of urgency for staff so that they understand why change must be made and the major opportunities. After the completion of the “vote final approval”, on February 21st 2001 (the point when all votes had passed), the CEO announced his new executive team to all staff of the new merged entity. The final agreement of amalgamation was granted by the Minister of Finance and became an official corporation known as Central Credit Union. Following the official merger announcement, the process of bringing the two organizations together began. This included merging human resource functions, such as payroll, benefits, and pension
programs, and restarting programs that had been set aside prior to the merger approval, such as leadership development and sales and service training for all employees.

As a result of the merger, there were also a number of duplicate positions. This was specifically because of the amalgamation of two corporate offices. A full transition program was put into place to assist the 76 employees who were deemed to be ‘out of structure’. Employees were generally considered out of structure if their roles were combined as a result of the merger, if roles were no longer considered necessary due to efficiency improvements, or if employees self selected as not wanting to continue with the new organization. New signage was purchased and installed and all organizational material and correspondence would now reflect the new Central Credit Union name.

There was massive work undertaken to merge banking, financial, and reporting systems. The banking system platform that was developed by legacy Medville organization was going to be integrated throughout the organization. The result of this was that legacy employees from NWCU would require training to prepare them to use the LCCU banking system.

Getting the right staff into the right area was extremely important as one of the early merger promises made to employees by the CEO. He stated “that there would be no reduction in existing services”. Clawson (1999) maintains that promise keeping is critical and that leaders must be careful of the commitments they make, and then careful to keep those commitments. In addition, where services were available in one of the legacy organizations and not the other, these services would be expanded to both organizations.

At the end of this process it was agreed by the senior management teams and the Boards of Directors that merging LCCU and NWCU would create an entity that would be stronger and more competitive. Once it was determined that they would pursue the
merger then every effort was put forward to get the vote. A major campaign was put
together to communicate to both members and employees why this merger would benefit
both groups. When the votes were finally tabulated in the spring of 2002, the members
and employees supported the merger proposition and the new entity of Central Credit
Union was formed.

Finally, during the planning sessions prior to the merger vote the combined
Senior Leadership Team (SLT) discussed the criteria they would use to determine if the
merger was to be considered a success. They decided that during a post-mortem that they
would conduct 12 months after the legal completion of the merger they would assess
success based on 3 criteria. These included the successful birth of a new organization,
Central Credit Union. Second, the integration of the two distinct cultures, and third,
organizational stability.

In summary, it is clear that the context does influence leadership practices. What
became evident through discussions with participants was that due to the fact that this
was a merger between two credit unions which are governed by the Cooperative
Associations Act, 1994, there are different criteria for approval in comparison to other
mergers. Specifically, all members have the right to vote to approve or turn down the
merger. As a result the decisions leaders make, such as how employees are treated
through the process, what information is shared with members, the cost of the merger,
and how members will be impacted by the merger all have a bearing on how members
will vote.

The following outlines the chronology of key dates for the Northwest and Local
Community Credit Union merger to form Central Credit Union.
Table 3  
*Chronology of Events*

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
</table>
| April/May 2000  | - First contact between the two legacy organizations Board Chairs.  
                     - The Board Chair of North West Credit Union places a phone call to the Board Chair of Local Community Credit Union to see if there might be some interest in a merger between the their credit unions.  
                     - This contact resulted in a meeting with the CEO’s of each organization where an agreement was reached that representatives from each board would meet to discuss merger potential.  
                     - At that point two members from North West and Local Community Credit Unions plus the board chairs were selected to participate in these meetings to determine if there was a legitimate interest. |
| June 2000       | - As a result of the April/May meetings the preparation of a letter of intent was undertaken by the combined Board committee.  
                     - The purpose of which was to articulate an interest by both organization to investigate the possibility of the merger and the willingness to provide resources to that end.  
                     - As a result sub-committees representing each of the legacy organizations were put together to complete a due diligence process.  
                     - The due diligence process was conducted in order primarily address two primary questions:  
                       1. Would we be in a more financially competitive situation in the future if we merged?  
                       2. Would our members benefit from the merger?  
                     - These committees included; technology, operations, HR, finance, marketing, board governance, and delivery. A target date for completion was set for September 31, and this became known as the Go/No-Go date.  
                     - This terminology was adopted to mean a decision would be made by that date to either proceed with the merger or abandon it. |
| June – September 31 | - Sub-Committees meet and engage employees and members.  
                               - In addition, several consulting firms are engaged to assist in the process, one specializing in governance, another with legal issues concerning financial institution mergers, and finally one whose expertise is centered on human resource issues. |
| September 31, 2000 | - Go/No-Go dead date, [The following question was posed to each of the chairs of the due-diligence committees: Do we |
move ahead with the merger or do we abandon it? Based on the recommendations of the committees the board in consultation with the combined executive leadership teams (ELT) [comprised of CEO’s and Vice-Presidents of both legacy organizations] it was determined to move towards a merger and obtain a positive vote.

- In order for a merger to be approved by the governing financial legislative body all members have the right to vote on the approval of the merger during the annual general meeting.
- In order for the vote to pass it must receive a minimum of 66 2/3 % majority of all votes cast.

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2000 – February 17th 2001</td>
<td>Due-diligence committee work now shifts to developing integration processes if and when the merger passes. Extensive work now begins for marketing, communication, and consultative plans for members, staff, the community at large, and required legislative groups. The key over-riding concern was getting the vote. In order for the merger to be approved seven voting processes were required. In addition, face-to-face meetings are held with all staff. The purpose of these meetings was to present the long-term vision of building neighborhood banking and about competitive threats. Through this period of time staff was also encouraged to engage members when they came into the branch in conversations.</td>
</tr>
<tr>
<td>February 1st - February 17th 2001</td>
<td>At the LCCC Annual General Meeting (AGM) a final vote is conducted (ballots were also collected over a two week period prior to the AGM at LCCC branches. An average 85% approval rate is achieved on all four levels of shares. February 24 at the Northwest Credit Union (NWCC) AGM a vote is conducted with all members in attendance (The bi-laws of NWCC strictly mandate that only members in attendance at the AGM may vote. Two of the three votes passed with an 80% of members voting in favour however the vote with the Class A shares passed by a very narrow margin (13 votes). The shareholders in this group included NWCC employees.</td>
</tr>
<tr>
<td>February 29, 2001</td>
<td>Notification is forwarded to shareholder groups to make the merger announcement. A meeting is convened with the new combined management team where the new executive leadership team that would lead the new merged company is introduced, prior to the company wide release of the new structure. Final submissions are made to the financial regulatory body for approval.</td>
</tr>
<tr>
<td>Date Range</td>
<td>Description</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>April 4, 2001</td>
<td>• With all the legislative requirements met, approval of the merger is official, and Central Credit Union is born.</td>
</tr>
<tr>
<td></td>
<td>• Following this news media releases are forwarded announcing the merger, and the new name Central Credit Union, along with the new executive leadership team.</td>
</tr>
<tr>
<td></td>
<td>• Following this new media releases are forwarded announcing the merger, the new name Central Credit Union, and the new executive leadership team.</td>
</tr>
<tr>
<td>April 4, 2001 – July 2002</td>
<td>• The integration process in a number of areas is under way including product offerings (savings and chequing accounts, bank services), human resource programs (benefits and pensions), and CCU marketing (branch signage, brochures, etc.).</td>
</tr>
<tr>
<td></td>
<td>• The bank system conversion was not scheduled until a later date due to the extensive work required reconfiguring, and then merging the two legacy systems.</td>
</tr>
<tr>
<td>July 1, 2002</td>
<td>• The system conversion is conducted. Due to the concerns associated with a conversion of this complexity it is conducted over a three day holiday weekend to allow for testing in the event problems occur.</td>
</tr>
<tr>
<td></td>
<td>• Extensive member communications are conducted to let people know when systems would be down to allow them to make provisions during that time (bank machines and branches were closed for three full days).</td>
</tr>
<tr>
<td></td>
<td>• However, only minor issues immerge with the system and the conversion is completed on time with no additional impact on customer service.</td>
</tr>
</tbody>
</table>
Chapter Four: Research Design and Methodology

This study utilized a case study approach. It allowed a very intimate look into the inner workings of two organizations that became a single entity, Central Credit Union. The case study approach was selected because it incorporates the views of the actors and reconstructed the reality of individuals interacting in their social worlds (Merriam, 1998; Tellis, 1997). In this process, through conversation and investigation, I explored how participants view leadership practices during the merger process. It was also important that this study consider not only the voice and perspective of the individual actors, but also the relevant group of actors and the interaction among them as they formed the leadership team (Tellis, 1997). The multi-perspective approach of case studies allows for this. Merriam (1998) has suggested that by concentrating on a single phenomenon, in this case the merger, the researcher is able to uncover the interaction of significant factors characteristic of the phenomenon. Becker (1958) concludes that the researcher can gain a significant understanding of the groups under study when the case study is used. Case studies allow the researcher to get as close to the subject as possible (Bromley, 1986). Dewey (1916) suggested that the act of reconstructing the meaning of the experience is actually where the learning takes place and that reconstructing this meaning is at the heart of interpretive inquiry.

Procedures

In order to gain support for the study, I contacted the Chief Executive Officer of LCCU and outlined the study along with potential benefits to the organization, participants, and students who may have the opportunity to use this case study as a learning tool. I provided the criteria for the interview participants to the CEO and he
provided a list of participants from both organizations who met these criteria (the criteria will be described in detail in the Sample section of this chapter). He provided me with unfettered access to people, and historical data about the merger or the organization. At that point I began to make contact with each potential participant, introducing the research study, acknowledging the CEO’s support of the project, providing a brief outline of the purpose of the study, and acknowledging their voluntary participation in this study (Appendix B - Draft Phone discussion with Participants).

In the event that the participant agreed to participate, a follow-up email was then forwarded to all potential participants offering my contact information and confirmation of the discussions conducted during the telephone conversation. The agreed upon time and location was also included. At the same time, an informed consent form (Appendix C) that is in accordance with Ontario Institute for Studies in Education (OISE) /University of Toronto’s (U of T) ethical review process was also forwarded to each participant.

During the phone call, the interview process was outlined. Interviews varied in length from 1–1.5 hours for the first interview. Participants were asked if they could be contacted in the future, should additional information or clarification be required. No participants were contacted after the initial interviews for additional information. All interviews were tape-recorded and supporting notes were taken during the interviews. All tape recordings were transcribed, yielding over 600 pages of text. The transcribed copies were returned to the participants to check for accuracy and clarity. There were no significant changes made by participants to the original transcripts.

Interviews were conducted at a location chosen by the participants. The main purpose of allowing participants to choose the interview locations was to create a degree
of comfort for the participants. During the interviews no problems were detected with the participants; no one asked to be removed from the study, and at no time did anyone indicate that they were concerned about the information they were providing. They spoke honestly and candidly. Several participants expressed thanks for being asked to participate and tell their stories.

I had full access to archival data and specifically chose to review the Business Plan for the merger, the Letter of Understanding, the Amalgamation Agreement, the Certificate of Understanding, and the Board meeting minutes for the merger between the two organizations. These archival data were extremely helpful in confirming exact dates and times of specific events.

Sample

McCracken (1988) argues that the purpose of qualitative research is not to discover how many or what kinds of people share a common characteristic; instead, qualitative research helps to gain access to the cultural categories and assumptions underlying a particular phenomenon. He goes on to describe the first principle of qualitative research as being “less is more, and it is more important to work longer, and with greater care, with a few people then more superficially with many of them” (p. 34). McCracken also suggests that for most research projects 8 participants will provide a sufficient sample size.

As stated, as an employee of the Local Community Credit Union (LCCU), I had extensive knowledge of the organization. In addition, I had a strong working relationship with both the staff and the CEO. I invited the CEO to participate in the study and to recommend individuals that would be appropriate to participate in the study. I asked for approximately 20 names (not knowing who would be available and willing to be
interviewed). I communicated with the CEO that it would be helpful to interview individuals who met the following criteria: cross-functional responsibility, gender mix, differing years of experience, and representation from each legacy organization. In addition, I indicated that I needed to interview new staff with no previous connection to the legacy organizations. I also asked that the potential participants represent the four top leadership levels in both organizations as they have the most decision-making authority in the change process and all have employees reporting to them. These levels included the CEO, Chief Operations Officers, Vice President, and managerial levels. This criteria described above was provided to the CEO because it was thought that individuals who met these criteria would be able to provide differences in observations, feelings, and personal perspectives about the merger. It is important to recognize that I had limited knowledge of the staff at Northwest Credit Union (NWCU). Once I provided the CEO with the criteria as described above, he provided a list of individuals from both organizations who met these criteria. The CEO had 20 names on the list. From this list, I began contacting individuals on the CEOs list with a goal that between 8 and 10 participants would agree to be interviewed. I found that individuals were eager to share their stories and to participate in qualitative interviews and I continued to interview participants until I reached the number of 15. Although I had started with the goal to interview between 8 and 10 participants, I continued to interview individuals until it seemed that no new data were being provided. The final number of participants was 17 (15 in the initial process, and 2 additional participants 10 months later) and it was at this point that it seemed appropriate to stop collecting new data and move to the process of data analysis.
Instruments

The researcher played the role of instrument of inquiry in this study. Eisner (1991) has suggested “The self is the instrument that engages the situation and makes sense of it. It is the ability to see and interpret significant aspects; it is this characteristic that provides unique personal insight into the experience under study” (p. 33). I used in-depth interviewing, and document analysis of archival data including the Business Plan for the merger and the Letter of Understanding between LCCU and NWCC. These specific documents provided background information to the merger, a sequence of dates surrounding the merger, and insight into the merger process. These documents were read and reread several times in order to gain an accurate understanding of the mechanics of the merger.

The primary instrument was a semi-structured interview guide (Appendix A-Questions) that I used with participants. McCracken has defined saturation for the purpose of inquiry when no new significant information is uncovered or forthcoming. The questions were open-ended which allowed respondents the opportunity to expand their comments and tell their own stories. Questions were designed to guide the conversation and provide some structure to the process while still allowing ideas, concepts, and discussion to emerge. The following table outlines the questions and the relationship to the conceptual framework.
<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Conceptual Framework</th>
<th>Interview Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Question</strong></td>
<td></td>
<td>Could you please talk about your background with the organization? What do you feel are the key things leaders do?</td>
</tr>
<tr>
<td><strong>Primary Question</strong></td>
<td>Leadership Practices</td>
<td>What was your role as a leader in the merger? Was that different from your role prior to the merger? What were some of the pivotal points for you as a leader prior to, during and after the merger?</td>
</tr>
<tr>
<td><strong>Sub-Question 1</strong></td>
<td>Leadership Practices</td>
<td>What are the challenges that (you) and other leaders face during a merger?</td>
</tr>
<tr>
<td><strong>Sub-Question 2</strong></td>
<td>Leadership Practices</td>
<td>Discuss your leadership style through the merger process? Is a different leadership style necessary as a result of the merger? Describe the leadership styles you found during the change? Was it necessary to alter your leadership style? Describe how you adopted a different leadership style?</td>
</tr>
<tr>
<td><strong>Sub-Question 3</strong></td>
<td>Merger Experience</td>
<td>Have you been through a merger before? Can you compare and contrast this one? How big an impact did “The Vote” play? What concerns, difficulties did employees experience with the merger? What efforts were made to reduce concerns or difficulties? What else could have been done, and by whom, to deal effectively with group concerns? What was the impact on stakeholders before, during and after the merger? Discuss and describe the role negotiation and compromise play in the merger?</td>
</tr>
<tr>
<td><strong>Sub-Question 4</strong></td>
<td>Outcomes</td>
<td>What leadership lessons have you learned? What are some of the things the organization did really well? What are some of the things you would do differently in the event of another merger? Do you consider the merger to be a success? Why?</td>
</tr>
</tbody>
</table>

*Figure 2. Research and Interview Questions.*
Analysis

The case study is especially suited to this study because it allowed me to explore the aspect of self-as-instrument (McCracken, 1988). In this study, the process of matching my experience of ideas and actions with what the respondent had described during the interview proved very insightful (McCracken, 1988). It is important to note that, as McCracken has warned, that this is not a simple transfer of experience from respondent to researcher. Rather, the researcher’s experience is “merely a bundle of possibilities, pointers and suggestions that can be used to plumb the remarks of the respondent” (p. 19). I used McCracken’s four-point method of inquiry as a framework for analysis.

Step 1: Review of analytic categories and interview design. McCracken (1988) recommends that researchers should first gain an awareness of previous scholarship that may relate to the research question. He notes that the literature review connects the researcher with the research community. This connection helps stimulate necessary critical thought, make one aware of personal conscious and not-so conscious assumptions, and aid with the construction of the interview questionnaire. McCracken argues that this review will afford the researcher the opportunity to reflect upon the relevant literature of the field as it relates to the research questions. Therefore, the first step of the analysis included a thorough review of the literature.

Step 2: Review of cultural categories and interview design. This second step is primarily introspective as it is designed to foster self-awareness within the researcher of his or her own experiences with the topic. The goal is to sharpen the self as an instrument of inquiry and to develop a finest of touch (McCracken, 1988). McCracken recognizes that many researchers may have a long-lived familiarity with the research
topic and this might serve to dull the investigator’s ability to examine the issue critically. McCracken recommends that the researcher inventory and examine the incidents, and associations that surround this issue for her/him. Therefore, the second phase of the analysis included researcher reflection. My role in organizational development at LCCU primarily focused on leadership development, organizational effectiveness through organizational design, coaching, and putting systems in place to foster learning within the LCCU organization. Therefore, I had a broad understanding of unique nature of credit unions in the financial services industry, and, more specifically, the culture of the LCCU. It also provided me with some degree of credibility with those who I interviewed because they believed, as a former LCCU employee, I had some understanding of the phenomenon (the merger) that they experienced.

**Step 3: Interview procedure and the discovery of cultural categories.**

McCracken (1988) indicates that the first objective of the interview questionnaire is to allow the respondents to tell their story in their own style. Questions will be framed in a general and nondirective manner and provide the opportunity for the respondent to open the conversation. Drawing from Spradley (1979), McCracken calls these grand-tour questions as they allow the respondent to specify much of the substance or perspective of the interview. McCracken also recommends that a series of planned prompts be asked at the end of a question category. These prompts were used as necessary and appropriate while still allowing the respondents to tell their primary story.

**Step 4: Interview analysis and the discovery of analytical categories.**

I followed a five-stage analysis process consistent with McCracken’s (1998) Model. The first stage involves isolating each utterance on its own and ignoring its relationship to other segments of the text. The second stage allows these utterances to develop and take
on additional meaning by first examining them in isolation, then in context with the rest of the text, and, finally, with previous research and one's own cultural review. The third stage of this step examines the interconnections of all second level observations. The focus of attention now moves away from the transcript and toward the observations made. The fourth stage involves drawing from the observations’ general themes and patterns. The goal is to search for inter-theme consistency or contradiction. The final stage draws these general themes and patterns and subjects them to a final process of analysis. Thus, the process involves moving from the particular to the general, from the individual text to the collective observation, and from the dissected text to the reflected meaning (McCracken, 1988). As McCracken indicates, once fully possessed of general and abstract properties, the investigator's observations are now “conclusions” and ready for academic presentation. By employing this process, and manually reviewing the data over and over again, themes began to emerge, which I clustered together, until seven dominant themes seemed evident to me. These themes included the following leadership practices: (a) providing strategic direction, (b) utilizing effective communication, (c) creating a positive organizational culture, (d) demonstrating commitment to fairness, (e) effective negotiation, (f) problem solving and decision making, and (g) managing change and the unknown.

