Mergers occur when two or more organisations (or institutions) combine - either to create one new organisation, or retaining the identity of one of the original organisations. Mergers continue to be relatively common in the corporate sector. In higher/further education (H/FE) in the UK there have been two key periods of intense merger activity in recent years - the late 1980s to early 1990s and then the late 1990s to early 2000s. The latest indication is that many in the UK expect a new phase of mergers to take place either following the recession or in response to other political pressures.

Most of the available UK H/FE literature on mergers arises from the two phases noted above. Australia and South Africa have also experienced significant 'waves' of mergers and there is relevant literature from these countries that examines the challenges and benefits. In the business and management fields, Professor Huw Morris (Pro-Vice-Chancellor (Academic) and Dean of the College of Arts and Social Science, University of Salford; Recent Chair of the Association of Business Schools) notes that "the early work on mergers and acquisitions was essentially functionalist and normative in focus and flavour. This has been replaced in recent times by analyses which focus on many more detailed quantitative analyses in the field of finance, and discourse based analyses in strategy and organisational studies which focus on the way people write and talk about mergers and comment on their success. This shift in focus means that in fact, some of the earlier studies and books may be more accessible to practising managers today than some of the more recent studies."

In terms of the benefits of mergers in higher education and when they are most likely to be successful, despite a wealth of evidence from higher education and beyond, there does not seem to be a definitive answer. There are certainly some factors which make some mergers more likely to be successful than others (the references below discuss these in more detail) and there are examples of successful mergers. However, the main lessons to come out of the literature seem to be that mergers are extremely expensive in terms of money and resources (and as such undertaking a merger for financial reasons alone is very high-risk); that there are unlikely to be any significant benefits in the short-term (except non-closure of an institution), that long term benefits take many more years than expected to develop, that there can never be too much planning in preparation for a merger and finally, that the organisational, human and cultural
elements of the 'new' institution need to be made a priority, particularly after the merger has occurred.

The resources below represent a selection of some of the material available from journals, government sources and institutions - in most cases summaries of abstracts are presented along with a link of how to access the full report. They are by no means exhaustive but will hopefully offer some useful insights.

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  - Mergers: Leadership, performance and corporate health
  - Mergers and acquisitions: Managing culture and human resources
  - Managing change and transition
- **Web resources**
  - Merger Management, Pritchett
  - Mergers and Acquisitions Digest
  - Mergers and Acquisitions Best Practice, on Q Finance

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**Higher/Further Education Mergers - literature**

**Literature review for the higher education collaborations, alliances and mergers project**

Report to HEFCE by Oakleigh Consulting Limited (published November 2010)

Key findings include:

**Critical success factors, good practice & lessons learnt from institutional mergers**

- a strong educational basis and shared vision is required for the decision to merge, in addition to a clear strategic fit between institutions and strong leadership;
- there has to be an effective merger planning and implementation process;
- staff issues (e.g. issues of payroll and pensions), student issues, and cultural issues must be addressed – including consultation and open communication;
- merging institutions should be realistic and should not underestimate the likely costs of the process and overestimate the potential savings;
- where merging institutions have complementary missions and cultures, the chances of success are far greater; and
- benefits realisation has to be actively managed and measures of success devised and tracked.
Lessons learnt from less formal partnership and collaboration in HE and FE:

- a high degree of common purpose, focus on strategy and vision is required, as is commitment to sharing, trust and mutual respect across organisations;
- both senior management and those tasked with implementing the change must be committed throughout;
- project teams should include the right range of professionals required to develop the business case, and seek professional advice when required;
- appropriate resourcing is required, particularly time to participate in partnership activities and skills development to support this; and
- success is more likely where there is a history of collaboration, or a national, regional, local or affinity group base or an internal market already exists.

“Most mergers fail to live up to expectations because of poorly managed post-deal integration. In brief, this is because of: lack of appropriate planning; poor strategy and management; lack of open communication and a clear vision; and a range of people and cultural issues. “

Financial considerations

- One source points out that commercial organisations need to gear up for a merger and spend more money on the process. In contrast, HEIs may see merger as a way of taking costs out quickly. While, in the longer term, there may be the possibility of cost savings arising from a merger, the process itself requires additional costs.
- The three biggest costs incurred during a merger or restructure are in terms of people, property and technology (Source for Consulting, 2010). Additional costs therefore include funding for contingencies in relation to property and staff salary issues, in particular differing pay scales and pension benefits. Differing pay scales and pension costs are key issues particularly in relation to HE and FE institutional mergers.

