

The assessment of organizational culture in government agency mergers - a case study of the establishment of the Swedish Council for Higher Education

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ABSTRACT

The last two decades have witnessed many mergers between Swedish government agencies. Within the private sector, organizational culture has gradually become recognized as an important factor in mergers and acquisitions (M&As). The New Public Management (NPM) concept reflects the tendency of corporate influences upon public administration. Theoretical uncertainty and limited previous research lead to the thesis' aim of answering the interrelated research questions: *How is organizational culture addressed in government agency mergers?* and *What can explain the degree of cultural consideration?* A literature review revealed that most corporate M&As fail. There are indications that mergers between governmental agencies might experience similar challenges. A theoretical framework was generated, including a multifaceted definition of organizational culture and three public administration perspectives: the bureaucratic perspective, the marketization NPM perspective, and the managerial NPM perspective. The theoretical framework generated explorative hypotheses, enabling further analysis. Based upon a qualitative methodology, a single case study of the recent government agency merger resulting in the establishment of the Swedish Council for Higher Education was conducted. It contained ten semi-structured interviews and complementary analysis of secondary data sources. The chosen single case method is suitable for explorative analysis, but suffers from limited external validity. Data identified cultural differences between the merging agencies. However, during the decision stage, neither the Government's decision criteria nor its directives included cultural concerns. The due diligence stage only gave organizational culture a minor recognition. The preparation stage did however prioritize culture, using several company-influenced measures. Analysis indicated that bureaucratic features reduced the cultural assessments during the decision and due diligence stages. The high cultural concern during the preparation stage reflected a managerial NPM perspective. A conclusion was that practical and theoretical factors within government do influence the degree of cultural consideration. Explanatory factors included bureaucratic directives and perceptions of the governmental agencies, a framing effect, varying incentives throughout the merger process, ideological differences across the ministries, and the Swedish constitution's protection for the agencies' operative independence. Limited external validity represents the thesis' most significant limitation. Comparative case studies could benefit future research. The recommendation for the Government to consider a more systematic assessment of organizational culture in mergers among its agencies represents a potential managerial implication of the thesis' findings.

Keywords: Public administration, government agencies, New Public Management (NPM), mergers and acquisitions (M&As), organizational culture

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1. INTRODUCTION

Swedish public administration has experienced a large number of consolidations and mergers among its government agencies over the last 20 years. In 1990, Sweden's public administration included approximately 1400 different government agencies (Statskontoret, 2010). However, by 2013, this number had decreased dramatically, and the domestic public administration contained less than 400 operative government agencies (Myndighetsregistret, 2013).

In general, improved equality and standardization in public service performance, a clarified government agency structure, and improved delegation of responsibility across the respective agencies' management have been the politically cited reasons for the increase in government agency mergers within public administration (Riksrevisionen, 2010). The Swedish government's improvement ambitions for the public administration have stressed legal security for citizens and increased efficiency in administration (Prop. 2009/10:175).

Additionally, the development of public administration has seen the bureaucratic, classical institution of the *political organization* challenged by the institution of the *company*. This transition could be understood either as a consequence of a legitimacy deficit of traditional government; and/or institutional mimetic tendencies, a demand for increased organizational autonomy, or a response to evidence of governmental bureaucracy (Brunsson, 1991; in Arvidsson & Lind, 1991).

Correspondingly, a revised perspective upon government administration, intending to "make government more like business" (Mintzberg, 1996, p. 80) has seemingly emerged. This shift in public administration is also reflected by the fact that political organizations of today have started to consider their citizens as citizen-consumers (Clark, 2007). Almqvist (2006) describe how these changes have been theoretically conceptualized under the label *New Public Management* (NPM).

Given the significant increase in the number of mergers between government agencies (Statskontoret, 2010), and the trend of private sector influences upon public administration, one could hypothesize that the processes of fusing government agencies and corporations respectively would gradually become more similar. Within the academic research on mergers and acquisitions (M&As) in the private sector there appears to be an increased awareness that the eventual success of an M&A could depend on whether "[t]here is a cultural fit between the two merging companies and therefore an identification with the new emerging culture is possible" (Frey & Brodbeck, 2004, p. 6412). This implies that organizational culture is becoming an

important factor to assess in corporate M&As. Additionally, the general perception that organizational culture could represent a success factor has been widely recognized in private sector management since the nineteen-eighties (Bolden, Hawkins, Gosling, & Scott, 2010; Jacobsen & Thorsvik, 2002).