It is important to note that every effort was made to ensure that verification is provided during the data analysis. Two external raters had the opportunity to review all the data. These two raters are academics who were chosen to assist in providing fairness but were at “arms length” to the process itself. They came together with me, after I was finished reviewing the data and developing my themes, and offered their insights into themes that they believed emerged during the interview processes. This discussion took
place in a group meeting over the course of several days. Their insights served as a
process of triangulation utilizing external raters (Yin, 1994). In qualitative research,
triangulation attempts to enhance the credibility and validity of the results by giving a
more detailed and balanced picture of the situation by including multiple methods of data
collection and data analysis (Creswell & Miller, 2000; Golafshani, 2003). Triangulation’s
aim is to increase the confidence in the correspondence between the participant and the
researcher’s description; it is based on the idea that the researchers will have their own
“slant” based on their own bias and angle of vision. If the researcher can get two or more
angles of vision, there will be a more accurate “fix” (Piantanida & Garman, 2009). The
external raters had similar views to my own, and they had a rich discussion regarding the
emergent themes from the research data. At the end of my meetings with the external
raters, I felt more confident that the themes that I had identified were valid and
appropriate.

**Ethics**

The highest standard of ethical conduct was observed during this study as
prescribed by the University of Toronto within the Policy on Ethical Conduct in
Research. A number of precautions were undertaken to protect both participants and the
researcher. All interview participants were provided with a letter that outlined the
purpose of the study, time frames, and researcher contact information. A statement that
clearly outlined that their participation was voluntary and that the participant had the
right to withdraw from the study at any point was also discussed during introductory
conversations and prior to the start of the interview process.

Participants were also informed how the information would be collected, stored,
and presented in a format that would preserve participant confidentiality and anonymity.
The data were not be viewed by anyone other than (a) the researcher, (b) his supervisor, and the (c) independent reviewers assisting in the process of theme triangulation. Under no circumstances were participants placed in a position where mental, physical, or social harm could result.

**Limitations**

The size of the sample restricts the use of additional variables such as ethnicity, cultural, generational, and or other elements of diversity. As a result, generalizations, related to ethnicity, culture, or generational representation of participants are not made. Although the researcher was a former employee, this is no longer the case and all participants were advised of my former position prior to the interviews. This, in many cases, created a degree of confidence in the process as they expressed appreciation that they trusted me. Due to the nature of qualitative research, the interviews were subjective in that participants presented information based on their own experience, interpretation, and perceptions. Participants were provided with the transcripts, which allowed them the opportunity to review and make additions to their original comments. There was very little change to the transcripts that were returned. Fourteen participants had no changes to their transcripts and the remaining three made minor changes which included the spelling of organizational and people’s names that had been misspelled during transcription.
Chapter Five: Findings

The goal of this chapter is to present research findings that emerged from the qualitative interviews and document analysis. This section will provide insights of leaders before, during, and after a merger as told through their stories. This will include their personal reflections of what they experienced, observed, and, in some cases, how they felt about the merger experience. These insights are presented in the form of general themes and supported by direct quotations. The quotations serve to demonstrate the depth of experience and personal investment each participant articulated throughout the interview process.

This chapter will begin with brief profile of each of the participants in this study. It will include a pseudonym, their age range, the legacy organization, the leadership position in which they worked, and their leadership philosophy. The chapter will then identify and describe the themes that emerged in the interview data with respect to leadership practices. It will continue with the findings related to the outcome of leadership practices prior to, during, and after the merger. It will then describe the findings related to the challenges and opportunities faced by the organization during the merger phenomenon.

Participant Profiles

In the chapter on research design and methodology, leaders were identified as persons in the organization with positional authority with the accountability to influence towards a shared vision. As stated, the CEO and I conferred on a possible list of potential participants. He provided me with unfettered access to people, and any historical data about the merger and the organization. These participants were also to be selected
considering the following criteria; level in the organization, age range, legacy organization, and length of service.

The following section describes the participants. Demographic researchers commonly agree that there are four generations of workers currently working in organizations. Although some of the dates may vary slightly, there appears to be some uniformity of thought. Marston (2007) describes them as Matures (Veteran generation) born before 1945, Baby Boomers born between 1945 and 1964, Generation Xers those born between 1965 and 1979, and Generation Y (Millennials) who were born between 1980 and 2000. In order to protect confidentially a pseudonym has been assigned to each of the participants.
Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Legacy Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard</td>
<td>Branch Manager</td>
<td>NWCU</td>
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<td>Paul</td>
<td>VP Operations</td>
<td>NWCU</td>
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<td>Shawn</td>
<td>Chief Strategy Officer</td>
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<td>John</td>
<td>Board Chair</td>
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<td>Tom</td>
<td>Chief Executive Officer</td>
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<td>Debbie</td>
<td>Branch Manager</td>
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<td>Lorna</td>
<td>Senior Manager Service &amp; Sales</td>
<td>LCCU</td>
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<td>Darryl</td>
<td>VP Relationships</td>
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<td>Dennis</td>
<td>VP Marketing</td>
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<td>Elaine</td>
<td>VP Project Management</td>
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<td>Laurie</td>
<td>VP Strategy &amp; Governance</td>
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<td>Joe</td>
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<td>Ronald</td>
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<td>Brian</td>
<td>Board Chair</td>
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<td>Alan</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Robert</td>
<td>VP</td>
<td>Hired after the merger from an external financial organization</td>
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<tr>
<td>Bruce</td>
<td>Chief People Officer</td>
<td>Worked as a consultant prior to the merger, Hired fulltime after the merger</td>
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Robert is a Vice President and was hired during the merger. He is part of the Boomer generation from a demographic perspective. He has had a varied career within the energy, engineering, and financial fields. He has been employed within the finance field for 5 years with another organization. He believes that leadership is about knowing your own business as he describes it to be “sticking to your own knitting.” He also believes that leaders should understand the difference between consensus and collaboration and that leaders need to make decisions.

Shawn holds a Chief Strategy Officer position. Jean is a Boomer as well, and has been in the financial industry most of her career. She was a member of the North West Credit Union. Shawn talked passionately about the business and what we (the senior management team) were trying to build for the future, about the importance of leaders being able to articulate their vision of the future, the role that culture plays in building the organization in the future and the role that leaders play in helping to develop the culture. Shawn also informed me during the interview that she would be leaving the organization with the year and that although she felt very dedicated to the merger, she was at a crossroads and would be seeking opportunities for the next stage in her career.

Alan holds one of the two senior positions in the organization. He is a Boomer and has worked with Local Community Credit Union for over 20 years advancing from the head of legal services, through finance, to the top position. Alan feels that leaders hold great responsibility to their employees and suggested that “at the very least employees deserve great leadership.” When Alan interviewed me in 1998 for my job for Local Community Credit Union, he commented that the “number one issue for him was the development of his people.” Alan also talked about leaders being able to admit
mistakes, their ability to make the tough decisions, and about accepting accountability for their actions.

Brian is the only Veteran to be interviewed. He is the Co-Chair of the Board of Directors and a legacy representative from the Local Community Credit Union. He is a private business owner and was first elected to the credit committee at LCCU in 1979. Since then he has held various positions within the board. Brian is very connected and involved in his community. He believes that leaders provide the vision for the future; they set an example of trust and honesty. He also suggested that his role as a leader is to support other leaders in the organization. Brian stated in the early stages of the process of the merger one of the biggest issues that confronted leadership was trying to build the new leadership team. He felt this was one of the early accomplishments of the CEO.

Bruce joined the organization after the completion of the merger. Bruce is a member of the Boomer generation and brought with him over 30 years of finance operational and human resource experience. He stated that his ability to deliver great leadership from a human resource perspective is largely dependent on his operational experience and understanding the business and the people that work on the front line. He believes the role of the leader in a merger relates largely to integrating processes and culture as soon as possible. He also believes that the best way to create stability and security for employees is to provide learning and development opportunities for all employees. He also suggested that sometimes you just have to get a bunch of people in a room and ask them what they think.

Dennis is a Gen Xer who joined Local Community Credit in the late 1990s. He had extensive experience in the financial service industry prior to joining LCCU but felt he could have a greater impact in a local community-based organization. Dennis
states that the leader’s role is to set the direction of the company; he feels that leaders need to set a strong example, and that they set the tone for the organization by the way they treat people and how they act. He believes that one of the most important things that leaders do is to make decisions and then to execute. Dennis also suggested that when considering what great leadership is, it means nothing if you have not been able to create a strong communication base with your employees and your customers. Dennis left the organization 2 months after our discussion, 4 years after the conclusion of the merger.

Tom is a Boomer who held a senior position during the merger with North West Credit Union. Tom has over 30 years of business experience with a strong financial background. He talked about leadership as being in the foreground, “taking the heat” and making sure that you spend most of your time planning and communicating. Tom talked very passionately that the merger was important because it would benefit employees and members in the future. He felt though that he would not be part of the new organization because there were not enough seats at the table. He spoke of how proud he was to be part of building the new organization even though he would not be a part of it in the long term.

Debbie is another member of the Gen X demographic. She has been a manager with Local Community Credit Union for just over a year although she has been an employee for 15 years. Debbie believes that the role of the leader includes keeping her employees informed so that she can reduce the amount of fear and uncertainty in the workplace. She also suggested that her role as a leader is also to buffer information between head office and her branch. Debbie stated that a leader also needed to clear the way and be supportive so employees could get their work done with the least amount of distraction.
John is a Boomer and the Board of Directors Co-Chair representative from North West Credit Union. John is very community minded and has a strong administrative background. John has a strong belief that leaders need to make the tough decisions. As a leader with the NWCU Board of Directors, it was he who approached LCCU with the merger proposal. Although he knew this would be an unpopular decision with many of the employees, he felt that it was his responsibility to make decisions and recommendations that would benefit the long-term success of his organization, the members, and a majority of the employees.

Elaine is a Vice President with the Local Community Credit Union and a Gen Xer who has been with LCCU for less than 4 years. She previously worked for one of the larger, well known, financial institutions in Canada. Her career of recent was focused on organizational change and project management and, as a result, this merger was of extreme interest to her. Elaine believes that leadership to a large extent is about courage and making decisions. She talked very passionately about what she experienced during numerous meetings she facilitated before and during the merger process.

Paul is a Gen Xer and North West Credit Union legacy member. Paul worked previously for a local school board and was then seconded for the Ministry of Education for a 2-year stint. After being downsized in the Conservative government years he was able to secure a position in the information and technology group at NWCU. Paul is currently at the VP level and believes that leadership is about alignment and execution. He talked at great length that leaders need to get things done and that they need to be done in a timely fashion. He also talked about the importance of leadership and alignment. He stated that all people needed to be heading in the same direction and towards the same goal.
Laurie is a Boomer who has spent her entire career in the financial services sector predominantly and a large part of that with Local Community Credit Union. In her role as a Vice President she has developed into the holder of the institutional archives. She takes great pride in her knowledge of the organization and her ability to recall and recount in some detail the organizational events of significance. Laurie believes that leaders set an example so that they are looked up to for their knowledge and expertise. She also believes that planning and evidence to support your case are important elements of leadership practice.

Richard is a Boomer who joined the organization shortly after the formal conclusion of the merger. He is a manager who has over 35 years experience with one of the larger, well known Canadian financial institutions. In addition, he has recent merger experience having gone through the Canada Trust/ TD (Toronto Dominion) merger. He believes that leadership is about being honest as it is about listening to people and trying to understand what they are saying. He also stated that leadership is about communication and that your staff have to understand your values, the direction you are heading, and what you will hold them accountable for.

Ronald is part of the Executive leadership group and a member of the Local Community Credit Union legacy team. He is a Boomer with a long history in the financial services sector working for many years with one of the Big Five financial organizations before joining LCCU 4 years prior. His belief in leadership is largely hierarchal, stressing processes and chain of command. Ronald feels that leaders have a responsibility to set direction, plan, and make decisions to move the organization to accomplish organizational goals.
Joe is a Boomer who was also a member of the executive leadership group. He has been a member of the LCCU for 5 years, previously working in a number of organizations focused on financial operations and planning. He sees the role of leadership being very closely linked to planning, controlling, directing, and advising and leadership as having strong fiduciary components. Joe is also very concerned about the impact on people. He also believes that people are a part of the solution and, therefore, a part of the role of a leader is to be inclusive. Joe talked about having discussions with employees about the changes that might occur and how they might impact them. Joe suggested that by having these discussions, people have solutions to some of the problems with integration. Joe left the organization in late 2009 to pursue other opportunities.

Darryl is a Gen Xer at the Vice President level. He was a member of LCCU legacy organization and has been with the organization for 9 years. Darryl spoke of the importance of integrity, understanding the business, being out front and leading by example, being clear and consistent in communication, letting people know what is expected of them, setting direction, and then driving towards the goal. He also stated the importance of the ability to simplify the message down to the significant points especially when there is so much noise.

Lorna was a Manager with the LCCU legacy group. She is a Boomer who has worked in the financial sector for over 25 years. She had been employed for 3 years with Local Community Credit Union at the time of the merger. She began her career in the customer service portion of the business before moving into human resources, and, more recently, into sales and service. She stated that a leader must build relationships. In her view, leaders provide inspiring work, provide rewards and recognition when appropriate,
and follow through on promises while holding people accountable for their actions. Lorna believes that taking a personal interest in each individual is one of the keys to effective leadership. She also stated that leadership is not about positional power because people work for people, people do not work for organizations. Lorna left the organization in the spring of 2010.

As the participant profiles point out, almost half of those interviewed have left the organization. Although voluntary turnover at the levels below the senior management ranks were relatively low, around 2%, the turnover at senior levels was much higher, largely a result of duplication of positions as a result of the merger.

**Leadership Practices**

A description of the merger experience was introduced to provide a contextual foundation. The leadership practices section represents the heart of the study and the findings are expressed in seven themes. These themes are not presented in order of importance but rather stand alone, each having significant meaning on its own. They represent the leadership practices that emerged before, during, and after the merger experience. Each theme was derived and is supported by direct quotations from the interview transcripts. The seven themes include Providing Strategic Vision, Utilizing Effective Communication, Creating a Positive Organizational Culture, Commitment to Fairness, Effective Negotiation and Conflict Resolution, Problem Solving and Decision Making, and Managing Change and the Unknown.

**Providing strategic vision.** All participants felt that it was very important to convey not only what their organization had been in the past but what the merger would mean for the organization in the future. This merger for some meant a long-term sustainability that would be driven by an increase in membership base. For others, it was
strengthening the financial performance. There were others, 60 percent, that saw it as an opportunity to double the size of the organization in a very short period of time. Marks and Mirvis (2001) have identified a number of reasons why organizations choose to merge, such as a troubled competitor seeking a saviour, defensive moves to protect market share, or a combination of things that would assist in achieving strategic goals more quickly and at less expense than would have been possible had they been on their own. Among the key reasons that NWCU was seeking a merger partner was the lack of leaders’ future vision for financial growth, stability, and sustainability. Within the theme of providing strategic vision, there are a number of subthemes that became evident. These included growth, building relationships, service excellence, financial performance, ability to execute, understanding the member, integration of people, processes and technology, building teams, and accountability. Alan talked about the importance of building the for the future and membership growth.

I mean this is not about just trying to be the biggest credit union in Ontario or third largest credit union in all of Canada, but it was certainly was our view that you need this for sustainability, and if we really believe in what this is all about, you want to know that you’ve got a growing membership base there. Otherwise, all of the things that we consider as our values and our principles and our vision, there must be something wrong if you really aren't attracting a new membership and growth.

Schmerhorn, Hunt, Osborne, and Currie (2005) define strategy as the process of positioning an organization so it can successfully compete within its competitive environment. Without having a clear vision and a plan for implementing strategy it is
impossible to successfully compete in a competitive environment. Another participant, Thomas talked about Niagara having a vision for the future for service and relationships. I think that both legacy organizations had a vision, but the strategy of how to get there was less important. They talked about service, they were close enough they didn't need a lot of formal programs or a lot of formal policies to manage the businesses. But, as far as being a well defined strategy in this is where we're going, LCCU thought that they had a pretty clear path, but I think a lot of it was building relationships and developing service excellence, and not so much defined strategic course.

In order to stay focused and remain disciplined, guiding principles were adopted before the merger to support the vision developed by the combined senior leadership team. These principles would guide strategy and an approach to operating. This also included continuing those things that had made them successful in the past. Thomas expressed views about guiding principles and the importance of financial performance. Some things sounded like insurmountable issues at the start. I think that is what led us to come out with a clear set of guiding principles of what this merger would be about. One of the guiding principles was what the financial performance of this entity would be at the end, it would have to be better than if we did not merge.

Another participant, Bruce talked about service excellence and understanding the member. He also talked about sticking to what you do best.

The first few years of the 5-year plan, and that's a couple years, not a couple months, really is stick to your knitting, executing service excellence, understand
the member, what are their needs, what are their goals before we start trying to pull off longer term.

The importance of a longer-term vision, and an implementation strategy was vitally important to leadership team members. Trying to build one team and have an integration strategy was recognized as being paramount to success. Kotter (1996) suggests that three important purposes evolve through the visioning and strategy process that organizations need to follow through on during a major change initiative. First, the vision and strategy clarifies the direction for change. Second, it motivates people towards action in the right direction. Finally, it helps coordinate the actions of different people in an effective and efficient way. Alan expressed similar views suggesting that everyone needed to be working toward a common end, and part of this included building one team that all understood the vision.

I know for example some other credit unions that have concocted some geographic representation schemes and, we have so many directors from here, to make sure our interested are protected. And in my view, that's a mediocre result because what you're entrenching is that is divisiveness within the organization, so for example in our discussion with one of the principles, we came up with was that… whatever we did, we're going to build one organization. Actually, we never used it, a lot of the directors came up with this acronym - CTV - one company, one team, one vision. You know, we kept repeating this, because a number of times… So anything that would appear to divide the organization we said, No, we can't have this, because they cause unsuccessful mergers. And that's the lack of integration, and everyone rallied around that thing.
This was a common thread throughout the discussions that all participants believed very strongly in the one vision. As part of the vision of the future and strategy there was a drive to understand and then communicate what the organization was trying to build. What were those key aspects they needed to pay attention to? You cannot focus on everything so you need to focus on those critical few. Kouzes and Posner (2002) have suggested leaders need to keep people focused on those two or three critical things. One of the participants, Bruce talked about knowing where they were going as an organization and how to bring existing systems together to support these activities.

That caused us to say that, okay, as we start to build, all of our systems, our processes, our behaviours, our beliefs would seem that we can start to anchor it, up here to cultural intent. Because, as I said you don't want to end up somewhere down the road five years from now and ask, how the hell did we get here? You want to have some intent. You want to have some ability to guide the ship in such a way. So, you know we've talked about accountability, we've talked about a performance driven, we've talked about a strong brand, we talk about values, we talk about leadership a lot.

Another participant, Paul talked about building and integrating the technology, people, and processes for the future.

Let's first of all understand current environment, so you are looking at technology. Building a combined integrated technology for the future is critically important when we think of achieving our vision. What will the technology be? What's it is going to take here? And what would it take, you know, to start to bring this together? But the technology is no different than the people or the
processes because we need all of them working together if this is going to work. And so the work streams just worked toward building Central Credit Union.

The comments Paul made suggest that leaders recognized the importance of integrating people, processes, and technologies. His comments also seem to reveal that he believes that people, processes, and technology are all equally important in the integration process. Another participant, Alan talked about the importance of accountability in reaching the organizations long term vision.

You've got to refine your business case to actually say does it make some economic sense because the reality is if it doesn't make economic sense you shouldn't go ahead and do it. And in order to do this people have to understand how they contribute to the long-term economic viability and they have to be held accountable.

One of the key aspects that participants talked about with respect to the new strategic vision was accountability. In many cases, people had not been held always accountable for their actions [how they treated staff] and for their goals and objectives [for example, increasing sales and improving efficiency] in the two legacy organizations, and as a new entity this was one of the key initiatives that the organization wanted to change. Langton and Robbins (2007) have concluded that successful teams have members that are individually and collectively accountable for the team’s purpose and goals. They also note that these objectives must be clearly defined. One of the participants, Bruce stated that accountability was considered a potential opportunity and risk for people as a result of the merger.