Strategic Mergers of Strong Institutions to Enhance Competitive Advantage


Recently, in a number of countries, there has been a decided shift from mergers initiated by governments, and dealing mainly with ‘problem’ cases, towards institutional-initiated mergers involving strong institutions, and with clear strategic objectives. These issues are addressed and a case study is presented of the 2004 merger that created the new University of Manchester.
Models for mergers in higher education


Basic terminology is described, for example:

- **Merger**: “The combination of two firms into a single firm.” (Chambers & Lacey, 1994:609); “The combination of two or more firms, in which the resulting firm maintains the identity of one of the firms, usually the larger one.”
- **Incorporation**: The same as the above definition of merger.
- **Consolidation**: “The combination of two or more firms to form a completely new corporation”

Types of merger are presented (from Walter and Gitman)

- **Vertical merger** - When a buyer-seller relationship exists/could exist between companies so the target company management “shift from serving the market to linking with the acquiring or parent firm.”
- **Horizontal merger** - A merger between companies with “identical products operating in the same or different markets”; so a company would acquire a supplier or a customer.
- **Concentric merger** - A merger between companies with very similar production or distribution technology.
- **Conglomerate merger** - A merger between firms with no buyer-seller relationship, technical and distributional relationship or identical products, i.e. unrelated businesses.
- **Congeneric merger** - When one company acquires another in “the same general industry, but neither in the same line of business nor a supplier or customer.”

Typical problem areas are discussed that could result in the failure of a merger if they are not carefully managed:

- The choice of a merger partner.
- Enabling legislation as well as internal policy.
- Timing of the merger.
- A clearly defined merger plan and process
- People issues

Three potential structures for post merger institutions are identified:

- **The confederal structure** - A confederation is a formalised and fairly permanent union in which the constituent elements retain full autonomy.
- **The federal structure** - the two main variants of this form are where a) Centralised powers and functions are specified while the decentralised powers
and functions (i.e. the rest) remain with the individual members of the federation. b) *Devolved powers and functions are specified*, while everything else is centralised.

- **The unitary structure** - The existing parties merge into a single body with one central administration. Certain functions and powers could be decentralised if necessary, but a single identity would be essential.

A series of **checklists** for those involved in mergers are also listed highlighting issues to consider at each stage.

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**The Governance of Merger in South African Higher Education: A Research Report prepared for CHE**

By Martin Hall, Ashley Symes and Thierry Leucher (August 2004)

The paper presents a set of observations that are seen as important for informing a full consideration of the governance of merger.

- Successful restructuring outcomes will depend upon the ability of state and institutions to negotiate specific mergers and incorporations to common benefit.
- There is a danger that the principle of ‘equal partnership’ in mergers, and especially in incorporations, may not be applied consistently in practice; governance in the premerger phase must give careful attention to this.
- Councils should carefully assess the specific due diligence needs of the merger or incorporation in which they are involved, notwithstanding the due diligence guidelines that have been published by the Ministry.
- A Memorandum of Agreement and merger plan are key frameworks for merger governance that should be developed in the pre-merger phase; mechanisms are required to ensure that goodwill and momentum established through these mechanisms are carried through to the transitional and integration phases of the merger.
- Given inherent challenges posed by and for the Interim Council, institutions must take into account the specific circumstances of their merger in selecting a preferred model for the Interim Council.
- In governance terms, the process of establishing institutional culture and identity requires conscious attempts to plan, implement and monitor institutional development; the Council of the merged institution must exercise its accountability in this respect.
- Decisions respecting academic integration should be driven by a defined vision and mission and should be taken only once that is in place.
- Models for multi-campus governance should be evaluated in terms of their likely impact on effective operational and academic integration, as well as on the creation of a new institutional culture and identity in the merged institution.
A Comparative Study of Mergers as Instruments of Reform in Higher Education