Thus, given that there is an apparent move within the public sector towards deciding and operating more like commercial businesses, consistent with the NPM movement (Almqvist, 2006), it would also imply a more businesslike way of evaluating the possibility of achieving the synergies that are expected to stem from a specific merger of government agencies. In accordance with the increased focus on culture as a success factor within M&A-literature, such a commercial approach towards evaluating a potential merger could be expected to incorporate cultural aspects to some extent.

However, neither the classical political organization in an institutionalist sense (Brunsson, 1991; in Arvidsson & Lind, 1991) nor the traditional weberian bureaucracy that has historically dominated public administration (Mintzberg, 1996) would be expected to reflect private sector trends. Additionally, Mintzberg's (2009) description of the bureaucratic structural configuration (i.e. the machine bureaucracy) does not depict it as a type of organization that facilitates assessments of organizational culture. From this perspective, cultural assessments in government agency mergers would not necessarily appear logical or expected.

The above problematization concerning how governmental agencies can be considered separated from the construct of the commercial company, while at the same time possibly are starting to take on some of its characteristics, brings to the fore the question of whether or not fusions of governmental agencies can be viewed in the same light as commercial mergers. It therefore becomes relevant to examine how the often commercially referenced concept of culture is taken into consideration in the non-commercial context of a merger of governmental agencies.

Additionally, although the government has stressed performance objectives in its ambitions for public administration (Prop. 2009/10:175; 2009/10: FiU38), there appears to have been limitations in the government's own retrospective evaluations of some recent mergers between governmental agencies (Motion 2009/10: Fi1; Riksrevisionen, 2010). This arguably motivates an analysis of the decision criteria preceding government agency mergers. Accordingly, increasing

the understanding of how and to what extent cultural aspects are taken into consideration before the fusions of governmental agencies are therefore of both academic and societal interest.

The lack of empirical studies in the area of how governmental agencies work with cultural components in the context of a merger also adds to making such an analysis both relevant and necessary. A case study of the assessment of organizational culture in government agency mergers could also generate knowledge on how government agencies are managed and perceived in today's political landscape. Almquist (2006) explicitly argues that there is limited research on implementation of NPM principles in public administration, and especially stresses the academic importance of more micro-level case studies. It then follows that the following thesis ideally could generate valuable insight.

1.1 PURPOSE AND RESEARCH QUESTION

The purpose of this thesis will be to increase the understanding of how and to what extent cultural aspects are taken into consideration before a fusion of governmental agencies. The emphasis will lie on whether or not any assessment of organizational culture is used as a decision criterion preceding the merger, how culture is addressed during the due diligence stage, and whether the preparation stage includes any measures specifically aimed at creating a coherent organizational culture for the new agency. Additionally, the thesis intends to concretize which explanatory factors that could influence the degree of cultural consideration in mergers between government agencies. In accordance hereby, the thesis' aim is to answer the two interrelated research questions: *How is organizational culture addressed in government agency mergers?* and *What can explain the degree of cultural consideration?*

1.2 DELIMITATIONS

To narrow the scope of the thesis, it will only focus on mergers among government agencies in Sweden. Additionally, the thesis does not include any general overview of the structure of Swedish government and public administration, since the relatively narrow research question does not necessarily merit a general overview of that kind. For a suitable overview of Sweden's public government, see e.g. Bäck and Larsson (2006).

The thesis focuses entirely on the merger process *preceding* the actual establishment of a new government agency. Proceedings during the decision stage, the due diligence stage, and the

preparation stage; all leading up to the new agency's formal establishment; are included in the analysis. Accordingly, events after the formal establishment of the new agency are not taken into consideration. This decision is based on a primary interest in analyzing the principal and its subordinate actors' perspectives on organizational culture in government agency mergers, rather than the practicalities of how culture is eventually addressed in the new agency's daily operations.

1.3 PREVIOUS RESEARCH

1.3.1 LITERATURE REVIEW ON CORPORATE M&As

In the modern-day economy “mergers and acquisitions have become increasingly commonplace as the means of international expansion for companies seeking global reach” (Teerikangas & Very, 2006, p. 31). The M&A volume reached its record levels to-date in 2006, prior to the financial crisis, when the annual transaction value reached a level of almost 4 trillion USD (Barkema & Schijven, 2008; Goranova, Dharwadkar, & Brandes, 2010).

However, in spite of this increased M&A frequency, a longitudinal meta-study by King, Dalton, Daily and Covin (2004) clearly showed that potential synergies and excess returns that were expected to benefit the acquirer through the acquisition, generally remained unrealized. Consensus in academic M&A reviews appears to be that “[m]ergers, on average, fail to realize potential gains that are thought to exist at the time of the announcement” (Vazirani, 2012, p. 39). Consequently, “[a]lthough the value creation effect of mergers and acquisitions has been questioned within academic circles, the practice is widespread” (Goranova, Dharwadkar, & Brandes, 2010, p. 6).