I said to employees, the freedom of accountability. There are two sides that come with anything. Being accountable gives you a great deal of freedom, but as a
manager to be able to make big decisions, and feel empowered and you're not been compressed, you're not being micromanaged, you know you don't have your boss on your tail every three hours to find out what you have been doing. So there's an immense amount of freedom with accountability and also a tremendous amount of sense of accomplishment.

Another participant, Shawn talked about the relationship between employee engagement and accountability.

And I will tell you, from my experience, where you actually create engagement, you create accountability, your results go up and your employees scores go up. They're not killing people with kindness, that does not produce employee engagement or better results. It's like McDonalds; it feels good for 5 minutes.

Jean elaborated on the importance of making people feel like that had accountability for their actions. She talked about people feeling good about what they do and knowing they were being held accountable while having some control over what they do. The accountability and control makes people feel more engaged in what they do.

Directly after the merger was confirmed, a shift took place, and people needed to start thinking less about longer term strategic elements and more about the short term needs – integrating the two organizations. Epstein (2005) has argued that postmerger integration is more likely to be successful if the five following strategies have been properly executed: (a) strategic vision (b) fit, (c) deal structure, (d) due diligence, and (e) premerger planning. One of the participants, Shawn discussed some of the aspects of the integration process in the process.

The Board had approved new strategy and principles [for Central Credit Union]. I just went to them this weekend with the design, aspects of them we need to go
back to them with a little more information. We will implement in September.
Implement meaning we will communicate to employees the value offering around
benefits. Currently we have defined benefits, defined contribution, and a group
RRSP. We have two different carriers. So we have to standardize everything
under a carrier. We have an RRSP out there now and we have evaluated every job
in the company under a job evaluation tool. We are currently working with
[Watson and Wyatt] to ensure they'll stand up behind pay equity folks with us. So
September, we show people the gives, the takes the new programs with a January
implementation, because they will need time to say, “What does this mean? What
options do I have? This was the process we used for integrating many of the two
legacy organizations’ Human Resource programs.
One of the participants, Robert talked about the building of HR plans and then getting
things done and making sure they were getting it right.

The tension points are there, until, I think we have a bit of a window during 2000.
Clearly, June was pivotal, but now we are building strategic plans from '01 to ‘05.
So now we're starting to envision, in HR, where we are, but what we can create
and when, and that starts to get exciting, as to figuring out the vacation policy
for… I mean this is all important. I told my group if you screw up here, you won't
have license or credibility to build this. So let's get this all right. But it's was
taxing.

Having a clearly articulated and understood vision and strategy is critically
important to both the pre, during and postmerger process. This was articulated by fifteen
of the interview participants. It is clear that the vision is one of the key themes that was
identified and that a number of subthemes support this. The subthemes include: building
relationships, service excellence, financial performance, ability to execute, understanding the member, integrating people, processes and technology, building teams, and accountability. The next theme to be presented is focused on the communication processes and strategies employed before, during, and after the merger.

**Utilizing effective communication.** Communication was an important strategic leadership practice before, during, and after the merger. The leadership team recognized this and developed a number of different strategies in order to address the communication concerns of both the members and the employees. Participants believed that communication was important in this merger. The vote was particularly significant. Employees and members were going to have to believe that this was a good thing, or at the very least, it was not going to cause harm. As a result, an internal and external communication process was put into place. The communication began with getting the employees on board. One of the main reasons for this was to build some momentum for the merger and to keep employees informed because of their day-to-day contact with members through the branch network. Potter (2003) has provided this thought-provoking description of what good communication provides to an organization: effective communication eliminates inaccuracy, reticence, rumour and half-truth, and improves strategic communication with accurate, timely, and relevant strategic information. Finally, he suggests that good communicators, “propagate the truth found in honest and proven business practices, so the bounty of success is harvested” (p. 14). This section has been organized around three subthemes: the message, the techniques for delivering the message, and the consequences of communication strategies. The following quotes demonstrate the importance of messaging during the communication process.
One participant, Laurie talked about the importance of communication because members had to vote for approval. So, it was important that they understood what the merger was all about, especially the benefits.

What's different from credit union mergers than private sector, private sector is all about share valuation, that's what they base all about. Because of the capital structure of credit unions we need approval by each class of shares. Common shares are one member one vote, so that means it has to have a wide level of support. You just can't court the big shareholders. In order to get that level of support employees need to be on side. So the communication effort is huge.

Another participant, Debbie talked about the importance of communication in getting the word out to everybody about the opportunities for everyone members and employees.

I mean, the messaging was clear and it was consistent coming from senior management. This is a good thing, it’s in everybody’s best interest, it’s a great opportunity. Everybody’s going to be treated well. We’re going to be amazing.

Dennis also talked about the ongoing communication and how it was used to communicate stability, specifically to employees around job security.

This is the opportunity that’s been presented. We’re looking at going forward here. We’ll be keeping everybody now more formally updated on, you know, what’s going to transpire. But initially, I don’t think there was anything discussed about, Well, no one has to worry about their job at this point.

In the early stages of the merger, job offer guarantees were not discussed with staff as part of the merger proposal. The job offer guarantee was not discussed as part of the merger agreement until after the Go/No-Go discussions on September 31, 2005 when it was decided by both leadership groups to move the merger forward. The job offer
guarantee assured all employees that if their job became redundant, their job would be guaranteed for a period of one year after the completion of the merger. During that period employees could apply for other posted positions. In the event that the employee was unsuccessful in finding a new internal job, they could access a full severance package at the end of the one-year job offer guarantee.

As the level of comfort increased with employees and management, larger communication processes were put into place to address the public and membership base. This is consistent with extreme change processes; as change increases, increased communication is required (Stroh & Jaatien, 2001). Alan talked about the job guarantee strategy and how communication had to be altered at one point.

And the reason I mention that it was after the initial public communication they had to regroup and change the thinking. Because coming out of these sessions there was a feeling of okay this makes sense, we're going to have to cut 50 employees when you think about those organizations coming together. When that type of message hit that marketplace, about potential staff cuts, there was pretty intense push back it, so Alan did have to regroup and say, I am guaranteeing all jobs in this thing.

Communication was not only a formal process that operated through the organizational channels. It also occurred when staff talked with the members. In addition, leadership was looking for feedback from members and staff. The following quotes focus on the subtheme of the techniques for delivering the message. One participant, Dennis talked about the use of a staff newsletter. He talked about the consistency of the newsletter and how it appeared that staff read it.
I think the communications worked very well, I think it was quite effective, it got the message out there, it was very consistent. Internally there was a staff newsletter that was done once or twice a week, or once every two weeks - it seemed like it was read, and it was fine.

Two participants commented on the importance of a communication chain through staff from members. Thomas articulated this way: “It was communication coming from staff or through staff from members.” He elaborated on this by commenting about the relationship many members had with staff, and how staff would ask members how they felt about the merger. Dennis also talked about a more formal process for members to comment on the merger.

We had set up an online form for members to ask questions, but other than that there was no formal process for going out and getting member input during this stage. So of course it became strictly anecdotal and everyone on the management team was instructed to keep your ears open and tell us what's happening and we need to know what the members are saying.

The extreme importance of securing the vote made it critically important to monitor how members were feeling about the merger. The executive leadership wanted to create a communication strategy that focused on one message. They determined that this message should come from only the CEO, Alan Sampson or Dennis, the Senior Manager of Marketing. As Dennis puts it:

In terms of communication strategies, there were key messages. And also some strong directives that no one talks to media other than Alan so it wouldn't be a free-for-all in terms of local branch managers talking to the paper about what they thought, but any media contact was funneled through to Alan where they would
have a controlled conversation with the media at that point and make sure the key messages were consistent.

Bruce talked about the importance that employee feedback played in designing the benefit program.

We have built our design, strategies and design around feedback from our employees. We, again, surveyed every employee in the company around their benefits. What they thought. So what are the trigger points? What are the issues? We have a fairly extensive communication plan we're building now, which will be highly interactive. This is a face-to-face high touch environment, and I'm not going to hide behind any email to the company. I am going to be out. I'm going to be telling, “Ya, we're taking 10% away from dental as one aspect, but let's look at the other opportunities where we have a spending account now, where you have things you didn't enjoy in the past, and we'll present statements and opportunities for them to make decisions.” People in the … benefit program will stay in it, we won't detract from it. We'll have to run that baby out. There are issues around solvency in terms of contributions, so the company couldn't have any other solution around that anyway, but we'll move to a defined contribution capability. So, if they get it, and it is highly collaborative, the VPs will own the program. I just design it, they'll own it long before this thing goes out, because it is their program that we have built with them at certain touch points.

As Bruce went on to explain, it was important that people had input in the new design of the benefit program. As he elaborated it was more than just giving people a voice in the process it was about building transparency and trust in the process because people may eventually have to give up some elements of their benefit program.
The following quote focuses on the consequences of communications strategy.

One participant, Debbie talked about the success of the communication process.

So I think, communication, based on the following was a success because there
was no push back afterwards, there weren't members standing in branches saying,
“If you decide to close that branch up I am leaving.”

One of the early guarantees made to members and employees was that there
would be no impact on the branches, for example branch closings, as a result of the
merger. Regardless of the guarantee of no branch closings it is still very important that
the communication process had a positive impact on the members. Although there was a
very organized communication process, there were still questions that went unanswered.

Paul commented on the change and concerns that staff voiced about their own futures:

Both of these organizations had a lot of long-term, high-tenure employees who
have lived -- I already refer to it as the credit union career bubble. Most places,
most industries learned long ago that you don’t start at an organization when
you’re 20 and work there until you retire and they give you a big pension and you
go home with a cake and a gold watch. It still happened in credit union—I mean
that was it. Every day you’d run into somebody, Oh, yeah, I started as a part-time
teller and at the whatever branch and right out of school and I’ve been here ever
since. Now I’m a branch manager, or Now I’m a teller. Lots of that stuff. And
so those people that had never been asked to change even at LCCU where, you
know, they’d done some work on changing the past, they’d never been asked to
change like that before. And so I think there was general unrest about what it was
going to mean. And the, What about me? questions were outstanding for a very,
very long time.
As the merger moved from the planning to the approval stage and then to the integration stage, people realized some of the benefits that came from their communication strategies. They also realized that this was a process that they would need to continue. Communication is an integral part of all business operations all the time. Another participant, Thomas told the story of communication and related to a story his father had related to him years before.

One of my old stories go back to [what] my father told me He landed at Omaha Beach, he led a crew off an amphibious, he remembers praying the night before. He was 23 years old scared out of his wits and he's leading a group of men that he knows are going to die but he always had a brave face. My father told me very little about the war because he didn't want to talk, but the development of his leadership was his ability to take people through adversity and to have a common front and to have common goals and vision. One of the things I had to do was create a vision for the senior management team. And if they leave the organization in the future on their resumes they can say, because everyone of them was a senior leader in this company, they built something that was far better than what they inherited. And they did some very good work, I mean the great part of this is the amount of work that we did in a relatively short period of time would blow the socks off a lot of people. I believe the communication that was done from starting the beginning of June to the culmination of the positive votes was some of the best communication exercises I have ever been through in a merger.

Another participant, Laurie talked about the success of the communication process. She also commented that although there was a small contingent that did not
support the merger, the communication process worked.

Stuff it was amazing. Seeing that communication was successful, it was a whole non-issue, except for a small segment that decided to make it an issue and in LCCU we had the same type of vote, we had the exact same experience, where a handful, well not a handful, about 20 or 30 of those violently against it would have made it a very uncomfortable meeting.

As Davy et al. (1988) have postulated, there are six communication strategies that can guide organizations. Information should be timely and comprehensive, repeated several ways, (such as through newsletters, all-staff-memos, meetings). Communication should be perceived credible, the reasons for the merger should be communicated, and, finally, the communication program should be planned and continue throughout the merger process. Many of the participant comments confirm that these processes were part of the planned communication strategy at Central.

Creating a positive organizational culture. Culture is defined as a system of shared values, rituals, patterns, beliefs, and an assumption that develop within the organization and guides the behaviour and the way organizational members think (Langton & Robbins, 2007; Schein, 2004; Schermerhorn et al., 2005). According to Schein (1999), organizational culture matters, particularly in a merger situation, because decisions made without awareness of cultural forces may have unanticipated and undesirable consequences. Schein also argues that when organizations that have developed their own cultures attempt to merge, surprisingly little attention is paid to culture before the new organization is created. In this study, leaders from both organizations made specific attempts to understand their own, and one another’s,
organizational culture, and actively communicate the culture of the new organization, Central Credit Union, to both staff and members alike. These practices were relatively consistent before, during, and after the merger took place.

Understanding both organizations’ legacy cultures and values helps business leaders to determine which aspects of each organization have helped it succeed, and, which have created challenges (Tower & Watson, 2010). Prior to the merger taking place, leaders within both organizations made specific efforts to come to understand their own respective organizational cultures. This was accomplished by senior organizational leaders scheduling several meetings with both management groups to discuss, at length, how both organizations worked. This included discussions of philosophy towards member/client service, human resources practices and managerial/leadership practices in terms of motivation, coaching, discipline, and employee benefits, as well as how the respective organizations viewed their roles in their broader communities and commitment to community growth and development. Alan describes the importance of these meetings:

In the early meetings with both management teams, we felt it was very important to gain a clear understanding of how we did things, our commitment to member service, how we treat our employees, and how we make a contribution to the community.

It was clear to leaders that both LCCU and NWCU had established, throughout their organizational history, a culture of service towards their members, their staff, and their communities. One participant commented that:

Once we found out real early that it was all about customer service for NWCU and that is where we felt our strength was.
Another participant, Alan, spoke of the importance of the common values held by both legacy organizations.

One of the important selling points for us was that both organizations were driven by the same values of member satisfaction. Once we understood this, then, I think we were convinced that there was a foundation of similarity for both organizations.

Leaders from both organizations communicated that, once they identified the common cultural foundation, prior to the merger, it would be very important to continue a commitment to member service once the two organizations came together as one.

The participants discussed their specific leadership approach that they would follow during the merger process to maintain the positive organizational culture that existed. Shawn commented on the importance of demonstrating both honesty and courage.

And I think you can do it with a heart. I honestly believe you can build a performance driven culture, and by the way you can do it really nice. So I really do. So that means a certain maturity and capability around leadership right. Being open and honest, setting appropriate targets, having the strength and courage around feedback and honesty… because it's really important to people.

Related to this notion of honest communication during the merger process, was the commitment to communicate consistently across the organization. This presented some degree of challenge, given the wide geographic area that the new organization would form. It was decided by the senior leadership team that senior leaders needed to connect with staff in branches throughout the organization (Central Credit Union) to send consistent messaging and to gather input and feedback for senior staff throughout the
process. It was not only important to communicate that CCU would continue to value its members, staff, and community, but, also to gain feedback from employees and members throughout the process. Ronald spoke of how valuable this process was, despite the geographic obstacles.

We kept trying to reinforce the positive stuff that each organization brought, but, we did have a challenge geographically. People were all over the place and the geography made it difficult. One of things we did try and do as a member of the senior leadership team, was to get out and travel to all the branches over several months to get a consistent message out and get employee and member feedback.

In addition, senior leaders determined that it was necessary to increase the amount of communication that took place to both employees and members. Schein (1999) indicates that it is important to communicate a compelling positive vision when leading such a change initiative and that the vision must be articulated (and widely held) by senior management. Shawn spoke of the deliberate choice of senior management to communicate consistently and abundantly.

We increased our communications to our members and our employees. We talked about the merger, we talked about what was going on in the community, and we talked about the business. We were trying to let those people who didn’t know us all that well how we operated to give them a sense of comfort that the merger was good for them.

Despite a common set of values, the leaders in this merger experience did identify some challenges along the way related to culture, which became most apparent after the formal merger occurred and the paperwork was complete. When organizations merge, by blending or integrating cultures, a new cultural identity can be established for the
newly formed organization (Schein, 1999). Schein recognizes that this is a complex process and attempts to establish organizational systems and procedures that represent best practices from each legacy organization can sometimes result in tensions and conflict. Bruce observed such challenges in the efforts to integrate cultures and create new organizational practices.

Of course getting the cultures integrated had some difficulty, more than we first anticipated. At first, it was about keeping the business going and getting the right banking system, getting the name change completed, integrating the HR stuff and really just trying to stabilize. You know, I don’t think we fully realized that there were differences in the cultures until after the fact.

Another participant, Paul, describes how the common value of member service during the merger over-shadowed other aspects of culture.

I mean, we were originally thinking about member service and we never really thought about a culture of commuters, different ethnic groups. We really never defined what member service meant.

It became apparent, through discussion with employees that the culture of the organization was much more complicated than leaders had originally thought and that it would be necessary for the leaders to take deliberate efforts to build an integrated culture through teamwork.

Whitehead (2001) has suggested that any change is always most successful when committed teams are involved. With mergers, team building should begin at the Board level. Change training is required for managers as it is their responsibility to cascade change initiatives throughout the organization (Whitehead, 2001). One participant, Paul discussed the integration of culture through teamwork.
I would say the reason we feel that we're successful is, although we started communicating early, but certainly post-merger we spent a year building the team and very deliberate and many things we've done and I think. One of the Board members called me one night and said, it's incredibly great to see how far we've come, and he said, I now think we are one team.

Other participant, Elaine, talked about the importance of stepping away from geographic identity and seeing the new organization as a collective entity.

I think that once we figured out that we needed to create a new culture for the organization, then, it started to happen. We really got away from the north and south thing and started to talk about what we wanted to build collectively and how each of us needed to contribute. What I mean by contribute was to engage, talk about how to make the organization better, and come with solutions and not just problems. It’s like, we are all in this together and that was the culture we were trying to build.

It is important to note that senior leaders recognized and was prepared to deal with, the reality that there would be, and was, some difficulty in integrating the cultures at Central Credit Union. Despite encountering challenges, they continued to work towards the integration of cultures long after the formal merger. Marks and Mirvis (1998) have stated that the best combinations often occur when there is a fair amount of culture clash because this often results in positive debate about what is best for the organization. The key, as they state, is that leadership is willing to address the issues. Ronald talked about the amount of time it would take to develop a Central Credit Union culture.
Although there is a common foundation, I don't believe it will be a Central Credit Union culture for another three to four years, it will probably take that long, but, we’re in it for the long haul.

Another participant, Bruce, used the analogy of a marriage to illustrate integrating the cultures of these two organizations. He talked about the fact that organizations cannot be separated in the event that things do not work out.

So it is important to make things work. Everybody always wanted to keep saying, well, maybe this a marriage, you put the people together. Yeah, well with a marriage you can get divorced but if you put two entities together you don't take them apart again afterwards without destroying the whole structure. It is very important that you get this aspect right.

Clearly, the senior leadership team recognized the importance of bringing the cultures together effectively. Through active and consistent communication prior to and during the merger, leaders articulated their vision for Central and the culture of the integrated organization. Despite challenges encountered along the way, leaders continued to move forward, and engage their members, staff, and community.

**Commitment to fairness.** All the participants talked about the importance of treating all employees fairly. This was because members and employees were closely watching how other employees were being treated throughout this process. Specifically, they were watching how the employees who were deemed to be out of structure (without jobs in the new structure) would be treated. Poor treatment or perceived poor treatment of employees could have resulted in a negative vote. More importantly, fair and equitable treatment seemed to be a key operating principle of the CEO and the senior management team. As some participants noted, the process about employee selection for
specific jobs prior to and during the merger was very principled and fairly executed. One said, “The decision has to be based on merit; a fair process, without regard to where the candidates were coming from.” Another participant, Alan claimed that:

The point that I am trying to get across here is that Alan is very principled in terms of these kinds of things. I mean there were perceptions growing on other aspects of the ugly word of “take-over.” He wanted to ensure that the filling of the executive and senior position was demonstratively fair, which I would say is an excellent best practice.