Examines mergers from Australia, Canada, the United Kingdom, South Africa, the United States, and Japan – focusing on jurisdictional differences and presenting five key characteristics of merger:

1. The motivation for merger: Why do institutions and, in some cases, governments seek to merge? To what extent is the objective survival? To what extent is it reform?
2. The political economy of merger: What happens when institutions merge?
3. The participants in merger: In addition to the institutions themselves, what other agencies participate in merger: funding agencies, "buffer" agencies, other institutions, governments, sub-units of institutions? Is the array of participants dependent on the extent to which reform is an objective of reform?
4. The form of merger: Are entirely new institutions formed or do smaller specialized institutions "disappear" in larger, comprehensive institutions? Do mergers reduce the amount of diversity in systems of post-secondary education? Are mergers among similar institutions -- for example, a university and a university -- or are they among different types of institutions -- for example a polytechnic and a university?
5. Alternatives to merger: Do some jurisdictions rely solely on merger to meet their objectives while others regard merger as one of several possible forms that inter-institutional cooperation might take?

The paper concludes that while at this time it found more successes than failure among HE merger, it “it is not a record that can commend merger universally”. It also posits an important distinction between mergers which are similar to those in the corporate world, ie between “two highly autonomous institutions voluntarily choosing to merge, usually for reasons of economy” and mergers which are “initiatives more of broad public higher educational policy than of corporate strategy”.

Introduction to special issue: 'Merger revisited: international perspectives on mergers in higher education'

A variety of different models and mechanisms have been used by higher education systems in many countries to achieve restructuring and increase levels of institutional collaboration. Drivers of these efforts have been many and varied but particularly important have been pressures to:

Increase efficiency and effectiveness, especially in coping with rapid and substantial growth in student numbers which in turn brings heavier demands on institutions;

- Deal with problems of non-viable institutions and institutional fragmentation.
- Widen student access and implement more broad scale equity strategies.
- Differentiate course offerings to cater for greater student diversity and to improve the quality of graduates.
- Increase government control of the overall direction of higher education systems, especially to ensure that higher education institutions serve more directly national and regional economic and social objectives.

In many cases, restructuring efforts have formed integral parts of major expansion and adjustment as relatively small and elite systems of higher education have moved to mass higher education. In this context, the dominant trend has been to move from relatively small and often highly specialised institutions towards fewer, larger and more comprehensive institutions, and from single site and single campus to multi-site and multi-campus institutions.

The articles which comprise the rest of the special issue highlight that mergers can take any number of different forms, from loose affiliations at one end of the spectrum to tightly integrated models at the other. In turn, the particular form of a merger is likely to have a major influence on the merger process, the kinds of difficulties likely to be experienced in bringing different types of institutions together, the kind of structures likely to emerge and the degree of success of efforts to integrate the partner institutions. The most common forms of merger can be portrayed as voluntary and involuntary, consolidations and take-overs, single sector and cross-sectoral, twin partner and multipartner, similar academic profile (‘horizontal’) and different academic profile (‘vertical’) mergers.

**Institutional Mergers in Australian Higher Education since 1960**

For the past forty years, institutional mergers have been a major and controversial theme in Australian higher education. Three main phases of major mergers are reviewed with particular attention being paid to reasons for merger, success factors, and longer term results. While merger experiences have often been traumatic for participants and participating institutions, on balance the longer term results have been positive, producing a university system today comprising relatively large and comprehensive institutions, well suited to compete in the new internationally competitive environment.

**Mergers in Higher Education: A Strategic Analysis**


This paper looks at recent mergers in higher education from a strategic management perspective. It is based on private research undertaken for a dissertation in completion of an MBA degree in 1996. The objectives of the study included the discovery and analysis of merger input factors and process variables, and an assessment of the contribution of both towards an effective outcome. The paper considers similarities and differences between mergers in higher education and as a whole. The process included structured interviews with senior management in two universities, which helped to develop a census survey of incidents involving an HE partner between 1987 and 1994. The incidents included mergers with further education colleges, other HE institutions, and colleges of health.