Suggested explanations for these difficulties in realizing economic synergies in M&As include a broad spectrum of theories. Hypotheses range from e.g. corporate governance structures and agency conflicts (Goranova, Dharwadkar, & Brandes, 2010); the post-merger change process of organizational identity (Empson, 2004); or emerging power imbalances due size-differences between the merging companies (Allred, Boal, & Holstein, 2005); to the need for an organizational restructuring based on the acquirer's previous (historical) acquisitions (Barkema & Schijven, 2008). Alternatively, some authors stress the importance of the leaders of the *acquired* firm (Graebner, 2004), while yet other theorists argue that psychological process among employees might hinder successful M&A integration (Seo & Hill, 2005).

Consistent with Powell and DiMaggio's (1983) notion that organizations' search for legitimacy causes homogenization (i.e. isomorphism), there are institutionalist authors who reason that M&A failures occur because the acquiring firm's directors simply imitate the integration strategies of other companies relevant within their personal network (Haunschild, 1993).

However, many theorists are also confident that M&A inefficiencies are mainly a consequence of differences in organizational culture. According to Teerikangas and Very's (2006) review, the advocates for culture's role in M&A challenges reason that "[g]iven their implicit nature, differences in e.g. national or organizational cultures seem to go unidentified throughout the M&A process" (p. 31). This occurs in spite of the perception that "[i]n mergers and acquisitions, it is important that the norms and values of the distinct groups can be combined and are not too different from the start" (Frey & Brodbeck, 2004, p. 6412).

Accordingly, various dimensions of organizational culture have been used to interpret well-known M&A failures over the years: whether the differing organizational cultures between Cloetta, with its strong brand heritage, and the business-oriented Fazer (Johansson & Petterson, 2006); discrepancies in decision making, incentives and business culture in the DaimlerChrysler-merger (Badrtalei & Bates, 2007); or national differences in the case of the Scandinavian telecom companies Telia and Telenor (Fang, Fridh, & Schultzberg, 2004). Additionally, on a firm-specific level, conflicting social identities was shown to have caused difficulties in fusing two Stockholm-based consultant firms (Schilling, 2008).

When studying the relationship between commercial fusions and organizational culture, a review of the current literature on private sector M&As leads one to draw three conclusions: (1) mergers and acquisitions have become an increasingly common feature of the business world, (2) a majority of mergers and acquisitions fail to reach the intended outcomes of the fusion, and (3) this can to some extent be assumed to be related to cultural differences between the merging companies.

1.3.2 IMPLICATIONS FOR THE PUBLIC SECTOR

Much like the corporate tendency, the Swedish public sector has also experienced a distinct merger wave over the last decade, witnessing several mergers among its government agencies. Indeed, the number of government agencies is almost 75 percent fewer today than merely two decades ago (Statskontoret, 2010).

Reflecting on the vast body of private sector research indicating a severe difficulty in realizing potential synergies in M&As, mergers between government agencies would reasonably be expected to experience similar challenges. Consistently, when Riksrevisionen (2010) evaluated a series of consolidating government agency mergers that have recently taken place in Sweden (the Swedish Social Insurance Agency, the Swedish Tax Agency, and the Swedish Prosecution Authority respectively), data indicated that the intended outcomes of the mergers (e.g. increased efficiency and standardization) had generally *not* been achieved. It thereby stands to reason that government agency mergers could suffer from obstacles similar to those that characterize many M&As in the private sector.

In accordance hereby, one could hypothesize that the eventual success of a merger between government agencies is influenced by factors other than economic or operational concerns. As previously shown, a literature review of M&A research indicates that differences in organizational cultures are considered increasingly important. However, no significant academic research into the actual fusing process of government agencies appears to have been conducted. It therefore follows that the assessment of organizational culture preceding government agency mergers is adequate to examine further.

1.4 DISPOSITION

In the introduction, the concept of organizational culture in corporate and public M&As was problematized, which lead to the research questions that the thesis aims to answer. In section two, the theoretical framework that has been used to answer the research questions is discussed. This combines theories from different research fields that have been interwoven to generate a framework on how cultural aspects can be expected to be addressed before a merger of governmental agencies. In the third section, the thesis' methodological choices are explained and motivated, and their implications and potential shortcomings are discussed. Thereafter, the empirical findings are presented in section four. In the following fifth section, the empirics are analyzed using the theoretical framework. The conclusions of this analysis are presented in section six. Finally, the study's generalizability and managerial implications are discussed in section seven, along with suggestions for future research.