In order to create a degree of stability and fairness, a job offer guarantee was provided to employees so that they knew that even if their jobs were impacted, there was a period of time when they would be guaranteed their jobs so other avenues could be explored such as retraining, transfers, and outplacement assistance. Another participant, Thomas talked about the importance of the job guarantee and the success of the merger vote.

The job offer guarantee did two things. It soothed some of the concerns of the corporate offices, but it also took away any concerns of the branches of their friends in the corporate offices. So they knew themselves they were fine, but they knew they might have a good relationship with someone at the corporate office that they deal with on a daily basis and if the talk of them is I really don't like this merger thing, I need to get a job next week. So when the job offer guarantee came out it, it did a lot in the way of those fears. If we don't have a roll for you in the structure, there's a significant severance that you would never get in any other way, shape or form and one of the key piece to make the merger vote a success.
Participants spoke a lot about fairness in the treatment of employees through the merger. Shawn talked about the fairness CCU exhibited this way:

Well I am thinking of is now because I think a merger of equals is coverspeak for we will treat people fairly. Let's face the fact that it was stated, you know, we will treat employees fairly.

Ronald talked about the efforts that the leaders made to demonstrate fair and equitable treatment. He outlined how his position in the premerger process was complimented by a peer from the other legacy organization demonstrating fair and consistent representation from both groups.

So it fell to me to structure this. And which is a good thing. And they did, though to be fair and equitable, assign me a counterpart on the NWCU side.

Elaine talked about her personal feeling of how the CEO dealt with the issue of fairness and equity.

I think to appear fair and equitable, he wanted a focus group. He (CEO) commissioned a study of both teams. He was fair and equitable, you he was honest and I think that’s a good value. But he ultimately made the decision based on the facts and you know, this is my decision.

In addition to different processes that were put into place to demonstrate fairness, a Transition Support Program was put into place to assist employees through the change process. This included identifying the stages of change and discussing opportunities that would be presented as a result of the merger. Bruce talked about the transition program that was developed to assist employees and the process: “So we created programs like the “Transition Support Program” so we facilitated the discussion with the chiefs around where departments and functions would be located, either Simcoe or Toronto.”
Although every effort was made to try to make sure that fairness was applied when dealing with people, there was still a degree of pain. Paul talked about the pain they felt as a result of the merger: “There was the stress that was actually felt was in the departments here that lost all the people and so there was the… that's really where the pain was felt.” Another participant, Ronald expressed his thoughts about making decisions earlier and how this may have eased some of the longer-term pain.

It's not about being mean, it's…cause like it or not, we've gone through 2 years of this slow drip of getting everything cleaned up for the people that are staying the ones that aren't staying. Some had opportunity to leave, which was a great opportunity for them. It was so cruel the way it would happen where you would all just be brought into a thing, and then for the next week, everyone wouldn't know whether there's job there for them or not. I don't know what the answer is. I think, just give me the big hit and as long as it doesn't kill me, I'll be okay. So that would be my biggest advice. Try and make some decisions sooner. If you really do anything, you pay by trying to be nice and keep everything pleasant. I mean, one of the reasons of a merger is because you think you can do some things better, better means a change from the past.

After the merger was completed, seven participants reflected back and commented on what they might have done differently. The key one was that employee decisions should have taken place sooner and that the job offer guarantee may have prolonged the pain longer than necessary. The employee decision that participants agreed should have been done sooner was ending their employee contract sooner. For the most part, participants seem to agree that the company was fair in its approach to people as a
result of being treated fairly. When people perceived they have been treated fairly they were able to develop a level of trust and commitment (Langton and Robbins, 2007).

**Effective negotiation and conflict resolution.** Because both organizations wanted to make sure that this merger was considered to be a merger of equals and not a takeover, tremendous time and energy was spent in the negotiation process. Meetings that took place in the early stages with members of the Board of Directors and the senior leadership teams focused on finding areas of agreement and compromise. There was a real effort to make this merger work; however, there were issues that became contentious. Discussion and compromise became very important. The negotiation process has been defined as a decision making process where the independent parties involved have different preferences (Johns & Saks, 2005; Schermerhorn et al., 2005).

One participant, John noted that efforts were made to understand the values and beliefs of each of the legacy organizations.

> You've got to understand fundamental beliefs and value systems of each other and were there things that were just, the long and the short of it, by the time you were done you recognized there was nothing on that whiteboard that neither party could live without. It had to be because you go through and you start to talk about them, and yeah this is not really that important and you could probably negotiate your way around it and that led us to a Letter of Intent, a memorandum of understanding that these are the issues we need to deal with.

Curhan, Elfenbein and Xu (2006) have noted that one of the important considerations people will make in a negotiation is the actual process used. In the early stages, executive members and the Board wanted to build a trust and openness into the negotiation process. One participant, Paul talked about the lack of trust and the potential
of sabotage. He said: “there were some people that, there were people on both sides, more on one then another, and I won't say who they were and who did attempt to sabotage when they started to see what was going on.”

Leaders had to consciously make an effort to be open and honest when dealing with each other. Two participants talked about the trust and loyalty they felt was demonstrated through the negotiation process. John talked about the trust he believed existed at LCCU.

And the loyalty, politics, working as a team and you know and one of the things that’s hard to build is trust, frankly because one of the things that we generally have at LCCU was absolutely, unwavering trust. There was never any view that anyone around the table was trying to do anything but good.

There were varying points of view from both organizations. As John indicated above there appeared to be a tremendous amounts of trust for management and the merger at LCCCU. However, there were suggestions of attempts to sabotage the process by NWCU staff. On the surface there was an appearance of working together. Alan talked about how both organizations discussed being open so that everything could be put on the table so openness and honesty could be built.

We agreed that we wanted to have and open understanding and I believe it was Larry Stewart from NWCU who said that we need to open our kimono, so we're not hiding or holding anything back, we'll share with you all the good points, all the bad points, so that it will make our due diligence efforts that we needed to do, open and we're not holding anything back, and provide for a open sharing of information which allowed us to quickly do our due diligence with an edge of perspective and understand what the risks were.
Schermerhorn et al. (2005) and Langton and Robbins (2007) have suggested that an integrative approach to negotiation often offers the best opportunity for a win-win situation. Integrative negotiation is often less confrontation, offers more alternatives, and supports the notion of compromise. One participant, Shawn talked about compromise, and how these decisions may not have been the best decisions but they did maintain a degree of calmness.

Political decisions aren't bad. In the sphere of the compromise of no takeover I think that a lot of decisions were made that were probably not what you call ideal business decisions, but were more of a compromise to make sure the boat wasn't rocked too much.

There was a constant effort made to try to balance efficiency and fairness through the process. Part of being fair was because it was a strong belief held by the CEO, a second compelling reason was that staff and members would consider the way that staff had been treated when deciding how to vote. Another participant, Laurie talked about the importance of Board agreement. This was extremely important because in order for the merger to move forward agreement had to be reached by the Board on the new Board structure (if the merger moved forward there would be a reduction in total board members) and, to determine how the organization would be run from a governance perspective. This would require full understanding and agreement by all Board members.

A subset of the boards, of the two boards then to form sort of a joint merger task force and work together to see if that smaller group of directors could then iron out what they thought the key issues were from the governance perspective because knowing that… knowing that the merger discussions between NWCU
and Cistro had failed on the governance side, that was key to successful merger -
to ensure that the directors were on side, that we had a full understanding.

Thompson, Wany, and Gunia (2009) have noted that an integrative approach to
negotiation may be best because creative solutions are maximized and no resources are
left on the table. Early in the due diligence and negotiation process between the two
organizations it was agreed that using a facilitator to broker discussion would be
beneficial to the merger process because it would provide some external expertise
currently not available in either organization and a third party objective view. One
participant talked about benefit of facilitation. So, with the benefit of facilitation, and
open minds at the table, and good hard discussion and negotiation, and give and take on
both sides a lot of great work came out of that work, which led to a great starting point
for the new board. Another participant, Elaine talked about the posturing at one of the
work stream meeting.

I was at their table and I was bored and I had my computer and I just kept writing
down what they said. And I have that file somewhere on my computer. But I
haven’t gone back to look at it. There’s a lot of posturing in there.

Although as Elaine suggested there may have been posturing evident in some of
the meetings another participant, Robert felt that the CEO was trying to make sure that
everyone’s opinion was heard and that reasonable debate took place on the important
issues.

Well he'll work something out and everyone goes with it and that's a great idea.
That's not what he is creating here and that's not his expectation. We have opened
debate. He can pick the position, but it’s no stronger position than anyone else in
this company because the debate, and the openness always ends up in the best
solution. Maybe some of what the boss thought, and maybe some of what
someone else thought, and he is very. I think the CEO during this time is a
critical, critical role, and we're fortunate that we have a person who really gets
that, and wants to, and is open to it.

These two participants have noted how people during the merger discussions were trying
to make sure that they were presenting themselves in the best possible way, as Elaine has
suggested “posturing”. Robert has commented that the CEO through the merger
discussions tried to ensure that regardless of how people positioned themselves that every
would be heard. Participants, in general, seemed to agree that the negotiation process
between the two parties was important and successful. A number of participants (12)
suggested that the CEO himself demonstrated the importance of being open, honest, and
encouraged constructive debate on contentious issues that caused internal conflict.

**Conflict resolution.**

Through the merger process a great deal of conflict resolution was required.

Conflict arose in a number of different areas, such as, the new name for the organization,
the technology platform, the corporate office location, the new CEO, the division of
corporate office responsibilities, and employee benefit realignment. Thomas (1992) has
suggested that organizational conflict can be managed through five different approaches;
(a) forcing (imposing one’s own will); (b) problem solving (trying to reach agreement
satisfying each parties needs as much as possible); (c) avoiding (ignoring or minimizing
the importance of issues); (d) yielding (accepting the will of a party); and (e) compromise
(balancing concern for oneself with concern for each party). A number of these
approaches were in evidence through the merger process.
The new caused a great amount of concern in the early stages, LCCU felt their name had national recognition while NWCU suggested they would not move forward with the merger unless the name was changed. In this case both problem solving and compromise were employed as evidenced by comments from Bruce.

The name became a real issue for us so we decided to engage a third party consultant to research what we believed to be a factor and that was that LCCU was a national recognized name. As it turned out it wasn’t and that was helpful for us to know. From that point we solicited names and agreed on one that satisfied everyone, in the end it worked out to be a good process.

The technology platform provided another type of conflict. Although the platform at LCCU had been purchased by a large international financial supplier, the platform at NWCU had been developed almost exclusively in-house. As a result there was a great deal of identity linked to that system by NWCU employees. Tom talked about the ultimate use of problem solving and compromise that was used in this situation.

This is another one of those situations when we thought it was best to use an external third party. There was so much vested interest by the one group that they were not seeing the long-term implication if we didn’t move to a different platform. The outside group did a full diagnostic and as it turned out the system couldn’t handle the new demands and in fact it would be obsolete and not supportable within two years. So although it was disappointing for them they could see we need something new.

The new corporate office location presented an entirely different situation the location a mid-point between both legacy organizations had been agreed to but it was the
advice given by an external group that caused the CEO and executive leadership group to yield to their recommendation to keep both offices open. Alan articulated it this way.

We had made our decision where to relocate after the merger. It was halfway between the two legacy offices. We had located a property to build on and were ready to make an offer. And then we had this discussion with our marketing consultant and they said are we nuts? We have no market presence their we are going to cause hardships to our employees, why don’t you stay where you are for a while and we agreed.

When it came to the decision of who would become CEO if the organization’s were to merge it was very different. From LCCU’s perspective it was quite simple it is either our CEO or there is no deal. This was very much an example of forcing ones will. Brian explained it this way.

We told them (NWCU) right off the bat. The only CEO we will accept is Alan if not him then as far as we are concerned the deal is off. They agreed and so we proceeded with the merger.

The issue of the division of corporate office responsibilities came to light after the merger was completed. As a result of deciding to keep both offices opened it needed to be determined which functions would be located at which corporate office. This would have some impact on employees as they may need to relocate depending on where there functional office would be located. Joe summarized the process of compromise it in the following statement.

It was great that we deiced to keep both offices opened but it created a whole new set of problems because we needed to consolidate some of our operations. We figured the best way was to meet with the people that might be affected and see if
we could reach some type of compromise which we were able to do in most cases. In some cases we left things the way they were, in others were people had to travel we tried to keep it to a minimum maybe two days a week, and with others we gave them an opportunity to relocate with assistance or they could post to another job, all in all it worked pretty good.

Finally the issue of conflict surrounding benefits realignment will be discussed. This was another issue which need to be addressed following the merger. This area was identified early in the merger process as one that would need to be addressed due to the fact that there were two different types of benefit plans, defined contribution, and defined benefit. The defined benefit plan was in place at NWCU and was by far the most expensive and it was determined that this would not be supported by the new organization. Addressing this issue created a lot conflict during the transition phase. Bruce outlined the processes of forcing, yielding, compromising and problem solving that were used to get agreement.

We went in this thing with a very definite idea, that the end of the defined benefit program. I went around making presentations as to why the company couldn’t support it in the future. But we ended up in some cases grandfathering some of the people with a lot of years already invested in the program and then shifting some other people with a bit of an incentive. It actually worked out pretty good even though we made somne changes from the original message, and it didn’t cost us a lot of extra money when all was said and done.

The issues of negotiation and conflict resolution were very important aspects in the ability for leaders at Central Credit Union to be able to get things done to allow the merger to proceed. Great effort was made to find common ground to work from, but
leaders were also prepared to make decisions when required beyond the bonds of compromise.

**Problem solving and decision making.** This merger process was fairly complex because it involved credit unions. Due to the fact that both the boards and the executive teams wanted to make sure that employees and members viewed it as a merger of equals, and not as a takeover, great pains were taken to try to identify issues that would slow down or stop the merger process. For example, teams of employees were chosen from each legacy organization to participate on the due-diligence and integration teams, and people were encouraged not to speak about what each organization was bringing to the table but how they would be better off as a merged organization. Humpal (1971) has suggested that a merger is rarely a marriage between two equals. Parties more closely matched in size and distribution of power, are more likely to evolve over time. In the event that these issues were identified, then strategies needed to be developed to try to deal with, or at the very least reduce, the impact on the merger approval process. Although every effort was made by the board and leadership team to try to lay out a merger and integration plan for moving forward, there were still situations that occurred that resulted in leaders having to problem solve and make quick decisions on the fly. One of the participants, Joe talked about protectionism, keeping a scorecard, and the notion of merger of equals.

Some of the barriers that we felt, I mentioned earlier, in terms of… there is some degree of protectionism of your job - that's a barrier. There's some idea of, I've got the perfect deal, I've got the perfect deal. And we had to get through that process, it's not a case of, I bring this, and I bring this. It’s a case of what can we
together bring to the table and move on because it wasn't going to work if you, we all protect our own turf as in, we're financially successful, we do this, we do this, and this brings this pile to the table, What about you? How do you compare the two? Because it had to be a merger of equals or it wasn't going to work, so the merger equals, it was something that was pushed very hard. In order to go there you can't keep, you can't have a score card. You got to get rid of the score card; as long as that's in play, it's not going to work.

Another participant, Richard articulated the challenge of problem solving when the problems are not being addressed.

Your management team seems much more challenging looking for new ideas. So you can really sense the discomfort which was bothersome. We were kind of really nice to each other. And no one really points out any of the problems.

Basadur (1994) has suggested that more time needs to be spent identifying the problem rather than trying to move directly to solution finding. In another situation, an employee talked about a leadership decision made with respect to the job offer guarantee.

Another participant, Bruce indicated that the job offer had two distinct impacts in easing concerns for members and employees.

The job offer guarantee did two things. It soothed some of the concerns of the corporate offices, but it also took away any concerns of the branches of their friends in the corporate offices. So they knew themselves they were fine, but they knew they might have a good relationship with someone at the corporate office that they deal with on a daily basis and if the talk of them is “I really don't like this merger thing, I need to get a job next week.” So when the job offer guarantee came out it, it did a lot in the way of those fears. If we don't have a roll for you in
the structure, there's a significant severance that you would never get in any other way, shape of form and one of the key piece to make the merger vote a successful.

These were both very important decisions to make as either one could have resulted in the merger being abandoned. The corporate office location having been one of the early identified “deal breakers”, and the job offer guarantee being an issue that members may have reacted negatively towards. Participants talked about the willingness to make decisions and get on with things. Thomas articulated it this way:

What really turned it for me was, in the meetings he had a willingness to, “Oh, that's an issue? We'll take care of that. We'll let that go.” So I think he went out of his way to make sure there were no show stoppers that may prevent this thing.

One participant, Bruce talked about the willingness to accept mistakes and change decisions if it was the right thing to do.

Look, regardless of if this makes sense or not we're going to make this happen. If bad decisions were made and something had to be fixed, something as simple as the corporate office decision we did it—originally Alan wanted an office in Burlington, but then as a group we decided it was the wrong decision so we changed our minds and Alan had the courage to say I made a mistake.

One of the more striking comments came from a board participant, Ronald who noted that leaders set a powerful example. This meant making decisions for the benefit the organization and its employees while risking their own future job security.

Because, you know, let’s face it, you're sitting at a table with a lot of senior people, that are potentially voting themselves off of a job, potentially…. In order to be totally objective and I’ve got to say, generally speaking, people were very
objective and some of the comments I heard from our senior people, like, If there's no chair for me in the end, then so be it.

Participants spoke a great deal about the need to get the vote. Specific issues surrounding the vote included the new name of the organization, the location of the corporate office, the technology platform, and the ensuring organizational structure. These issues created a significant number of problems and situations where decisions needed to be made. These decisions involved employees, or members, or a combination of both. One participant, Robert talked about the problem of trying to convince people that a merger would improve what some people already considered a good situation.

So the problem was that some people didn’t see any problems with the existing structure. Now you want to completely change the organization, how do you get members to support this thing, because in reality they have the final say, they got a vote, and they weren't looking for a merger. They were pretty happy with the way things were, and any issues they had they didn't think they would be solved by a merger.

Another participant, Laurie talked about the problem of perception and how leaders must present a solution that does not make this merger appear to be a takeover. “I think keys issues would be what would the structure of the management team look like. The overriding key issue was this cannot look like a takeover by either party.”

In the early stages of the merger, participants talked about how the executive leadership team under-estimated the problem of membership concerns on a number of issues.

A participant, Ronald discussed how the organization may have underestimated member reaction to the name change.
I also think we underestimated the reaction of the membership to a number of
issues. Where we overestimated the reaction in Simcoe, things like the name.
We never in our lives conceived of any member really caring about the name
NWCU. What the hell does it mean? And, again, you get these things embedded
in your corporate culture and the way that you think as an organization. That had
been pervasive within NWCU for quite some time. Oh, we should change the
name, you know, nobody likes NWCU. Nobody knows what it means. It’s
difficult to understand. And we didn’t realize that a lot of members, even if they
didn’t like the name, they sure as hell didn’t like the idea of changing it.

Another participant, Brian talked about the importance of changing the name of
the organization as it was one of the things that NWCU demanded as part of the move
forward merger agreement. In contrast, many of the LCCU members were against the
merger.

One of the things we don't want to carry on is our name. And of course, probably
shouldn't be LCCU either. Our position was, our CEO, one of the early points
was name, yet later on the emotion started to kick in as there was some
sentimental attachment to the name, but it was much bigger in Medville, and the
idea of LCCU is a worldwide entity, and we are here, and we've been successful,
we've built pride, so that for us was the biggest element to sell. And you can under
stand it too because, LCCU is a worldwide name, why would you give up one of the key assets you have? It didn't make sense, and being frankly, it was
tugging my heart on that issue because we've grown up with this thing.