**Merger Evaluation Reports**

**Ofsted summary review of further education provision in higher education 2003-09**

By Ofsted (October 2009)

**Key findings relating to mergers between HE and FE institutions**

- The mergers of higher education institutions with satisfactory or failing FE colleges that had a broad academic and vocational curriculum have not led to significant improvement in the quality of the FE programmes.
- Higher education institutions with successful FE provision had a curriculum offer that was closely aligned to the institution’s expertise, experience and HE programmes.
FE students were well served by higher education institutions that specialised in the creative arts.

Accountability and line management arrangements for FE within higher education institutions were clear where the FE was successful.

Rigorous quality assurance and good teaching and learning were key to raising standards and to maintaining high quality FE provision.

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**The Evidence Base on College Size and Mergers in the Further Education Sector**

By Laura Payne. Department for Innovation, Universities and Skills (2008)

This report presents a discussion of corporate merger theory, how mergers affect markets and competition, their benefits for consumers and companies and the relevance of these discussions to the FE sector in the UK.

**Key findings**

- There is very little evidence on the impact of college mergers, and the available evidence is not conclusive. Research has identified potential benefits to college mergers, but also identifies risks.
- There is no evidence of a relationship between college size and success rates
  - There is a modest correlation between size and inspection rates but smaller colleges can achieve equally high average inspection grade scores as larger colleges, and not all large colleges perform well;
  - There is no relationship between college size and financial health (although it is recognised that the financial health of a college has been a factor in some proposals); and
  - Importantly, there is no evidence to suggest that merged institutions perform any better or worse than those which have not been involved in a merger.
- It appears that success of mergers is not guaranteed, but may be dependent on a complex set of local factors and conditions with no consistent message about when mergers are most likely to succeed.
- Some of the identified benefits of merger include: efficiencies through curriculum integration; reduction of over-provision; improved access to capital funds and betterment of estates.
- The research shows that the policy environment is a key driver of merger activity. Other identified drivers include key personnel with strategic vision, financial difficulties, enhancing core business, defence against competition, and strategic strengthening of position.
- Evidence from other sectors (higher education and business sectors) suggests:
  - substantial cost savings from mergers in any sector are difficult to achieve;
  - communications and college culture are important;
  - mergers should be part of a business strategy with clear objectives;
Evaluation of mergers in the FE sector 1996-2000

Centre for Education and Industry, University of Warwick

Full report also available

Key findings

- Mixed type mergers were more problematic (i.e. FE college with 6th form college).
- Smaller mergers were not necessarily efficient, mergers of larger institutions seemed to result in better outcomes.
- Potential problems associated with merger were frequently underestimated in the planning stage, particularly the length of time needed for planning.
- Financial benefits were only seen in the very long term, if at all (mergers were found to be very costly).
- Culture clash was a significant and often underestimated issue in the mergers.
- Recognising and supporting middle management in the merger implementation phase was found to be important.

Pre-conditions which were more likely to lead to a successful merger:

- A realistic risk assessment and business plan are in place well in advance of the merger.
- There is board commitment to the merger and strong SMT capable of planning the process.
- Preparatory training is made available to all those with a responsibility for carrying forward the merger plans.
- There is an experienced financial manager involved.
- Enhanced operational support systems are in place and the associated additional costs recognised and planned.
- A clear post-merger strategy is in place.

Pre-conditions more likely to lead to an unsuccessful merger:

- The main intention was to save money or achieve economies of scale.
- A merger is seen as an ‘empire building’ exercise.
- Mergers are simply a response to funding body or other pressures.
- A more federal approach is proposed – central management with direct control appears to be essential.

An evaluation of the merger that created Volunteering England
Charity Commission (May 2007)

Merger and collaborative working among charities continue to be popular areas for debate within the sector. There have been some notable examples of merger between charities of all sizes, and learning continues on both the positive and negative aspects of merger.