2. THEORETICAL FRAMEWORK

In this section, our theoretical framework is presented. The study's point of departure is to find a definition for the concept of organizational culture, which is discussed in section 2.1. Using this definition, we thereafter elaborate on the assessment of it in the context of M&As in section 2.2. Since the research questions specifically concern government agency mergers, and previous research on the assessment of organizational culture in public sector M&As is lacking, the next section (2.3) shows how different perspectives on public administration yield different outcomes in the expected cultural assessment in government agency mergers.

2.1 DEFINING THE CONCEPT OF ORGANIZATIONAL CULTURE

The most cited theorist within the field of organizational culture, Edgar Schein (1985), defines organizational culture as a “pattern of shared basic assumptions learned by a group as it solved its problems [...], which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (p. 18). Additionally, culture is conceptualized on three levels, ranging from implicit basic assumptions, to underlying values, and explicit cultural artifacts. Consistently, Bang (1999) argues that the core elements of an organization’s culture are rarely expressed directly. Instead, they are made visible through different symbolic processes and objects within the organization. Alvesson (2009) uses a definition in which organizational culture contains common symbols, rituals and stories; underlying values and assumptions; and represents a process that enables a shared sense of meaning. Hofstede, Hofstede and Minkov (2010) apply a modified version of their definition of national culture and reason that “organizational culture can be defined as ‘the collective programming of the mind that distinguishes the members of one organization from others’” (p. 344). Haslam (2007) indicates that organizational identity resembles an organizational culture in the sense that it incorporates “[t]he shared meaning that an organizational entity is understood to have that arises from its members’ (and others’) awareness that they belong to it” (p. 3). In his thoughts on organizational learning, Argyris (2004) differentiates between explicit and implicit values among the members of an organization in a way that theoretically resembles Schein’s (1985) reasoning.

Additionally, Hofstede, Hofstede and Minkov (2010, p. 314) apply Mintzberg’s (2009) structural configuration framework to clarify how the structural design of an organization could correspond to cultural assumptions. Accordingly, they argue that an organization’s structure could reflect its underlying organizational culture. Mintzberg (2009) differentiates between five typical structural configurations: the simple structure, the machine bureaucracy, the professional bureaucracy, the divisionalized form, and the adhocracy.

In accordance hereby, consensus in the academic literature describes organizational culture as a broad and multifaceted concept, which appears somewhat related to organizational structure, identity, and learning. Cultural expressions mentioned in the literature include stories and organizational myths; ceremonies, rites and rituals; language; emotional displays; and the architecture of the physical environment. The reasoning in this thesis is based upon this multifaceted perspective on organizational culture.

2.2 UNDERSTANDING ORGANIZATIONAL CULTURE IN THE CONTEXT OF M&As

In the above attempt to find a definition for the concept of organizational culture, various dimensions of organizational culture were identified. Culture appears to contain or resemble a vast body of related theoretical concepts. However, the focus areas generated by the literature review cannot readily be integrated into a holistic model that adequately captures the concept of organizational culture. Such conceptualized attempts (Hahn, 2008) appear simplistic and normative at best. The significant complexity of organizational culture therefore motivates a more heuristic approach in analysis of cultural phenomena in M&As.

Teerikangas and Very (2006) have also found the simplistic method of deciding whether a pre-merger cultural fit exists or not, to have limited value in predicting the eventual economic outcome of a M&A. They therefore recommend a more processual approach: “instead of asking if ‘yes or no’ cultural differences impact the performance of M&A, researchers should next focus on ‘how’ do they impact the performance of M&A” (p. 46). It then follows that the relatively simple measure of the pre-merger degree of cultural fit between the merging organizations is an insufficient measure of culture’s impact upon the eventual success of an merger. Instead, a trustworthy perspective upon the importance of culture in organizational mergers is an idiosyncratic perspective that includes both (1) an analysis of the pre-merger assessments of the degree of cultural fit between the organizations *and* (2) an analysis of the process to facilitate cultural integration.

Accordingly, the case study performed in this thesis includes analyses of the decision stage (i.e. the government’s criteria and directives), the due diligence stage (i.e. the investigation preceding the merger), and the preparation stage (i.e. the measures taken before the merger to facilitate cultural integration between the parties).

2.3 PUBLIC ADMINISTRATION PERSPECTIVES

Mintzberg (1996) identifies five conceptual government models to describe public management, out of which two are especially relevant in the context of Swedish political government. Comparison of these public administration perspectives in search for theoretical differences will generate hypotheses, which in-turn will enable explorative analysis of the empirical findings.