The name change became a very passionate point, especially for LCCU, because
they associated the name with their history, and the fact that it was recognized all over
Westville. NWCU on the other hand was not attached to their name but definitely would not agree to a merger where to new name was LCCU. In addition, the name of the newly formed organization became a major point of contention for staff and members, especially in the Medville Region. A process was required to provide an unbiased recommendation of the most appropriate name for the new organization. This created a major problem. Determining an appropriate name was perceived to be a deal breaker by some. If a name could not be agreed upon, then one of the groups may have withdrawn from the merger.

However, in the case of this merger, it was not just about selling an idea; it was about living up to the commitments made to employees and members over the long haul. Joe talked about the organizational promise.

The members of both have to agree to the merger. So we had to come up with the story, the promise. If you vote positively for the merger then this is what you can expect from a financial perspective customer. This is what you can expect from a technology perspective. You know, every time guys in credit unions go to ATMs it costs you a buck and a quarter [$1.25], you know if you’re not… So we're linking to an exchange now as one of the promises. We promised them, we told them about the merger costing eighteen million to put together, but the return, you know, five years out would start to pay off in significant dollars, doubled the employee, employment training coming into. No layoffs would occur as a result of this merger.

No layoffs occurred in the branch network as a result of the merger. The branch network made up approximately 80% of the newly combined workforce. However some, corporate office staff were affected due to the merging of some corporate functions.
Another major issue was the amalgamation of the two corporate offices. One participant, Bruce noted the problem of one corporate office and the decision that was ultimately made.

One company, one corporate office. So that wasn't going to fly because our employees couldn't get behind it. It was disruptive, which would influence, we believe, our member vote. So what's the compromise, how do you make it work? Well, Simcoe, Toronto and that's where we're in today. Does that put strain on going forward? Ya. So all those sorts of things. You had to create the deal so they could talk to their members about it in order to receive a positive vote. It was all of the aspects of business.

The issue with the two corporate offices became one of the great points of discussion and debate and one of the greatest tests of leadership. After some discussion and debate, the senior leadership group and the board agreed that the best solution would be to move the corporate office to a central location part way between both legacy corporate offices.

During some discussions to finalize the agreement, an external consultant asked the question of why it would make sense to build a new location in this central location where the organization has no market presence and displace both groups of employees who would now be forced to make at minimum a 30 to 40 minute commute. At this point, the executive team and Board re-opened the discussion about the proposed location and, after reconsideration, decided there would be no real cost implication to keep the two existing corporate offices open for a period of 5 years as they considered the best location for the permanent new corporate office location in the future. One participant, Joe talked about the problem of convincing members of the value of the merger.
Well I guess from my perspective, in my view what was required from a financial perspective to make the deal palpable to our members is we had to show the value added to the members. So the business plan that we put forward over a five year period demonstrated that, while there were about eighteen million dollars of front end integration costs non-recurring in nature, over the first two years that over the course of the preceding three or four years a lot of those costs would be recovered by having a single a single banking system, a combination of functions, and that in addition to that, that as upbringing as a new brand, that we would be able to incrementally increase business beyond what the two credit unions could have done alone.

In the final scenario it was about getting down to business, understanding the problem, making a decision about the merger, and then getting it done. It was about putting everything on the table, developing relationships, selling the plan, and moving people to make a positive decision to support the merger. Robert stated that it was important to get things moving as quickly as possible.

I would position it as a strength, I really don't know, because again my background is, “Get in there and get it done.” I think because of the environment and people aren't used to moving as quickly as others, I was able to get a lot done in a short period of time. So, from my perspective, I [was] able to establish credibility quickly and the people are great here and it's very easy to develop relationships and move forward. There's no hidden agendas, which is refreshing for the most part.

Managing change and the unknown. Every participant talked about the impact of change – change on the organization, change on individuals, and how things would be
different in the future. Employees who face organizational change, such as a merger, often focus on many of the negative aspects of change such as denial, resistance, sabotage, and isolation. This can impact their problem-solving and decision-making skills. If organizations are going to take a more proactive approach to problem-solving and decision-making activities, then management must take a more active approach in reducing the negative elements associated with such a change (Marks, 1999a, Pritchett, 1987, Triantis, 1999). One participant, Elaine talked about unlearning some things in order to be open to new ideas. “You have to unlearn some things and set those mindsets aside, to say, No, this guy really wants to talk about it, as opposed to, I think he's selling me something.”

Resistance to change has been noted as one of the stages that people often go through as a result of change. One participant, Debbie talked about the resistance to change and the lack of sharing of information. “So there was the interpersonal behaviours that come with resistance to change, you know, the openness, and sharing information you had to sometimes dig for.”

Part of what leaders need to do was to try and reduce the amount of fear of the unknown that was resulting from the merger. Several participants talked about this fear. The pain absorbers include such things as uncertainty of the unknown, exposure to a challenge, pressure, stress and pain. (Buchanan, 2003; Hutton, 1994; Katzenbach et al., 1997). One participant, Richard talked about the change in leadership and the uncertainty of what the future might bring as a result of the change.

They lead all of our people, they initiate a lot of the change and they need to be strong leaders. So we've created… I've felt they were starting to operate in silos, which was scary, and so how do you bring a group of people together to
understand horizontally, their accountability with the company. So it's beyond whether you're working on this project, or you're working on that project.

Another participant, Bruce talked about the change and the impact on employees which may drive employees to unionize and to gain protection through the collective bargaining process. “But in the interim there's so much change going on and potential displacement and rumours, that we could end up with a potential attempt to certify, and that worried me. And eventually worried me in the branch network as well.”

One employee, Paul talked about the impact of the change and the resulting duplication of roles at the senior level. He talked about the uncertainty of his job, if his boss was not there in the new organization.

You have a duplication of all eight positions at the executive level, and it was clear that the folks that are most at risk in an amalgamation/merger are the people at the top. Well, if my leader didn't make it, does that mean they weren't a good leader? And so it gives it a confidence level, like, Where do I stand? If I thought I was doing a good job, and I thought my boss was doing a good job - and my boss wasn't good enough. What is the indication that is there for me? So I would say there is still some uncertainty with the team, and we need more bonding.

After the merger vote was completed and the postmerger transition process started, employees started to recognize some of the gaps that existed as a result of the merger and they tried to find solutions to the issues. Some people were still concerned about the impact on themselves and the impact on the organization, but there still seemed to be optimism in their comments. Researchers have suggested that readiness for change is one of the crucial factors for the success of major change initiatives, such as a merger

One of the participants, Debbie talked about the impact of change on employees.

And for a team here that prides themselves in delivering outstanding service, when they can’t do that because of-- well, they don’t know who to contact. They don’t know where to find information. That’s, I found, throughout this whole process to be the most frustrating thing for my team, were those changes. And as much as I could say, You know what? We need to be patient. People need to learn. They need to learn their new job. They need to go through that change. Maybe-- we’ve gone through the change process a lot quicker, maybe, than they have.

Another participant, Richard talked about the uncertainty that they were facing as a result of the merger. He talked about the trust he had in his legacy organization and that he would need to carry this trust forward in the new organization.

So there was that reservation, that nervousness, that, you know, What really is going to happen for me? Because I’m so green and naïve and don’t know anything different, it’s all good to me. And I know that, you know what, that sounds-- but I didn’t take it-- I had never gone through anything like this before. Niagara was the only organization I had worked for and trusted. So I thought, you know, well--okay, if this is where we need to go, this is where we’re going to go.

For many employees at LCCU this had been the only organization they had worked for. Many had worked in the same location, and for the same manager, their entire working career. This merger and all the potential change created a great degree of
uncertainty for them.

Another participant, Joe talked about the past. He had asked himself many questions and knew that there were many things that were different in the two organizations and that there would be many things different as they moved into the future.

It's giving up of the past and the comfort and creating a new model. And did this align with the new entity? How does that align to the cooperative movement, and the intents and values within it? So there was... but I know when the HR people came together it was, we did a lot of side-by-side analysis to determine the size of the difference, HR policies and practices. Everything you looked at in both credit unions was different.

Change is at the centre of a merger experience. It affects employees, customers, competitors, and the organization. Many scholars have argued that in order to create a strategic reorientation towards the change initiative, a bottom up approach is required with the full participation and active involvement of all employees is seen as critical for generating commitment (Bennis, 2000; Cummings, & Worley, 2005; Sminia and Van Nistelrooij, 2006). This is very important to the overall finding of the study as leaders have a major impact on what people do. As a result, those actions that leaders take through their practices have an influence in generating employee commitment.

Outcomes of Leadership Practices

This section deals with how the leadership practices used in this case influenced the outcome of the merger. Although there are many factors that influence a merger, leader practices have the greatest influence on individuals and organizations during a merger (Bommer et al., 2005). During the interviews a question was asked of participants
regarding the success of the merger and the influences of leadership practices on the outcome. The senior leadership team had identified some factors early on that they would use to determine the success of the merger over the first 12–18 months after the legal completion of the merger. First, would there be the successful birth of a new organization, Central Credit Union, with an external image intact? This included a zero disruption to member services, and a perception by members and employees of the fair and equitable treatment for all employees. Second, would there be an integration of the two distinct cultures that existed previously within the two legacy organizations? Third, stability, was there minimal voluntary employee turnover, minimal member loss, a smooth technology transition, and an integration of processes and policies, and a return to business as usual?

The New Organization. At a point 12 months following the conclusion of the legal merger the new leadership team of central credit Union met to discuss the original 3 criteria they had set prior to the merger as success factors. The following comments from participants outline those discussions. It could be concluded that the bulk of the new organization’s success was due to the influence that leaders exhibited before, during, and after the merger.

One of the participants, Bruce talked about the influence of leadership in the organization and how the change was managed with very little impact on the members.

So... but it's interesting to watch the effect it has on the organization of the leadership. All this stuff which took us months and months… I don’t think the members really were impacted… you know they knew the merger was happening but for them it was just business as usual. Managers, created buffers and supported employees on the front line and we got it done.
Cartwright and Cooper (1992) have articulated the importance of effective management during mergers in order to reduce the negativity by leading and motivating employees to implement organizational objectives and facilitating adjustment. Debbie suggested that senior leadership helped to create a sense of urgency to get things done which lead to the success.

We had to keep the lights on, while driving towards the finish line. We needed to keep employees motivated…we had to get this done so members could see the benefits of the merger and not you know drag this out so business got disrupted or people started to lose trust in us as a leadership team.

Conner (1992) has recommended that leaders need to create a burning platform for employees so that they can understand and be motivated towards supported major organizational change. Conner suggests that employees can be successfully motivated to support a change when they understand the reason for the change and the sense of urgency.

Another participant, Thomas talked about how he had personally been treated even though he would not be part of the organization moving forward and, in turn, how he treated others affected by the merger. This is consistent with one of the measurements that senior leadership had identified for a successful merger, and that is the perception by members and employees of the fair and equitable treatment for all employees.

What I am most proud of is the fact that we created this thing and it's funny I always knew that financially I would be taken care of and I never negotiated that up front, that got negotiated well into this deal with my board. It was my driving factor to take care of myself, it ultimately became the driving factor making sure the management team on both sides got taken care of as you realize this thing was
going to happen and you had to have the right people at the table and you needed people bought in. I learned early days, I did other Merger & Acquisition work in my past - maybe because I come from an M&A background, the background where I've bought and sold companies and I've seen the egos get in the way and I recognize that the CEO and CFO, any of the C level jobs, whenever egos gets in the way you've got to get rid of them.

Two participants talked about the success of the merger from the perspective of the successful birth of a new organization. Paul talked about building one organization and the financial growth the organization had experienced.

We have come through and built a single organization. We’ve built a name for ourselves. We have successfully navigated the turmoil of employee impact. Not to everybody’s advantage but to some people we’ve created an organization with greater opportunity than either legacy organization had. We grew by over thirteen percent last year, which was greater than what we had grown in previous years, the legacy organization. And we did it while we threw everything up in the air, juggled it and dropped it back in new places. So is it a success? Yeah, I think it is. Is it all that we hoped it will be? Not yet but I’m very positive and very hopeful that it will be if we make the right steps from this point forward.

Sometimes we suffer from wanting to get too far too quickly. But hopefully we can keep that in check.

Bruce talked about the new unified organization that supports one of the success measures which is the successful birth of a new organization. But he admits that as an organization did not do everything right and yet he still feels they were successful.
No, I'm really excited we're doing it because I think there is a very unique story to
tell here in terms of how this company, FI to boot, approached this. I think we got
a lot of things right, we now have one unified organization, we didn't do
everything perfect though, we screwed up on something's. That's, a pretty neat
thing.

Overall, all participants felt that the merger had been a success. There was a great
deal of pride in what they had built and what the future would hold for the new entity,
Central Credit Union. Participants talked about the success of the merger, how
employees for the most part had been treated fairly and how there had been very little, if
any, negative impact on the members.

Culture. Another of the key messages that senior leadership team members had
identified was the integration of culture, it is also one of the key areas of importance
noted by numerous scholars (Nadler et al., 2001; Schein, 2004; Whitehead, 2001). One
of the gaps that showed up during discussions with the participants was the lack of
understanding as to what culture was. Earlier discussions indicated that culture was about
customer service. However, further discussion started to highlight a different view of
what culture might represent, and the sub-cultures that exist. This might help to explain
why the process of cultural integration was so difficult for Central. One participant, Paul
talked about the culture and how there continue to be subcultures in the organization.

There is still culture in different pockets that will never go away. It's also etched
in the resiliency of the organization… it's a paradox of how important leadership
is, but then how unimportant it is. The organization goes on, and people do their
jobs. And certainly over time you seek new challenges but there is a lot a changes
in how the change gets managed and it's never quite as bad as people think it is, and it's not quite as good as people think it is.

One of the measurements for success of the merger identified by the senior leadership team was the integration of the two distinct cultures that existed previously within the two legacy organizations. One participant, Bruce talked about how culture was one of the areas that they underestimated and there was still considerable work to do in integrating the two different cultures.

I really think we under-estimated the impact of having two different corporate offices and how difficult it was going to be integrating, I mean it’s not just two cultures but there is cultures within cultures. We’ve still got some real work to do to get this done. This is one area we still have to figure out and it could take a while.

Another participant, Dennis talked about culture, a lack of clarity as to what culture meant and what type of culture that the senior leadership team at Central Credit Union would want to build.

I don’t think we really thought about culture the way we should have. At the beginning we thought hey everyone believes that customers are important so that must mean that we all agree that we have a customer service culture so we must be okay… we didn’t think about what that meant, we didn’t think about the impact of two different head offices and now we are trying to clean up this mess.

Although the senior leadership team had identified the integration of culture as being one of the indicators of success, many of the participants talked about the difficulty in doing this. Dennison (2001) is very clear in his comments suggesting that cultural
issues are often ignored during major change processes even though true organizational change is not possible without cultural change.

**Stability.** Senior leaders had identified stability as one of the key success measures. One employee talked about leaders providing stability though their actions. Although the literature on maintaining stability within an organization during a merger is limited at best, there is considerable literature on areas that assist in regaining stability which includes integration of people, processes and policies following the merger, dealing with human issues, and an effective communication strategy (Applebaum et al., 2007; Booz et al., 2001; Cartwright & Cooper, 1992). Elaine articulated stability this way:

> I mean, the leadership has really grown. they had to do things differently as a result of the merger and they stepped up…especially after the merger we had to stabilize things and get people off the merry go round. We had to really support people through the change..and keep reminding them where we were going, and it may not be perfect but keep eliminating the fear and the unknown.

Leaders have the role of promoting job satisfaction, providing support, providing meaning and advice in change situations with great uncertainty by articulating visions of the future (Hinduan et al., 2009). Another participant, Debbie talked about how leaders influenced the merger.

I saw my bosses do things that really had a positive impact on staff, I saw more of it then I had ever seen in the past, the communication improved, you saw senior people in the branches, I know they were busy but they tried to be here and provide information…they couldn’t tell you everything but they tried to put
people at ease and help solve problems and engage people in finding solutions…it was great.

Another employee, Tom talked about leaders making decisions and getting on with process and policy integration.

I mean don’t get me wrong; we didn’t do everything right but we didn’t lose many members through this process… that’s because of the communication with the members and the staff connection and that wouldn’t have happened if staff had been ticked off about the merger. Managers had talked to employees they understood the merger they felt there were more positives than negatives. We got things done, we made decisions and solved problems on the fly…I mean for the most part managers made people feel pretty good about the whole process and that’s got to speak volumes.

Bruce talked about moving forward and how, although they need to stabilize for a while, that everyone needed to continue to look for opportunities for change.

Employees did a great job but I don’t think we want to under-estimate what managers did. They put a lot of time in and I think that’s what kept employees motivated and supportive of the whole process because if the managers absent then this whole thing falls apart. And we have built a lot of new capacity for the future, we’re not there yet we probably need to stabilize for a while but we should still be looking for the next opportunity…this could become a way of life for us.

These three participants talked about how different efforts were made to help stabilize the organization, through a number of different practices which included communication, visibility, problem solving, decision making, motivation, and support.
Kotter (1995) notes that after a major change has been completed, such as a merger, new approaches must be institutionalized. In addition, individuals should continue to look for additional changes. In fact, it has been suggested that change should not be seen as an event but rather as an ongoing process.

When considering the key indicators for success and the influence leadership practices there is sufficient evidence to suggest that the leaders did influence the merger with respect to the successful birth of a new organization and creating a degree of stability. This, according to participants, was demonstrated by communicating to employees on a regular basis, being available to assist in decision making and supporting problem solving. Leaders were regularly talking about the future, trying to keep members and staff focused on the positive, not the negative. Leaders talked about the positive aspects of the meetings during town hall meetings, audio conference calls, member newsletters, and during staff meetings. In addition, participants talked about the fairness and equity of treatment that employees personally experienced. However, there was strong recognition that as an organization the integration of culture had been and continues to be an issue. In the next section other challenges faced by the organization will be discussed.

Challenges

The final area for discussion in the findings section is centered around individual and organizational challenges in the workplace. Through the interview process, participants articulated a number of challenges both individuals and the organization faced during the merger process. Individual challenges included such things as increased workload, fear of the unknown, and uncertainty. Organizational challenges included
culture integration, lack of resources, organizational communication, and the vote.

Some of the issues were both individual and organizational as noted in the first example.

Workload issues were both an individual and organizational challenge. Several participants commented on how their workload went up during the merger, meaning they were balancing roles that were both merger and day-to-day operationally related. Many people felt that their workload had increased dramatically. Dennis explained it this way:

There's no question that everyone's workload probably went up by 30%. And frankly one of the things I admire a lot is the companies that do mergers all the time. How do they sustain at this pace? It's a pretty grueling pace, not only physically, but mentally.

Although the literature on increased workload due to the mergers is sparse, there is considerable literature that articulates the impact of major change on people with respect to stress, psychological impacts, and health implications (Bell, 1988; Cartwright & Cooper, 1992; Conner, 1992; Kotter, 1996; Marks & Mirvis, 1985; Scott & Jaffe, 1997). This is an area that did draw considerable attention during discussions with participants. There seemed to be expectations that people would do this additional work before, during, and after the merger with the expectation that their jobs would return to normal workload levels at the completion of the merger. It was almost that it was a requirement of the job during the merger to have additional responsibility and that as a whole people were working towards a greater good where everyone would share in the benefits in the long-term.

Another participant, Elaine talked about the fact that it was not a matter of choice. She said that you were told you would be working on the merger along with doing your regular job.
It wasn't the team that was taken aside and say, “we're going to take you out of your current jobs, for the next six months you're going to specifically focus on this merging aspect of”, it was “in addition to your current job we need you on this team”. So that was the, I think that attitude.

One participant, Paul talked about the organizational impact on the organization and how that affected the quality of work and the output.

Yeah you know it was tough, we didn’t have the legs to do this thing. I think as an organization we put ourselves at great risk not bringing in additional resources to help with this. We were asking people to do double duty and they were ignoring their teams that they were still responsible for and I think we put the business at risk.