Factors critical to the success of the merger - likely to be essential to the success of any merger:

- Existing partnership or working relationships
- Compatibility of purposes and a shared vision between merger partners
- Planning and review of the merger process
- Effective internal and external communications
- Use of skills, expertise and professional advice where needed
- Ability to deal with concerns and manage expectations
- Managing growth
- The roles played by key individuals, particularly the trustees and chief executives of the charities
- Application of the Thinking Environment methodology, particularly in meetings

Obstacles and challenges overcome in the implementation of the merger - again it is likely that similar obstacles and challenges may arise in the course of any merger:

- Evolving and adapting processes to meet new situations
- Overcoming breakdowns in communication
- Securing buy-in from stakeholders
- Reassuring staff

Further lessons can be learned from this merger, which may be of benefit to other charities considering merger:

- The legal and technical issues of merger should not be underestimated, and need to be anticipated
- Conflicting stakeholder needs and expectations can be challenging to manage, particularly where there are different (for example regional and local) perspectives
- ‘Merger’ is not completed with the establishment of the new organisation and the winding up of the old. Many new issues will arise in terms of staff management, ‘teething problems’ and organisational growth

Guidance from the Charity Commission for all charities who may be considering working in partnership or merging with other organisations can be found at Collaborative Working and Mergers.
Higher Education Case studies

**Reflections on the University of Kwazulu-Natal Merger**

Professor Malegapuru W Makgoba (2008)

**A case study of a merger in Chinese higher education: The motives, processes, and outcomes**


**International Case Study of a Merger: University of Western Sydney, Australia**

Rhonda Hawkins, Nigel Bond & Geoff Scott (October 2005)

**Tshwane University of Technology: Merger Lessons in Dealing with Pipeline Students**

Engela van Staden (April 2005)

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**Legislation / Guidance**

**Merger Assessment Guidelines: A joint publication of the Competition Commission and the Office of Fair Trading (Sep 2010)**

This publication forms part of the advice and information published by the Office of Fair Trading and the Competition Commission under sections 106(1) and (3) respectively of the Enterprise Act 2002.

Content includes:

- An outline of the UK merger regime.
- Discussion of the overarching questions the OFT and the CC must consider in conducting reviews of mergers.
- Specific guidance on mergers with a public interest.

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**News Articles**
Merging institutions involves much more than simply doing the maths

THE 21 January 2010

If the Government wants to encourage mergers to ameliorate the university funding crisis, it must address a number of issues … All other things being equal, no governing body is going to vote to merge with an institution that will drag down its RAE or league table score….So often in life, that which it is intellectually self-evident we should do may, when cross-multiplied with human considerations, turn out not to be an attractive option. Why else do we have more than one high-street supermarket, high-street bank or high-street clothing retailer?

Turnaround head warns mergers can cause decline

TES March 2010

The principal of a college credited with the fastest turnaround from failure to success has warned that mergers could send further education institutions into decline.

“My experience is, in the process of merger, people sometimes underestimate how difficult it can be to manage the impact it can have,” he said. “People take their eye off the ball on things like success rates. It becomes all about who gets the new job and all the focus is internal.”

Non Higher Education Literature on Mergers

Journal and other articles

Nine Steps to Prevent Merger Failure


There are some transactions, such as the marriage of HP and Compaq, that are troubled from the start. There’s little anyone can do. Fortunately, this is far from the norm. More than two-thirds of transactions that fail do so at the execution stage. DaimlerChrysler, for example, neglected early on to establish a proper set of guiding principles based on the merger’s strategic intent, and then continued to misfire by failing to align leadership
and integrate the cultures of the two organizations. Is there a lesson in this? Absolutely. Execution-related failures can be avoided. To do so, you need to establish a program integration team early in the process that can respond to the execution risks inherent in all transactions. We call these risks the "nine deadly sins." Understanding them is a critical first step toward a successful merger.

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**Leadership in a post-merger context. The importance of people skills over politics**

Mariëlle G. Heijltjes, Hanneke S. ter Velde Maastricht University, the Netherlands. (2005)

Drawing on the merger and CEO succession literature as well as on findings from research on organizational change, this study examines what leadership issues drive success in a postmerger context. Data from 45 recently merged units within a cooperative bank in Europe indicate that the people skills of the newly appointed top manager matter most. Specifically, his/her integration ability followed by the ability to positively influence the internal working environment are significantly correlated with post-merger success. Politics in terms of whether the top manager had a track record inside or outside the organization did not appear to be important.

