



Restructuring and mergers: Protecting the employers brand

Reforms which have tended to diversify the provision of public services are combining with financial retrenchment, more assertive regulation and increasing competition for contracts, to create fertile ground for mergers and restructurings in the public sector. This paper argues that the trend will accelerate, and that it will bring further changes to the organisational landscape, even in those parts of the economy, like the third sector, where mergers have hitherto been relatively rare. The leadership challenges involved in the merger of public and quasi-public sector organisations are considerable; radical restructurings and mergers have a huge impact on employer brands, affecting retention and morale, and present difficulties in terms of ensuring continued performance against quality, safety and financial standards. This Board Paper asserts that managing change through engagement and communication will be crucial.

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But one of the biggest challenges - for local leaders, for regulators and for front-line staff - will be that posed by an increased incidence of public sector mergers. Mergers, if managed well and on the basis of rigorous cost-benefit analyses, can allow reconfigured organisations to deliver improved and/or a wider range of services for users, and - through the better use of shared resources, information and knowledge of service users' needs and changing patterns of demand - substantial efficiency savings. These savings are then available for reinvestment in the co-ordination of activities, in developing a new, united brand and distinctive organisational personality and for underwriting the risks involved in developing new projects and services under the new, joint brand.

However, the experience of the private sector - where the majority of formal mergers fail to produce any significant improvement in overall efficiency - should inspire caution in public sector managers and policy-makers. Mergers in the wider public sector should be proposed and pursued only if there is a clear rationale in terms of the continuity of

service delivery and a robust business case for the sustainability and distinctiveness of the proposed, merged organisation. They should answer to the logic of the efficient functioning of local public service markets, and the financial viability of taxpayer-funded public sector organisations, rather than to that of political expedience.

Mergers are difficult, which goes some way to explaining why - until very recently - they have been unpopular in the third sector, in which highly risk-averse, small- and medium-sized organisations predominate. Complex organisational change is always difficult, of course, but delivering this kind of change in the public and non-profit sectors (where change has tended in the past to come more slowly, or in response to exogenous, political imperatives, rather than the internal, competitive pressures of the system) carries particular risks.

Besides the ever-present threat of the irreconcilability of two corporate cultures and sets of working practices, there is the risk of loss of operational autonomy and of





“mission drift” at the front line, precisely at the moment when continuous improvement of quality and outcomes is most needed. The recent coming-together of Age Concern and Help the Aged – two sizeable organisations, each with their own distinctive and strongly held values – involved over two years of planning and significant costs. But the two charities were convinced, in the end, of the benefits of pooling their resources, experience and expertise to deliver a wider range of quality services to older people, at a time of dramatically increased financial pressure.

Attitudes are changing, as the Age Concern-Help the Aged merger showed. There will be increasing opportunity and appetite for social enterprises and other non-profit delivery organisations to grow inorganically, as it were, including through mergers.

In many cases this will follow logically from policy changes. For example, the pluralisation of education provision, and the evolution of new not-for-profit education providers, with responsibility for a group of schools. In health care, financial pressures in the acute sector (particularly for small- and medium-sized non-Foundation Trusts, and particularly in London) and the gradual externalisation of the provision of community services are starting to re-shape the delivery landscape and to bring into relief the leadership challenges associated with mergers and major restructurings in the public sector. In local government organisations, there is growing interest in the kind of deeper integration – and associated efficiency improvements – which can be brought about through the appointment of joint chief executives and shared senior managers.

Across the board, there is talk of closer forms of collaboration and enhanced partnership for the delivery of key outcomes: the Total Place pilots are being watched with growing interest as policy-makers and progressive public sector organisations look to see if they will furnish the wider public sector with a model for more efficient place-making. The consequences of this sort of enhanced,

outcomes-focused collaboration on the shape of conventional public sector organisations are as yet poorly understood and little discussed.

But whatever the drivers of organisational change, the impact these processes will have on remaining staff morale and retention will be critical to the quality of service outcomes. If the change is seen as unnecessary, is badly managed, lacks openness and integrity, then the quality of services and performance against key outcomes targets will suffer. Developing a more creative and self-confident service delivery organisation will rapidly become impossible. Change management is important because staff watch closely to see how change is managed, even when it doesn't directly affect them. Poor management of change thus has a disproportionately widespread and negative impact on organisational morale and efficiency.

Restructurings and mergers have by far the biggest impact on employer brands; delivering this sort of change requires strong, committed, patient and engaged leadership. In the current policy context, it requires an ability to relate change to shared ambitions and to outcomes. The financial context, meanwhile, means that anxious staff must be involved from the start in an open, credible and honest programme of change. Speed also will be important – it is possible in our experience to move fast to close down periods of uncertainty and yet achieve change processes of the very highest quality and integrity.

Besides the above pointers, a number of lessons from others' experience suggest themselves:

- Prepare a communication strategy in advance for the entire process; the value of clear, comprehensive communications cannot be overstated;
- Relate the change to overall strategic aims from the outset; consult on overall objectives and principles – get buy in at this 'less threatening' stage of the process;

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- Prepare change proposals thoroughly in advance (job definitions, structures, assimilation process, reward implications, support to any leavers etc), set up a change team to work through the implications, rather than reacting to change as it happens;
- Develop an open and robust assimilation policy, which opens roles to internal competition as far as possible – it may enlarge selection processes but good internal candidate handling will embolden candidates and encourage previously hidden talent;
- Ensure internal selection processes are (and are seen to be) objective, developmental and - if possible – independent; internal candidates need to feel the process has

helped and guided them whatever the outcome. Selection should be linked to follow-up developmental actions for all candidates; organisations often neglect this;

- In mergers, staff tend to look for signs of ‘who is getting the upper hand’; good change managers strengthen the integrity and independence of change and selection processes;
- Develop an exit programme to build new teams and minimise residual pain in the organisation; this should be developmental, team-based, centrally driven and centred on key issues to be addressed in the immediate future.



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