Another participant, Robert talked about lessons learned about workload and the message that has been sent to senior management in the event of another merger and the fact that additional resources will be required in the event another major merger initiative is undertaken.

I think we have sent a strong message, that if this was to happen again, and if we expect this to happen on a recurring basis that we create permanent transitioning that doesn't fit people to do double duty anymore. So people can still do what they do, but hire a technical expert to sit on the transitioning team, and move from one project to the next, but no longer involve the day to day folks because I think that's the most trying thing because… so just trying to do their job rather than trying to make the merger happen, which doubles the work load and quadruples the stress level.
One participant, Bruce talked about some lessons learned as a result of the process and how the organization would need to proceed differently as they move into the future.

I mean we learned some stuff going through this…if probably wouldn’t be good if you didn’t…there were definitely some things we would do differently, like we need to have a merger team to be assigned to this project. Too many of our managers were doing multiple things and we put the whole merger at risk, I mean we came out all right but it could have gone the other way. It’s a good lesson to learn.

Another challenge at the individual level was the fear of the unknown. Seo and Hill (2005) have drawn attention to the negative effects on employees as a result of uncertainty which sometimes result in turnover, absenteeism, and lower productivity. Joe talked about fear of the unknown for themselves, and for their staff.

I know that I have felt some uncertainty about my job. I think the organization has done a pretty good job of trying to provide information to remove a lot of the doubt but I think it’s human nature to worry about this stuff, there is only so much the company can do.

Another participant, Shawn talked about concerns staff was having and how the employees were dealing with the unknown.

I think as an organization we have done a good job with trying to keep people informed but people are still going to worry about the unknown. We have provided people with job guarantees, training opportunities and really updates on what’s going on but people are still going to be concerned no matter how much
you do…until they have some guarantee that their job is secured they are going to be concerned about the merger.

Not knowing about the future was of great concern for many employees, even though leaders make great effort in informing employees about the ongoing merger process many employees have never been faced with the amount of uncertainty of a merger.

Most of the employees who had been employed by one of the legacy organizations had enjoyed very stable careers with fairly slow, controlled growth.

Marks (2006) has suggested that communication strategies greatly add to reducing the challenges of uncertainty in the workplace and should be employed at increased rates when uncertainty increases especially during times of extreme change such as a merger.

One of the areas that emerged as a challenge for the organization was organizational culture. This has been noted early in the finding section but it also warrants discussion in the challenge area. As Dennison (2001) has suggested, real organizational change is not possible without real cultural change.

Elaine mentioned that it would have made a difference if the organization had closed one of the corporate offices down in integrating the culture. The challenge of closing down one of the organizations was an early “deal breaker”. NWCU Board was not agreeable to having the corporate office being at LCCU, and similarly the LCCU Board was not comfortable for corporate office being located at the NWCU location. Therefore one option was to find a neutral location. Another participant, Dennis commented on integrating the cultures as being one of the things still undone.
I think we have one last thing to do, we’ve got our computer system straightened out, we are expanding product lines to the new areas and we have got signage and marketing in high gear…but the culture thing, it’s still them and us, this is a real challenges and we really haven’t addressed it yet.

As Dennis has noted there is still a challenge in integrating the culture, this has been a challenge due to the two corporate offices, and some of the other pressing issues, such as the computer system integration. Another one of the key challenges for the organization was communication. Some of the participants have commented earlier that they believe leaders at Central Credit Union did a good job of communicating the merger message to employees and members. However, a few participants also noted that communication is a challenge for the organization. Dennis talked about communication being a challenge from the perspective that you never get it perfect, you just keep getting better at it.

We really worked at communicating the message out. It’s one of those things you never get perfect you just keeping working at it. It is always a challenge, you send out a message you think everyone one will appreciate and you find out its pissed somebody off or it didn’t have enough information or it had too much. It’s a real challenge.

Another participant, Shawn talked about communication to members and how they may perceive the message at different times.

Communicating this stuff can be real tough at times. You have to think about how the boss would say it, and you have to consider how the member will interpret it. We were cranking through a lot of stuff and we wanted to get it right
cause once it is out there, it is out there. I mean it never gets easy it’s always a challenge you just keep working away at it.

Communication is, no doubt, a challenge as noted by some of the participants. Although a number of participants (14) suggested earlier in the chapter that Central Credit Union had done a good job at communicating the merger message, there is an ongoing believe that communication is a challenge during times of extreme change. Scholars have suggested that communication is critical during change situations because it helps to explain why things are happening, helps eliminate inaccuracy and rumors, and helps reduce uncertainty (Feldman & Spratt, 1999; Kotter, 1995; Potter, 2003).

Finally, one of the key challenges that emerged during this merger was the vote. This was a critical challenge because of the difference it presented in comparison to mergers outside the credit union movement. In the event that a 66-2/3% approval is not achieved during a merger vote, the merger will not take place. As a result, as one participant, Debbie notes, a tremendous amount of “selling the merger” needs to take place prior to the vote.

We had to do a lot of selling of the merger to members. That was our job on the front line. If a member came in and asked questions about the merger we had to present a very, unified, positive front. I know that if we didn’t support it they weren’t going to support it.

Another participant, Dennis talked about the importance of the member vote and how this was a challenge for the organization.

It was a big challenge for us, not as much Local Community Credit Union because most of the front line staff were supportive so that go related to the
members. But staff weren’t as supportive at North West and as a result the response was a lot more negative and that meant less support from the members.

Another participant, Richard talked about the challenge of the vote especially based on their experience coming from an organization outside the credit union movement where decisions of this magnitude were made by the Board of Directors and the Executive Leadership Team.

I come from an organization were this kind of stuff is unheard of. Major decisions like this are made by the board and executive leadership team. They make a decision, do the due diligence and if it makes sense get it done. This is a real challenge because you have to cater to a whole bunch of people who don’t really understand the business and based on emotional attachment could scuttle a great deal. This is a major challenge because of all the time and energy you have to divert to the vote instead of paying attention to day to day business and getting the merger done. This takes a lot of leadership time.

The vote presented a major challenge for the leadership group and Board due to the fact that they had to convince members and employees that the merger was good for them and at the same time that no undue hardship would come to employees. This is significantly different from many organizations where the senior leadership team and Board make merger decisions and do not require approval from the shareholders. The challenges presented by participants in this section created some major issues for leadership. For the most part, there seems to be some recognition that these issues would require additional focus in the future. For example, workload and communication would need to be considered in the future should merger opportunities present themselves. Participants suggested that the greatest amount of work to be done was still around
culture integration and that this would require work over the next few years. Finally, the issue of the vote was considered. This undoubtedly was a major challenge that consumed a considerable amount of leadership time. It is unique to the credit union movement and is, therefore, difficult to explain the nature of this to people not familiar with Credit Unions. Regardless of this, leaders apparently did their jobs because the vote was successful and the merger was approved.

The State of the Merger Five Years Later

To conclude this chapter, the study will provide an update on the merged organization. During the spring of 2010 I had the opportunity to interview 2 participants of the merger almost one year after the original interviews were conducted. These 2 employees were unable to participate at the original time of the 2009 interviews but had indicated a desire to participate at a later date. These interviews yielded some interesting comments as they are truly at a point “after” the merger. One of the participants, Darryl said that it may have been too early to declare the merger a success in 2002 because they did not know at that point.

I think it was probably too early to declare a success 1 year after the merger. I mean I think we can say that it has been a great success now. But the culture wasn’t there and now it is. But more importantly in 2007 and 2008 we were faced with one of the biggest recessions in our lifetimes and we came out of it stronger than ever. But we had to make some tough decisions.

When Darryl expanded on the tough decisions, he talked about downsizing which affected staff across the organization. He also talked about scaling back on the growth initiatives.
You know in the early stages right after the merger we talked about dominance. Now we never use that word now it’s about smarter growth. We had our strongest year ever in the history of either of the legacy organization and the combined entity. Now were we in a better position to withstand the recession as a merged organization, probably. Could LCCU withstood the downturn, I believe so. But I don’t think North West would have. They were struggling financially and I think that the recession would have put them under.

Another participant, Lorna talked about her experience over the last 3 years. They talked about the merger having really changed the organization. She talked about how the organization had become a small bank. Although the leaders talked about the unique nature of the credit union, they were really trying to transform it into a bank.

It has been a tough number of years since the merger was completed and the following year that included the banking system integration, the HR benefits and pension integration and people just getting use to the new organization. We lost a whole bunch of people with a whole bunch of institutional knowledge and hired a whole bunch of bank people. There has been a lot of change just trying to decide who we really are. We lost some of our uniqueness, and started to become more like a bank. I don’t mean that as a bad thing. I think we needed to start to think of ourselves differently.

Darryl also talked about thinking differently as an organization. He talked about the organization not thinking about sales as a dirty word. He also talked about the responsibility to start developing people towards a common goal.

We started to debunk the myth that we sell stuff to our members, we’ve always sold stuff and it’s pretty dammed important to our members. Our members come
in because they want to build their dream home or finance their kids education. It’s serious stuff that we do. We do sell stuff we a professional financial sales people, that’s why people come to see us. We use to define sales as a taking activity. We need to have a proactive service. What’s most important we are now providing our staff with clear direction and we’ve started to provide them with very intensive training to support the direction. It’s taken use four years to get here and a lot of hard work.

Both Darryl and Lorna talked about the new development programs for front line staff. They talked about how, although there had been some development opportunity for managers immediately after the merger, there had been very little development opportunities for front line staff. Development and training opportunities had been one of the early promises for all staff made by senior leadership people.

One of the things that the research asked about was whether or not what they do as a leader is different than what they did during the merger process. Both participants said that much of what they did during the merger is very similar to what they do now, the difference is the sense of urgency that is required and the intensification and frequency of some of the practices such as communication and support required. Darryl talked about it this way.

My job, what I do today, was very similar to the merger; it’s just that I have more time. It’s about influence and inspiring employees and building a strong team. It’s about providing the tools and resources to my staff and then getting out of the way so they can do their job. I hired very different people than me; they do some things better than me and that’s good. One of the things I am able to do a bit more of is to take those calculated risks and make changes that support new initiatives.
You need to do this as part of growing and improving performance. It’s difficult to do this during a merger because you are focused on the day to day work and getting the merger done.

Lorna also talked about what leaders do now versus what they did during the merger and those practices are remarkably consistent whether before, during, or after the merger.

You know as a leader it doesn’t matter what the situation is you tend to rely on a basic set of things. You set direction, you make decisions and then get things done, you communicate to people, you hold them accountable, you development them to improve their performance, you reward and recognize good performance, you treat people fairly and honestly, and you talk to people when they haven’t done what they are accountable for. You do all the same stuff regardless of whether you are in a merger or maintenance mode. What you do differently is in the application; you may not have as much time in a merger so you may be more directive, you need to over communicate in a merger situation because there is so much uncertainty.

Both participants also talked about success. They both suggested that the success of the merger came in stages. There was some early success and that resulted in the merger being approved, and then other things started to happen such as the integration of processes and technology. Some things that they thought would happen immediately after the legal completion of the merger did not happen, but they have happened. One participant talked about it this way.

There are some things that happened very quickly after the merger closed. I mean quickly within the first year. It was stuff like technology and the back office processes. We also got a lot of the HR stuff done like benefits and hours of
operation in the branches. You know even getting the merger approved with the vote and everything was a success. But it’s taken a while to get the training and development for all employees in place, it just wasn’t a priority when you’re trying to get the company integrated and then the recession hit and that’s not where we wanted to spend our money. What I can say to you today also is that I believe we have a new Central culture and that most people are on the same page. You don’t hear people talking about Local Community Credit Union or North West Credit Union you hear them talking about Central and what we are trying to build and what we are part of. I am proud to have been part of this.

Darryl talked about the previous year where as head of the branch network he had the opportunity to work on helping integration the cultures of the two legacy organizations into the new Central Credit and how proud he was of his contribution. Lorna talked about it this way.

We’re not perfect by any stretch of the imagination, but who is? But we have come a long way and it has taken work by our leadership team but I think most of us now see ourselves as one team. We are proud to be part of Central Credit Union and now we need to keep building the momentum. I think this has been a great success.

When prompted to define the success of the organization, both Lorna and Darryl talked about it in terms of financial growth, member stability, employee stabilization, realignment towards efficiency, and cultural integration, employee development for the future.

We have done a lot of the things we had target in the early stages. In some cases it’s taken longer. For instance the culture integration. Financially we are strong,
considering the recession. In the early years we talked about dominating the market, but as a result of the recession we had to think about becoming more efficient. So yes a success and this is largely due to the decisions and discussions we have had as a leadership team…I think our leadership team has finally stabilized and not everyone agreed at the start it has taken some time.

Darryl elaborated and talked about the early struggles of the leadership team in the early stages of the merger. He also noted that only 2 of the original 7 leadership team members of Central Credit Union members remain with the company. Lorna talked about the success being largely measured by growth, member stability, and employee development.

We had some early goals for the merged organization…financial stability and then financial growth, we also wanted to cause as little disruption as possible for the members and I think we accomplished that. We lost some senior managers in the early stages and that caused some concern and a lot of talk amongst staff but things have now settled down. I think the other thing is that we have not put together some longer term sales plans and we are going to invest some time and money to get our front line staff prepared.

Although Darryl talked earlier about the leadership team stabilizing, he did mention in the discussions that there was considerable turnover right after the merger.

I guess you always know you might lose some people but we had a fair amount of senior people after the first year. Some were kind of a surprise but it was probably the right thing. We lost a number from our chief operations level, two marketing people, two top technology people, the finance guy and some VPs. I mean some
of these people were fairly new hires, so you don’t necessarily get it right the first time and that’s okay.

Both participants talked about the turmoil of top leadership turnover, but have suggested that this is a part of a merger and for the most part it did not affect member service. These 2 participants have been able to add some additional perspective to the study 5 years after legal approval of the Central Credit Union. The comments from these 2 participants would appear to support earlier participant comments that the merger was a success. In addition, from the perspective of these participants, there are some fairly standard practices that leaders perform regardless of the situation whether faced with the complexity of a change situation, such as a merger, or faced with more stable times. From their perspective the difference occurs from the application of the practices around urgency, intensity, and frequency.

These 2 participants talked about what they believe leaders do. These include such things as decision making, culture integration, communication, assigning accountability, treating employees fairly, influencing, building a strong team, and making change. The practices are very consistent with the seven themes identified in the findings section compiled from interviews with the original 15 participants. The seven themes include Providing Strategic Vision, Utilizing Effective Communication, Creating a Positive Organizational Culture, Commitment to Fairness, Effective Negotiation and Conflict Resolution, Problem Solving and Decision Making, and Managing Change and the Unknown.

Conclusion

This chapter presented narratives that painted a picture of the merger. Although participants were concerned about their ability to recall details due to the passage of time,
they commented that the more they reflected on the merger prior to the interviews, the more vivid the recollections became. As they began to talk and recount their experiences, more details emerged. It also became apparent that there was considerable commonality in what participants said about the merger. This chapter began with the merger experience that provided context and, because the merger took place within the Credit Union movement, was very different from mergers within other organizations.

The second part of the chapter focused on leadership practices. The observations that emerged from participants evolved into themes that became the central focus of this part of the findings section. The participants’ comments eventually yielded seven themes. They included Providing Strategic Vision, Utilizing Effective Communication, Creating a Positive Organizational Culture, Commitment to Fairness, Effective Negotiation & Conflict Resolution, Problem Solving and Decision Making, and Managing Change and the Unknown. These themes demonstrate through the participants’ voices those things that leaders should do during a merger and are consistent with many of the leadership practices outlined in the review of scholarly literature. In addition, a number of subthemes emerged with the areas of Providing Strategic Vision and Utilizing Effective Communication, subthemes were explored and yielded additional ideas about the things leaders should do during a merger.

The next section of the chapter focused on How Leadership Practices Influence a Merger. Participant comments and leader merger success measures were compared and yielded three areas of commonality. In this section participants discussed the successful birth of the new organization, the integration of the two cultures, and building stability in the new organization.
In the final section of the chapter, challenges faced by the organization were discussed. The challenges included individual and organizational challenges. Individual challenges included workload and fear of the unknown and uncertainty. Organizational challenges included cultural integration, lack of resources, organizational communication, and the vote. Although the analysis and discussion of the themes presented in this chapter will be focused on in the following chapter, the findings do indicate that there are specific things that leaders do that influence a merger.
Chapter Six: Discussion and Analysis

In the preceding chapter, the data from the qualitative interviews were presented. These results reveal the leadership practices evident before, during, and after the merger experience. The results of the interviews presented in the preceding chapter reveal rich narrative detail as the study explores the merger through the experiences of the participants. The following section presents an analysis and discussion regarding the key themes evident in this study.

Providing a Strategic Vision

When examining the results of the interviews, an overriding theme is that organizational leaders provide strategic vision prior to, during, and post merger. This is consistent with much of the literature regarding the relevance of vision during mergers and acquisitions. Schermerhorn et al. (2005) state that without having a clear vision and a plan for implementing strategy, it is impossible to be successful in a competitive environment. Clearly, the financial services industry is a highly competitive environment where success depends upon focus and planning.

Prior to the merger, North West Credit Union (NWCU) was reported to be struggling with financial growth and stability. This led their Board President to actively seek out potential merger partners. It could be argued that the North West Board of Directors felt that at an operational level, senior management lacked a clear vision of future growth and sustainability for the organization. Local Community Credit Union (LCCU), while not actively pursuing mergers or acquisitions, was open to opportunities that were presented. In terms of a clear vision of their future, the Board and the executive team had a clear vision for the organization. This vision was articulated
throughout organization and to members. The vision was embedded in the goal of being the number one financial institution in Oregon for outstanding customer service. This is built on the synergies of being an employer of choice, member service excellence, community leadership, superior financial performance, optimal operational efficiency and becoming the fastest growing financial institution in Oregon (Business Plan for Central Credit Union, 2000).

During the merger, it was critical to communicate the common vision of the organization consistently and repeatedly. During the merger senior executives and board members from both legacy organizations came together to forge a new strategic direction for the newly formed organization. This new vision, “We will reinvent neighbourhood banking to become the dominant leader in outstanding relationship service,” was communicated throughout both legacy organizations in order to provide focus for all employees and organizational members. This communication was viewed to be critical throughout the entire process as an engagement tool. It provided both stability and rationale for the merger.

After a merger, the theme of providing strategic vision becomes even more critical. As Kotter (1996) has suggested, a vision “is almost always messy, difficult, and sometimes emotionally charged exercise” (p. 79). After the merger, it is important to keep people focused to help them with the critical competing pressures of the transition process and maintaining business operations. Staying true to the organizational vision helps keep all energies directed towards the future. Central Credit Union leaders recognized that if they were not able to articulate a clear vision of the future than it would be difficult to mobilize staff to build the new organization. At the newly formed CCU, Board members and the senior executive team realized the importance of
continuing to communicate on a planned basis the new vision for Central Credit Union as a long-term strategy for success.

**Utilizing Effective Communication**

The data illustrate the importance of effective leadership communication prior to, during, and after this merger. Prior to a merger, during the data-gathering stage, different communication practices were evident. As information was gathered about both organizations, transparency in communication was necessary to build trust and understanding. Communication is about understanding one another (the merger partners) and creating buy-in from the key stakeholders. Thus, the due diligence process was critical.

During the merger process it was necessary to communicate extensively. Some individuals might refer to this as over communicating. At these times, communication moves beyond key stakeholders to all stakeholders. Organizations use a communication strategy that can engage effectively with all stakeholders, and addresses differing information needs (Goetz & Watkins, 2008). At Central, devices included electronic messaging, newsletters, press releases, and even town hall meetings at which time the CEO clearly articulated the new organizational vision to the entire team. Balle (2008) has talked about the importance of town hall meetings as part of the overall communication plan. Communication was deliberate, continuous, and timely. Messaging was directed at members and employees, with carefully crafted information geared to meet their concerns and needs. A specific example of this is the job-offer guarantee; employees and members were notified that no employees would lose their jobs as a result of the merger. Due to the great uncertainty that exists during the merger period and the ensuing uncertainty, it is critical to maintain communication with all pertinent stakeholders about
the reasons and consequences for its decisions (Heldenbergh, Scoubeau, Arnone, & Croquet, 2006).