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**Getting It Together. The Leadership Challenge of Mergers and Acquisitions**

Paper produced for the Centre for Creative Leadership by by Günter K. Stahl. Adapted from an article first published in the INSEAD Quarterly, July 2004, no. 8

The literature on mergers and acquisitions indicates that failure rates typically range from 50 to 70 percent or even higher. A Business Week study of megamergers conducted between 1998 and 2000 found that in more than 60 percent of the cases, shareholder value was destroyed. Why do so many corporate combinations that looked like such great opportunities end up in disaster? Recent research suggests that contrary to common belief, it is not poor strategic fit that most often causes mergers and acquisitions to fail but poor execution. The errors can be seen, for example, in instances of insensitive management, lack of trust building and communication, slow execution, power struggles, or a leadership vacuum following the deal.

Research on alliances shows by and large a similar pattern. Even with this kind of information, most corporate combinations still place special emphasis on the strategic
and financial goals of the transaction, whereas the cultural and people implications rarely receive as much attention. To gain some insight into what sets winning corporate combinations apart from the rest and the leadership challenges involved in integrating organizations, this report is based on interviews with Carlos Ghosn, the president and CEO of Nissan, who in April 2005 is to become president and CEO of Renault (which owns 44 percent of Nissan), and Jean-Pierre Garnier, executive director and CEO of GlaxoSmithKline (GSK).

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**Leadership development as a vehicle for change during merger**


Astra and Zeneca merged in 1999 to form AstraZeneca, one of the top five pharmaceutical companies in the world. This paper looks at the role that new leadership development programmes played in supporting cultural integration. Three new global, cross-functional leadership development programmes are described, outlining how the objectives, design and style of the programmes supported the merger effort. Outcomes from the programmes are discussed as well as the broader lessons that have been learned; the key ones being the importance of managing change proactively, the need to have clear objectives that are aligned with the company's strategic objectives and that also meet the needs of the participants and, crucially, maintaining senior management support.

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**Successful Post-Merger Integration: Realizing the Synergies**

Nils Bohlin, Eliot Daley, and Sue Thomson

The question is, why do mergers and acquisitions work for some and not for others? The answers are of course complex. Mergers and acquisitions vary widely along a number of dimensions: company size and diversity; industry characteristics; overlap of products, markets, and customers; prior mergers and acquisitions experience of the parties; whether the takeover was hostile or friendly; relative performance strength of the acquired firm; and how much assimilation is desired or required.

Despite this variety and complexity, we suggest that those that fail share one critical blind spot: they treat “synergy creation and exploitation” as a euphemism for cost-
cutting. By focusing too exclusively on costs, they minimize – or defer until too late – the human and cultural dimensions of blending two entities into one seamless, growth-oriented business. After all, organizations are basically collections of people sharing a common purpose, one or more locations, and other resources such as money, equipment, and common processes. Still, many business managers persist in believing that the latter assets are the ‘real’ organization, while the people are only the ‘soft side’ of the equation. But how ‘soft’ are the people issues if they can bring an otherwise ‘perfect’ merger-integration effort to its knees – as evidenced in recent press coverage of major transatlantic mergers in the pharmaceutical industry. A recent Forbes 500 study asked CEOs why merger synergies are not achieved: first in their list of ‘failure factors’ was ‘incompatible cultures’ and three of the top six factors were culture-related.

In this article we examine the human and cultural aspect of the merger experience and suggest a process and key principles with which companies involved in mergers or acquisitions can greatly increase the odds of creating an organization capable of synergistic growth.

The article also suggests the process of bringing two companies together follows six generic phases that can be grouped into three stages: pre-merger planning, merger, and post-merger integration.

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**Books**


**After the Merger: The Authoritative Guide for Integration Success, Revised Edition**


**Mergers: Leadership, Performance and corporate health**

David Fubini, Colin Price and Maurizio Zollo. INSEAD Business Press.2006

**Mergers and acquisitions: Managing culture and human resources**

Edited by G. K. Stahl & M. Mendenhall, Stanford University Press, 2004
A synopsis of *The Neglected Importance of Leadership in Mergers and Acquisitions, Sim B. Sitkin and Amy L. Pablo* from the above Stahl & Mendenhall publication by Michael Shambon, Claremont McKenna College is available to download. 2009.

**Managing Change and Transition**


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**Web resources**

*Merger Management, Pritchett*

*Mergers and Acquisitions Digest*

*Mergers and Acquisitions Best Practice on Q Finance*