After a merger, communication becomes even more critical. Schweiger and Denisi (1991) have concluded that significant issues arise following a merger due to uncertainty and to organizational and personnel changes. There are many structures, processes, and policies that need review and alignment after the merger takes place. Although the due diligence process was effective in vetting differences prior to the merger, the months following the merger became particularly critical in ensuring that the newly formed organization became aligned operationally under the communicated vision. For example, members of the executive leadership team went on the road to visit operational centers to engage staff on issues such as employee benefits, work hours, the technology platform, and the organizational vision of Neighbourhood Banking.

This created opportunities and challenges as well. In the case of the newly formed Central Credit Union, it was faced with a wide geographic dispersion. As Pepper and Larson (2006) point out, geographic dispersion often results in the use of information communication technologies (ICT) rather than face-to-face communication techniques. They suggest that using the method of ICTs rather than face-to-face communication underestimates what employees need to hear and, more importantly, how they need to hear it. For example, the new organizational structure at Central Credit Union was first revealed to the entire management team at a collective meeting held at a neutral location between Smallville and Northville. The new executive leadership team was presented to employees with considerable fanfare. During this process, the leadership team interacted extensively with all participants, answered questions, and expressed their vision for their respective departments in terms of strategic alignment with the newly formed Central
Credit Union. This was followed by an email to all employees regarding the new executive leadership structure. The significance of this was to create stability as quickly as possible by removing the fear of the unknown. There was considerable fear regarding organizational structure and reporting relationships; employees wanted to know quickly who was going to be their boss. In addition, there was an all-staff meeting at the Salem Convention Centre at which time the new Central brand was launched and all employees were sent the same message by the senior executive team regarding the future of Central and their role in creating that future.

Creating a Positive Organizational Culture

It is important to consider culture when examining a merger experience. The findings of this study reveal that the leadership practice of creating a positive organizational culture is crucial. Schein (1999) indicates that when organizations that have developed their own cultures acquire each other, attempt to merge, or engage in various types of partnerships or joint ventures, the culture issue is clearly visible. However, he laments that surprisingly little attention is paid to culture before a new organization is created.

Schein (1999) states that cultures need to be aligned for mergers to be successful. Prior to the merger, the issue of culture was given some consideration as a part of the broader due diligence process. An internal cultural assessment was undertaken and it was determined that there was a common “service culture” towards members at both organizations. Clearly, the respective boards viewed this common service culture to be a positive indicator towards merger success. The problem was that a formal externally delivered cultural assessment was not completed until after the merger closed which pointed out a number of concerns that were not considered as part of the original
assessment. These concerns included a culturally diverse transient workforce at NWCU, a much more paternalist leadership style at LCCU, and different hierarchical beliefs.

Schein (1999) suggests that organizations need to look deeper into cultural issues. Alignment between cultures becomes more difficult when, what he calls the parents, have different cultures. In essence, despite a service culture evident primarily in the branches or on the front-line, Local Community and North West Credit Unions had very different cultures in their corporate offices. For example, most people at LCCU Corporate Office lived within a very short distance (5-10 minutes travel time) of their work location. In contrast, a majority of people working at NWCU Corporate Office travelled by public transportation (30 minutes -1.5 hr travel time). This was not considered relevant to the outcome of the merger; or certainly not a deal-breaker during the premerger assessments. This lack of attention would inevitably lead to culture clashes during the merger whereby there was some evidence of turf protection, particularly between Information Technology departments when trying to determine the appropriate information systems to be used in the newly formed Central Credit Union. Marks and Mirvis (1998) indicate that the best accommodations often occur when there is a fair amount of culture clash because this often results in positive debate about what is best for the organization. Marks and Mirvis (1998) suggest that, when culture clash exists, a debate ensues which often draws out the best decisions. It is this type of debate and openness that was demonstrated by merger teams from both organizations. This dialogue resulted in decisions that were the suitable for the new organization, employees, and members. However, Buono et al. (1985) talk about the cultural collisions that occur during a merger, and how these collisions can disrupt the entire process. It seems obvious that cultural integration is significantly important following the merger process. It also
seems that it needs to be managed and, if managed properly, may help to create a better environment. Some scholars have taken the approach that although culture is critical, and, because it creates such a sense of stability, it is very difficult to change (Langan-Fox & Tan, 1997). It is this desire for stability that may have resulted in both organizations fighting hard to maintain their historic culture. This was demonstrated through the conflicts that occurred during such things as the new name, the technology platform change, the location of the corporate office and the selection of the CEO.

**Commitment to Fairness**

The findings of this study indicate that leaders, in this merger, demonstrated a commitment to fairness. Leaders who act in an ethical manner are concerned first and foremost about the well-being of their people, and seek to develop and support them in difficult situations (Shriberg, Shriberb, & Kumari, 2005). Covin et al. (1997) have raised concerns about the perceptions of employees with respect to an organization’s leader’s trustworthiness, honesty, and caring during a merger. Prior to, during, and postmerger, the leaders in this study demonstrated the leadership practice of commitment to fairness.

Prior to the merger, the leaders committed to the job offer guarantee. This demonstrated leader concern for the well-being of all employees and the broader community in which these individuals work. Likewise, all employees, regardless of position or location, would be treated fairly. However, there is research that suggests that employees at varying hierarchical levels may have different interpretations of job security during a merger due to level of power and position they held prior to the merger (Lotz & Donald, 2006). For example, line employees may feel less job security due to changes in their jobs which may require learning new skills, or even changing to an
entirely new job. Leaders may feel more job security because of the access to information, and because they are often the decisions makers in the merger process.

An additional example of leader commitment to fairness is found in the debate, and subsequent decision, of the corporate office location. The decision to maintain two offices for five years, while it may have had some impact on the difficulty in forging a new corporate culture, does serve as an example of leader commitment to fairness. As Schermerhorn et al. (2005) have stated, fairness is an important ingredient in the treatment of employees. When employees feel they have not been treated fairly, they will try to find ways to mitigate this perceived injustice which may result in work slowdowns, sabotage, or voluntary turnover. This was something that the CEO did not want to happen.

During the merger, it was apparent that there would be some restructuring required due to a consolidation of services and economies of scale. As a result, the Human Resources department developed the CCU Transition Program to support the 76 employees who had been identified to be out of structure. The concept of fairness in leadership is tied to notion that ethical action treats everyone equally, without showing either favouritism or discrimination (Shriberg et al., 2005).

During the merger, there was a moratorium placed on training and development activities in order to allow energies to be directed at the merger. Postmerger training and development opportunities were opened up to all staff to enhance and further develop individual skills, knowledge, and abilities. By opening up training activities once again and communicating information to all employees, a sense of fairness could once again be transmitted to all Central Credit Union employees.
In addition, Human Resources related activities needed to be aligned, including pay levels, hours of work, benefit programs, and the like. This created a number of challenges; however, it was deemed necessary by the senior leadership team and appropriate to ensure that all individuals throughout the organization worked within a company where human resources practices were aligned with the corporate philosophy and consistently applied.

**Effective Negotiation and Conflict Resolution**

Effective negotiation and conflict resolution was a leadership practice that proved to be critical throughout this merger experience. Thompson et al. (2010) contend that any time people cannot achieve their own goals without the cooperation of others, some form of bargaining is occurring. Negotiation was very much a part of the premerger process when the two legacy executive teams and Boards met to try to put together a letter of understanding and the new Board structure. Additional meetings were held in the fall during work stream, integration, and board meetings, once again, negotiation skills were required for such important and symbolic matters including the corporate office location, the name for the new entity, and the banking system platform. There was overwhelming concern that appearances demonstrate that neither of the organizations would lose anything as a result of the negotiation. This represents an integrative approach to bargaining where the negotiation outcome satisfies the interest of both parties (Lewicki, Barry, & Saunders, 2010).

Pareto (1935) also provides a definition of an integrative process which states that the negotiation outcome satisfies the interests of both parties and cannot be improved upon without injuring one or more of the parties involved. Before and during the merger, while both executive teams and Boards were still in place, there was a constant balancing
act between making decisions that were good for the new organization’s long-term viability, making sure that they could get a positive vote, and preventing any situations that might sabotage the merger by having one of the parties pull out. The challenge was therefore not just providing good leadership but balancing competing and incompatible interests. There appeared to be a willingness to continue to discuss critical issues and find some form of resolution. This was evident in the success of the discussions that took place and the collective decisions that created reasonable outcomes for both legacy groups. For example, a number of deal breakers were discussed at the beginning of merger talks by the CEO and Board Co-Chairs. These deal breakers, such as the name of the new entity, the location of the Corporate Office, the CEO, and the technology platform, were all successfully agreed to by all decision makers. As was noted by many of the senior participants in this study, this was done by discussion, putting everything on the table, by negotiating and discussing the benefits and the downside of all stakeholders and then, finally, coming to collective agreement. It was also important that the relationship was maintained throughout the process as these employees would be forming the leadership team of the new amalgamated organization in the future.

Some scholars have suggested that there are certain things that need to be considered beyond the initial economic outcomes of negotiations such as the social-psychological outcomes. These include the quality of the relationship, the amount of trust between the groups, negotiator satisfaction, and the degree to which each group would agree to negotiate with the other party in the future (Thompson et al., 2010, Curhan et al., 2006). As noted in the previous paragraph the relationship was extremely important because individuals from both legacy organizations formed the executive
leadership team in the new organization and they would continue to need to work together. As such, trust was a very important element for ongoing discussions.

Another important discovery from the findings pointed out that people did take opposing positions and did not always agree just for the sake of agreeing. This created a healthy debate and perhaps even better decisions. In some ways this is counter to what Kelman (2006) has suggested is a compliance position when negotiating in a social environment. Kelman states that compliance occurs when an individual accepts influence from another person or group in order to attain a favourable reaction from the other. When reviewing the findings, it does not appear that compliance was common-place. Participants recounted how there was an attitude adopted of “opening one’s kimono” which participants described as opening up, saying what was on your mind, being honest in meetings, and when dealing with individuals. Participants talked about the importance of openness, and not having to worry about saying things just to please the boss.

**Problem Solving and Decision Making**

Throughout this merger experience, leaders demonstrated a willingness and ability to solve challenging problems and make difficult decisions. Dealing with problems is an important activity that requires considerable time for most leaders (Yukl, 2005, as cited in Shriberg et al., 2005). Yukl describes problem-solving as identifying work-related problems, analyzing problems in a timely and consistent manner to identify causes and find consistent solutions, acting decisively to implement solutions, and resolving important problems or crisis (cited in Shriberg et al., 2005). The leaders in this study, while perhaps not consciously adapting Yukl’s model, worked through problems in an effective manner by utilizing a thoughtful and deliberate approach to problem solving and decision making as demonstrated below.
Prior to the merger, there was a need to gain agreement to proceed with the exploration of the merger concept through due diligence. This agreement was formalized by the careful development of a letter of understanding whereby both organizations agreed to proceed with investigations through the due diligence process. One of the earliest challenges was the proposed Board of Directors structure. It was critical to both organizations that the merger be considered a merger of equals. Therefore, Board structure and Board representation needed to be seen as equal to both members and employees. Through creative problem solving, discussion, and compromise, a Board structure was developed, implemented, and endorsed by both legacy organizations.

Kouzes and Posner (2002) have proposed a number of suggestions when considering problem solving, compromise, and negotiation. They have indicated that “in order to satisfy the concerns and needs of various constituents” (p. 272), that leaders need to search for alternative solutions that best fit the needs rather than making demands and proposing offers. Leaders, during the discussion, need to ask numerous questions and listen intently for indicators/indications of needs and concerns. By understanding the underlying concerns and needs, leaders can find appropriate alternatives and compromises. One example of compromise in the study was around the location for a new corporate office and how a suitable location could be found to meet the needs of the longer term Meridian strategy, the needs of the members, and not create undue hardship for current employees.

During the merger, the process of identifying the name of the newly formed organization required creative problem solving and decision making. An external marketing consultant be engaged to research and recommend alternatives that would best represent both organizations. The result was a presentation of market research that
indicated that the LCCU name was not well-recognized outside of the region, and that a new name could present marketing and branding opportunities that could stimulate an increase in recognition that could eventually assist in increasing market share beyond its present scope.

Following the merger, one of the key issues was trying to consolidate human resource policies and programs. Of particular concern was the compensation and benefit program offered to employees. To work through the problem-solving and decision-making process, the Chief People Officer engaged employees by meeting in groups and one-on-one with employees from both host organizations to gather relevant data regarding staff needs and desires. He presented alternatives that were being considered and asked employees their opinions on what might be the best alternative. Based on these discussions, and in consultation with the benefit carriers, Central’s senior staff made a decision that provided the best possible alternative for the majority of employees. While not all employees would be fully satisfied, the majority could understand and accept the final choice regarding the new benefits package.

**Managing Change and the Unknown**

One of the most difficult challenges that leaders face today is making sure that people in organizations can adapt to change (Heifetz & Laurie, 1997). The leaders in this study exercised the leadership practice of effectively managing the change process and the unknown. The entire merger experience, in fact, was a change of significant magnitude. Bringing the two credit unions together created a situation where there were many unknowns to the employees, the members, the Board, and the broader communities in which these businesses resided.
Although dated, Lewin (1951) nevertheless provides a useful lens to understand this change process. He describes three phases of facilitating a change process, referring to them as unfreezing, moving, and refreezing. Lewin’s three steps begin with an unfreezing process, which means beginning to change by overcoming the individual and groups pressures to maintain the status quo. Secondly, the organization moves into a state of transformation that seeks to engage employees in the change process. Finally, the organization moves to stabilize the change by refreezing the organization; this is accomplished by balancing the driving and restraining forces. Although some might argue that Lewin’s research is somewhat dated, its relevance to the CCU experience is useful to this analysis. In addition, it should be noted that although there are new researchers, such as Kotter (1996), Conner (1992), and Bridges (2001), many of their suggestions appear to be grounded in Lewin’s earlier conclusions.

Once the Board and senior leaders made a commitment to explore the merger possibility, they recognized the need to gain widespread organizational support. For this to occur, both organizations needed to go through the unfreezing process. They also believed that there was a need to create a burning platform for members of both respective organizations. Conner (1992) has talked about the creation of a burning platform which suggests that leadership must create a need so great in individuals that they are motivated to change rather than face the impending danger of remaining where they are. In other words, it was necessary for leaders to create a sense of urgency to move forward with the merger for the long-term viability of both LCCU and NWCU, so many steps, as described earlier, were taken to do so.

Clearly, the threat of a major change loomed on the horizon. This had the potential to impact employee lives; in other words, the most fundamental aspects of
stability and security were being called into question for many employees. The leaders at Central understood this and designed a communication process that would provide consistent, timely updates on the merger throughout the entire experience.

During the merger the organization recognized the dramatic impact this change could potentially have on many people. Lewin (1951) refers to this as the moving (change) stage. Change occurs when individuals begin to confront and deal with their fear of change and the unknown and explore new ways to approach work within their organization. As change progresses, some individuals will begin to accept change and resolve their uncertainty. Others progress through the change cycle more slowly and demonstrate negative behaviours towards the change. Others do not accept the change process and will self-select out of the organization. This did, in fact, occur at Central Credit Union. There were several organizational leaders and staff that did leave the organization during and following the merger.

This is aligned with the work of Scott and Jaffe (1997) who have researched extensively in the area of change and its impact on employees. They have designed a four-step process that tracks the phases many people experience when they are faced with a significant change such as a merger. They classify these phases as denial, resistance, exploration, and acceptance (Scott & Jaffe, 1997).

Although both models provide insight into change, it was clear that the organizational leaders recognized the need to guide and manage the change process. In order to assist employees in dealing with the unknown, a number of initiatives were undertaken by the organization. For example, a facilitated session about change and transition was developed and all employees were encouraged to attend. Central Credit Union leaders felt that if employees understood the phases of change and how employees
were impacted in each of the phases, coping and support mechanisms could be developed by managers and employees. In addition, it was also believed by the senior leadership team that if employees had the opportunity to openly discuss concerns in these sessions some of the negative backroom banter that often accompanies a major change could be avoided.

Lewin (1951) speaks of the necessity of refreezing the organization after the major change process has taken place. This speaks to the idea of creating new stability for the organization so that employees can both commit to the change and learn to function within their newly established environment. If such stability is not provided, employees may function at low levels of productivity and efficiency. Therefore, following the merger, efforts were made to establish stability for employees and the organization. A new organizational structure was established that would realign the functional activities within the two corporate locations. The new executive structure was communicated throughout the organization so that employees had a clear sense of reporting relationships and accountabilities. HR practices and policies were aligned to provide continuity and equity for key items such as pay, benefits, work hours, and the like.

**Conclusion**

This chapter analyzed and discussed a number of themes that emerged from the research data that were gathered in this study. Leaders in this study intentionally provided a strategic vision to both legacy organizations to drive the merger process. Ongoing provision of the strategic vision was evident throughout the process and was essential to unify the newly formed Central Credit Union. Communication was a significant factor in the merger process before, during, and after the merger, significant
change such as what occurs during a merger creates a substantial amount of instability and uncertainty for employees and members. Communication strategies and actions employed by leaders help to provide information and, thus, reduce the amount of uncertainty that employees and members experience. The integration of culture creates a tremendous challenge for leaders. Part of the difficulty rests in the stability that culture provides for organizations and the reluctance of some individuals to adopt a new culture. In the case of Central Credit Union, it took leaders almost 5 years to begin the cultural integration.

Another theme that emerged as a result of the interviews with participants was a commitment to fairness. This was a strongly held belief by the CEO that all employees would be treated fairly through the process and that there would be detailed plans for those employees that did not fit into the organization after the merger. Participants talked about the importance of the negotiation process that leaders participated in during the early stages of the merger discussions. Participants indicated that they valued the practice of compromise, honesty, and “opening one’s kimono.” Another area of significant importance for leaders was problem solving and decision making. Leaders were constantly being called on to problem solve and then make decisions to take action throughout the merger process. Often there was a sense of urgency that was greatly accelerated as a result of being in a merger and still trying to operate the daily operational activities. Finally, there was a great deal of attention that leaders needed to do in managing change and the unknown. Due to the merger, change was occurring within the organization at rapid rate. Leaders were called on to provide answers to questions when answers did not always exist and to manage the change, increase stability, and ensure the organization performed during a tumultuous and challenging period.
Chapter Seven: Conclusion

This final chapter provides a summary of the study. It revisits the purpose of the study, the primary research question and the supporting subquestions. An overview of the themes emerging from the study will also be discussed as will the highlights of the findings. Finally, the importance of the study and implications for future research will be presented. The chapter will then conclude with some of the researcher’s personal reflections.

Summary of the Study

At the beginning of this study, it was suggested that there is a gap in the literature that explores the leadership practices in times of mergers. With the increasing numbers of mergers, and growing complexity of the business world, it is critical that organizations come to understand what strategies have the greatest positive impact. The research suggests that the greatest degree of internal control over these positive and negative elements appears to reside in the hands of leadership within the organizations. The goal of this study was to explore the leadership practices that were evident during a specific merger experience.

The research design for this study was qualitative in nature and followed a case study format. A case study was chosen because it provided a process that would allow leaders to tell their story. Originally 8 participants were identified. It was determined that additional participants would need to be added in order to reach a level of saturation (Dick, 2006; McCracken, 1988). The final number of participants was 17. Participants were asked to talk about their experiences throughout the merger and these conversations were guided by a series of questions. Questions were designed to guide the conversation and provide some structure to the process, while still allowing ideas, concepts, and
discussion to emerge. The interview guide was designed to align with the conceptual framework. An interview guide was used in order to make the best use of the time available and employed a semistructured approach (Patton, 2002).

Interviews were set with a 1-hour time limit so as to not inconvenience the participants; however, many of the interviews went beyond the one-hour time limit at the request of the participants. As the interviews got underway, many of the participants talked about their experience through the merger with great passion and emotion. Many explained in great detail what they observed and experienced. As a result, the interviews yielded rich descriptive data. These data provided the basis for a very descriptive narrative, which, in turn, helped create a deep understanding of the leadership practices during a merger.

The primary research question was: How is leadership practiced during the merger of two financial credit unions?

In order to properly address this question, the following subquestions were addressed.

1. What challenges do leaders face in times of a merger?
2. How does the institutional context of a financial credit union merger shape, facilitate, or constrain leadership practices?
3. What specific leadership practices were evident during the merger experience?
4. How did leader practices influence the outcome of this merger experience?

A summary of the research findings follow.

Primary Question: How is leadership practiced during the merger of two financial credit unions?

It appears that there is a core set of leadership practices, research and the participants may vary on the actual number but there does seem to be some agreement
around the seven themes identified in this study including: (a) Providing strategic vision; (b) Utilizing Effective Communication; (c) Creating a Positive Organizational Culture; (d) Commitment to Fairness; (e) Effective Negotiation and Conflict Resolution; (f) Problem Solving and Decision Making; and (g) Managing Change and the Unknown. The difference between mergers and times of relative stability is the urgency, frequency, and intensity which the leadership practices may be required. There are also some practices that emerged in the literature which may be put on hold during a merger. This was certainly the case with respect to development and growth. The restart of front line development programs at Central, other than skill upgrading, such as learning the new banking system, did not really begin until 5 years after the merger completion.

Sub-questions:

1. What challenges did leaders face in times of a merger?

There are numerous challenges that leaders faced in times of mergers. These included workload issues. Several leaders were required to do double-duty, performing their regular job, and participating in the merger activities. Leaders also faced employee challenges. Due to the vast amount of change and unknown that often takes place during a merger, employees often face additional stress and fear. This, on occasion, resulted in lower productivity, increased absenteeism, and employee turnover.

Following the merger, leaders were faced with the challenge of organizational integration, and this included processes, technology, policies, and cultural integration. The study revealed the challenges that come about when trying to merge two organizations. The feelings of giving up something and not wanting to be taken over but wanting to feel as though they were part of a merger of equals, were very strong in participant comments. They spoke of the pride that people felt in their own
accomplishments over the years and how, in some cases, their identities were linked with the organization because they had created something such as a banking platform or marketing brand. When these artifacts disappeared, these people would lose a part of their identity within the organization. This, in many ways, demonstrated the emotional investment many people had in the organization. Schein (2004) has noted the importance of artifacts in determining the level of culture within an organization. Challenges included resistance from some employees and members not wanting to merge and change the status quo and risking the loss of what they believed to be a successful organization. Another major concern was the cost and challenge of having two corporate offices. The decision of helping to secure the vote and providing some stability for employees who did not want to travel extended distances beyond their community, created a difficult challenge when trying to merge two distinct entities.

2. How does the institutional context of a financial credit union merger shape, facilitate, or constrain leadership practices?

Leaders at Central Credit Union were faced with a merger very different from many mergers because of the unique nature of the organization. As a member of the credit union movement, there is one key difference from most mergers and that is that members of the credit union have the right to vote to approve or turn down the merger. If the vote is not approved by membership, it cannot move forward for legislative approval. Because of this feature of the credit union movement, organizational time and resources needed to be invested in communication and marketing to membership and staff about the benefits for the merger and the impact on employees and members. As a result, a considerable amount of time and attention by leadership was deflected from the day-to-day operational activities. The context analysis in the study revealed the difference
between credit union mergers and other types of mergers. Mergers within the credit union system require the approval of a majority of shareholders. In mergers outside the credit union, movement starts the transition process immediately after the decision is approved by executive and regulatory bodies. In the credit union merger, an additional step is required, the vote. This results in additional activity, planning, time, and resource allocation, which, ultimately, adds to stress, uncertainty, and insecurity.

3. What specific leadership practices were evident during the merger experience?

This study demonstrated that leaders do use specific leadership practices during more challenging situations such as a merger. Leaders demonstrated that they understand the importance of these practices and recognized that as situations take on a more complexity, employees demand more information. Leaders find themselves being pulled in many different directions as merger activity increases and they are called to perform their day-to-day jobs but also take part in transition activities for the merger. As a result, the study revealed that in many cases, leaders, along with line employees, were required to take on several roles during the merger and this sometimes resulted in additional stress and pressures for a long period of time.

The leadership practices that emerged in the original participant interviews included: providing strategic vision, utilizing effective communication, creating a positive organizational culture, commitment to fairness, effective negotiation, problem solving and decision making, and managing change, and the unknown.

4. How did leader practices influence the outcome of the merger experience?

This study concluded that leadership practices do influence a merger. They have a significant impact on a number of different factors that may influence the success or failure of a merger. Several participants suggested that, although there were no new
startling discoveries of leadership practices, during a merger, the urgency, intensity, and
frequency of how and when they are applied is quite different and that certain practices
may be evident for different reasons. For example, under normal circumstances,
motivation factors may be applied to move an individual to the next level of
performance. In a merger, it may be used just to maintain the current level of operation
or create a positive picture of an unknown future. Participants talked about the
uncertainty of the future both from a personal perspective and by their employees as all
employees are confronted with a great amount of unknown. As a result, things like job
security and stability are called into question.

Participants discussed how leadership practices are all required to transition the
organization during a period of great change. Many of the participants suggested that
taking part in this study provided them with the opportunity to reflect on the merger and,
as a result, they have been able to better articulate the process and may be able to
improve leadership practices for future mergers. Cooper (1995) has suggested that it is
through reflection that we are able to clearly articulate what we know.

Many participants in the study indicated that they believed the merger was a
success, despite recognizing that there were some things they may have done differently.
They felt, for the most part, that as an organization many things had been well done such
as communication and creating a vision for the future. Most people felt that people had
been treated fairly and, in many cases, more fairly then other organizations might have.
Most people felt that the CEO, set a good example for the leadership team, even
admitting to and changing the outcome of the new corporate office location when he
determined it was a mistake.
Overview of Themes

Emerging from the research were seven themes that have considerable value when considering leadership practices evident during a merger. Providing strategic vision is critical under normal circumstances but becomes even more critical when faced with a change situation, such as a merger, because of the impact on people. Without having a clear view of the organizational direction, a sense of instability, uncertainty, and fear can overtake an established confident workforce. By utilizing effective communication, many of these fears and concerns can be lessened. Participants talked about the importance that the communication process had been to members, employees, and themselves by lessening the amount of uncertainty.

Leaders at Central Credit Union suggested that, overall, as an organization, they provided an excellent communication process. This was accomplished by using multiple sources of communication, at regular time intervals. Leaders suggested that one of the areas of greatest concern was the creation of a positive organizational culture. They may have underestimated the impact of this in the early stages of the merger, assuming that both legacy organizations’ service and sales culture in the branch network would automatically be replicated in the new organization. As the merger unfolded, and a decision was made to keep both corporate offices open, it became increasingly difficult to foster a united organizational culture in both locations.

One of the key themes that emerged was the importance of the leadership practice of fair treatment for all employees through the merger. It was an approach that the CEO wanted to make certain was demonstrated in the treatment of all employees. He believed it was the right thing to do. The organization recognized also that members would look very closely at how employees were treated through the merger process.
The process of trying to get both legacy organizations to agree to certain points early in the process so that the original letter of understanding could be drafted was challenging at times. This was due to the concern expressed by NWCU that LCCU was taking over. Therefore, the process of negotiation, compromise, and looking for alternatives to create win-win rather than win-lose situations was very important. As a result, problems consistently emerged that needed to be solved and decisions needed to be made and acted upon.

The final theme that emerged was the leadership practice of managing change and the unknown. Although a critical part of leadership at any time is managing change, seldom is it as critical when facing an extreme change such as a merger. Leaders have to continually find ways to reduce the amount of uncertainty. Uncertainty and fear of the unknown can have debilitating effects on employees and members and, as a result, negatively impact the outcome of the merger. There is an opportunity for a significant amount of leadership learning to take place when going through an experience like this. Participants noted that as a result of going through the merger, they learned a great deal about themselves as leaders, and organizational change.

**Importance of the Findings**

The study is important in that it has made new contributions in the area of academic research within the context of financial institutions in the co-operative movement. The findings indicate that leaders have had significant influence on the positive outcomes of this merger experience. There has been significant research on leadership practices over the last 30 years (Kouzes & Posner, 1987; Oswaga & Bossert, 1995; Peters & Waterman, 1982; Rost, 1991; Yukl, 1981). There are studies that of leadership and change (Bert et al, 2003; Bommer et al., 2005; Bridges, 1991, 2001;
Kavanagh & Ashkanasy, 2006; Leithwood et al., 1999). There is also a growing body of research on mergers and acquisitions from researchers such as Marks (1994, 1999a, 1999b, 2006), Marks & Mirvis (1985, 1992, 1998, 2001), Cartwright & Cooper (1990, 1992, 1996), and Seo and Hill (2005). However, the body of knowledge directly related to leadership practices which positively impact a merger was lacking. Therefore, this study makes a contribution to the literature examining leadership practices during a merger experience.

This study also builds on some of the scholarly work of leadership practices as they relate to culture. Culture has been extensively examined by such notable scholars as Walter (1985), Schein (1983, 1992, 2004), and Whitehead (2001). What seems apparent is that there stills seems to be reluctance on the part of practitioners to include culture as part of the overall merger transitional strategy. This study has also demonstrated that in the case of this merger, culture was not seriously considered until after the merger was completed and the struggle to combine the two corporate office cultures continues 5 years after the closing date.

Very little research has been conducted in the area of dual work roles which often occurs with managers and line employees. This may be more of an issue for smaller organizations that do not have merger strategies and dedicated merger teams. As a result, many people end up with dual roles. They are expected to carry out their regular job duties. In addition, some employees become members of due diligence teams and/or transition teams. Several participants articulated that this causes additional stress and pressure for people which can inadvertently affect health, operation effectiveness and efficiency, and employment and personal relationships. This is certainly an area that requires further study.
One final note on research significance is recognizing the context in which this phenomenon took place. A credit union requires approval from the membership. This is an additional step which most mergers outside the co-operative movement are not faced with.

It should be noted that the conceptual framework used in this study provided a useful guide for the researcher in several ways. First, it provided the framework for the study which provided structure and direction. Second, the conceptual framework provided the flow, first building the base of leadership practice, then developing a knowledge base of mergers and change, and, finally, developing an understanding of how the leadership practices influence the merger. This research study provides useful information in expanding the current literature regarding the context of credit unions.

This study may also provide information for colleges and universities when considering possible course design for the future. With merger activities continuing to increase, educating future leaders about some of the leadership practices which may add to the success rate of mergers and merger integrations would be of benefit. The information contained in this study provides credible insight into the nature of some of those critical practices required for merger success.

**Implications for Future Research**

There are a number of potential research projects that present themselves as a result of this study. One study could be drawn from the uniqueness of the context. As noted earlier, this merger differs from other mergers, due to the need to get a positive membership vote. It may be interesting in future studies to determine if some of the leadership practices were followed because it was the right thing to do or whether it was necessary to do in order to get the vote. In addition, would other organizations that are
not required to have members approve a merger through the voting process expend as much time and energy on such things as fairness and communication?

It is clear that additional attention needs to be paid to fully exploring the human factor when considering major change initiatives such as a merger. Through this study, it appeared that a great amount of attention was focused on ensuring that legislative, financial, technological, and governance issues were addressed. In many cases, human issues were considered; however, it is not clear if they were considered for their value to the transition and success of the longer-term merger process or to their value of getting the vote.

Another area where additional research could yield some benefit to practitioners is the area of role multiplicity. As noted in this merger, due to the fact that it was not a strategic initiative and that there was no dedicated merger team, several people were required to do dual roles. This often meant doing their day-to-day job along with one or possibly several jobs to support the merger. This often resulted in additional pressure and stress, which resulted in some things falling through the cracks. The study revealed that managers were distracted from their day-to-day operational responsibilities supervising their own staff.

Finally, the area of culture is worthy of further exploration. Although it was not totally ignored, both legacy organizations underestimated the subcultures that existed within the corporate office environments. This continued to be a challenge well after the merger took place. There was clearly a gap in understanding of the importance of culture, the importance of articulating what culture the company is trying to develop, and the importance of the multiple or subcultures that exist in an organization.
All factors described above are critical to the success or failure of a merger. Although it would be difficult to suggest that the failure of any one of these would, ultimately, doom the success of this merger. By addressing the human factors in a merger through effective leadership practices merger success is more likely. There have been many scholars relentless in their research to prove the importance of the human elements of mergers (Cartwright and Cooper, 1990; Marks, 2006; Seo and Hill, 2005; Shaw, 2002). In addition, there are some implications for professional practice that leaders may want to consider. These include implications for leaders who are considering a merger or preparing to begin the merger process.

Conclusion

In conclusion, this thesis has provided an intimate look at leadership practices during a merger through the eyes of leader participants. The richness and depth of conversation yielded data that suggest that leadership practices can have an influence on the outcome of a merger.

From an organizational perspective, this result is important. To implement a successful merger, it is critical that employees are engaged in the process, and the engagement process is predominately reliant on the leader’s ability to influence employees through the application of leadership practices. Although there may be a basic set of leadership practices that should be applied in the normal conducting of business, under situations of extreme change, such as a merger, these leadership practices need to be recognized and implemented.

It is extremely important to understand the merger experience, the implications on leaders, and the implications on employees in general from both an organizational and psychological perspective. If the health and well-being of employees is not considered, it
is quite possible that their effectiveness will be impacted at the time when their services are most needed.

**Participant/Researcher Reflection**

One of the most rewarding parts of the study has been being able to reflect on my experience of the merger as both a researcher and a participant. In fact, it may be more appropriate to refer to myself as one of the many casualties of the mergers, an employee deemed to be out of structure. However, upon reflection, it is difficult to see myself as anything other than very lucky to have been able to be part of a journey that has provided me with both personal and professional growth. I was also responsible for developing the out-of-structure transition process, as part of my obligation as a professional human resources practitioner within the organization, for employees who would be without a job at the end of the 1-year job guarantee in the newly formed Central Credit Union.

I also had to face the reality that I was one of those employees. Looking into the faces of some of the employees who would be displaced during the numerous staff meetings that were conducted and listening to them sharing their concerns about the future while trying to reassure them that they would be alright and that they might actually be better off as they discover new opportunities, was a daunting task for me some days.

It is, however, with a degree of comfort that I can speak with confidence about the way people were treated having been part of the Human Resource team and having worked on a number of leadership development planning sessions with Alan, the President and CEO of Local Community Credit Union and Central Credit Union. More importantly, I can talk about it as having lived through the process as a participant who would eventually leave the organization.
My personal feelings are that these types of changes are never easy. Even after the dust has settled and people have moved on, the residue from the cannon fire remains for some time. Those feelings of what could have been and how I might have contributed remain unanswered questions. However, looking back on the process of how I was treated and, hopefully, the way others were treated remains very positive in my mind, fairly and with respect. Perhaps this is the best that can be expected from a situation that causes not only excitement and opportunity for some, but fear and anguish for others.

In the final days of my employment relationship in 2006 when I was granted permission to conduct my doctoral research with Central Credit Union (which ultimately became this study), I hope I have not disappointed those who have allowed me this privilege. For me, it has been an amazing experience.


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Appendix A. Acronyms

Local Community Credit Union – LCCU
North West Credit Union- NWCU
Central Credit Union – CCU
Smallville Credit Union - SCU
Appendix B. Draft Phone Discussion

Hello, my name is Grant Armstrong and I am a Graduate student with the University of Toronto, and a former employee with Central credit Union.

I have been given permission to do research work for completion of my Doctorate on Leadership During Times of Change, specifically the merger of Local Community Credit Union and North West Credit Union to form Central Credit Union.

As part of this study I would like to interview 8 – 12 leaders from both organizations and have them talk about their leadership experiences before, during, and after the merger. You were mentioned as a possible participant for the study.

Your participation is completely voluntary and anything you say will remain completely confidential. If you should choose to participate, you will be asked to attend a 1-1 ½ hour audio taped interview. Once the audio tape is transcribed, you will be provided with a copy of your interview to which you can, correct, make additions or delete information. You may also leave the interview at any point should you choose to do so.

I will be providing you with some general questions prior to the interview which will give you additional context to the process. I am happy to provide more information today or in the future should you require it. At the conclusion of today’s conversation, I will be providing you with my contact information and my advisors’ contact information at the University of Toronto. If you agree to participate I will send you a letter of consent which will also outline the process.

Can I answer any questions for you?

    Participant Response…..

Would you be interested in participating in the study?

    Participant Response…..

Can I forward the general questions and Letter of consent to you? If yes - can I send it by email? I would like to contact you 48 hours after you receive the two documents to answer any additional questions you have and set-up an interview date and time at your convenience. Should I do that via phone or email?

    Participant Response…..

Here is my contact information (905) 380-2932 – g.armstrong@utoronto.ca
Appendix C. Informed Letter of Consent

(Distributed on OISE/UT Letterhead)

September 2009

To the participants of the study,

Thank you for agreeing to take part in my Doctoral Study about Leadership in Times of Change: An Examination of a Merger Experience.

The study will explore leadership experience during a time of extreme change, a merger. Eight to twelve leaders from both legacy organizations (Local Community and North West Credit Unions) will be interviewed. These leaders have been identified and contacted in order to determine if they will voluntarily participate in this study.

This study will be conducted in Ontario under the supervision of Dr. James Ryan, Professor, Department of Theory and Policy Studies in Education, The Ontario Institute for Studies in Education/University of Toronto.

Prior to the interview, I will provide you with a list of the general concepts for discussion. The interview, which will follow, will be face-to-face and will last for approximately one to one and a half hours. The sessions will be audio-taped and later transcribed to paper. You have the choice of declining to have the interview taped. A number will be assigned to your transcript to correspond to your interviews and transcripts. In addition, a pseudonym will be assigned in order to protect confidentiality for any quotes that are used in the body of the study. Your transcript will be returned to you within two weeks of your interview for your review. You may add further information, correct misinterpretations, or delete information if you choose. You will be asked to return corrected documents to me with two weeks. All information obtained will be maintained by me in a safe and secure location. Only the researcher, my faculty advisor, and two colleges, who will assist in the triangulation process, will have access to the data. All information will be reported in such a way that individual persons, and organizations cannot be identified. All raw data (i.e., transcripts, tapes, field notes) will be destroyed five years after the completion of the study.

Participation is voluntary and as a result you may withdraw from the study at any point, or refuse to answer any question at any time. It is assumed that as a result of the study, there is no risk of harm to study participants. You may request that any information, written or audio taped, be eliminate from the project. Finally, you are free to ask any questions about the research and your involvement with it and may request a summary of the findings.
Thank you for your participation in the study.

Grant Armstrong  
Candidate, Theory and Policy Studies in Education  
OISE/University of Toronto

Dr. James Ryan  
Professor, Theory and Policy Studies in Education  
OISE/University of Toronto

Telephone: (905) 380-2932  
Email  
g.armstrong@utoronto.ca  
jim.ryan@oise.utoronto.ca

By signing below, you are indicating your willingness to participate in the study, you have received a copy of this letter, and you are fully aware of the all the conditions outlined above.

Name: __________________________________________

Signed: ________________________________________

Date: _________________________________________

Please initial that you would like a summary of the findings of the study upon completion ______

Please initial if you to have your interview audio taped ______