The theoretical perspectives described here are however *not* to be seen as mutually exclusive. Instead, they are assumed to indirectly represent reflections of the many diverging traditions, perceptions, interests, and opinions among the countless internal and external stakeholders in policy-making and public administration. Accordingly, the different theoretical perspectives are assumed to be able to influence *certain aspects* of how organizational culture is assessed in public administration; rather than representing all-prevailing theoretical paradigms in Thomas Kuhn's (1970) sense. Additionally, there is a constitutionally protected dualism in Swedish political government that prohibits the ministries' direct influence over the government agencies (Bäck & Larsson, 2006). This essentially means that the government's actual ability to influence proceedings might differ across the different stages of the merger process. As the power balance between the stakeholders change across the different merger stages, so could the implications for how organizational culture is assessed. Hence, a certain theoretical perspective could be of relatively minor explanatory importance during one stage, yet highly important throughout another phase.

2.3.1 THE BUREAUCRATIC PERSPECTIVE

From an institutionalist's perspective, the *political organization* is distinctly distinguished from the institution of the *company*. A political organization is characterized by being expected to manage conflicting stakeholder and citizen interests, rulemaking, dependence upon procedures, and ambiguity (Brunsson, 1991; in Arvidsson & Lind, 1991). This formalized orientation towards rules and procedures indicates that a political organization might also be a bureaucratic organization. Accordingly, within a traditional public administration paradigm, the government has been considered a bureaucratic, cohesive, autonomous, rulemaking organizational entity (Jacobsson & Sundström, 2006).

Descriptions of the traditional government bureaucracy are evidently similar to what Mintzberg (1996) named the Government-as-Machine Model in his writings on the public sector's government configurations. In his writings on the structural configurations of organizations

Mintzberg (2009) describes the machine bureaucracy as a structure resembling the traditional bureaucracy in Weber's sense, with "structures fine-tuned to run as integrated, regulated machines" (p. 163). Additionally, Mintzberg (1996) describes how the Government-as-Machine Model traditionally "has been the dominant model in government, almost to the exclusion of everything else" (p. 80).

Applying Mintzberg's (2009) reasoning, the machine metaphor itself does not indicate a high regard for cultural phenomena; neither does the bureaucracy's preference for centralization, regulation, standardization, and control. Accordingly, a bureaucratic method in mergers between government agencies would not be expected to consider potential differences in organizational cultures, neither before nor during the merging process.

Additionally, according to Rosentahl, Hart and Kouzmin (1991), a weberian perspective upon public administration has traditionally included a perceived dichotomy between politics and administration, with the latter being considered relatively efficient and neutral, establishing the "long-prevailing image of government bureaucracy as machinery of unitary" (p. 213). Thus, by distinguishing administration as a function that merely carries out centrally made decisions, the bureaucracy seemingly lacks the perception of its government agencies as cultural entities.

The bureaucratic perspective also actualizes the difference between decision-making and implementation. Baier, March and Saetren (1986) reason that "[a]n interest in the support of constituents, whether voters or stockholders or clients, leads policy makers to be vigorous in enacting policies and lax in enforcing them" (p. 198). Brunsson (1990) argues that decision-making itself can function as a mean for decision makers to increase their legitimacy. The suggested shortcomings in post-merger evaluations in the Swedish public sector (Riksrevisionen, 2010) are consistent with the view that policy-makers prioritize decision-making, rather than implementation and systematic follow-ups. Accordingly, the bureaucracy's policy-makers do not necessarily possess strong enough incentives to address the actual implementation of its decisions (e.g. organizational culture).

This generates the following hypothesis:

H1: This thesis has generated the hypothesis that a bureaucratic view upon government and public

administration would *not* indicate a high priority for cultural assessment in mergers between government agencies.

2.3.2 THE NPM PERSPECTIVES

In contrast to the traditional bureaucratic form of public administration, a strong institutional trend has influenced many public organizations to shift towards organizing themselves in accordance with a marketization paradigm (Furusten, 2007). Brunsson and Sahlin-Andersson (2000) label the same tendency “company-ization” (p. 738).

A corresponding expression is the emerge and development of New Public Management (NPM), which represents “one of the most striking international trends in public administration” (Hood, 1991, p. 3). According to Almqvist (2006) NPM represents an academic, conceptual framework to explain the significant changes in public administration over the last two decades, characterized by private sector influences. The NPM paradigm reflects a series of government reforms to distance public administration from its bureaucratic past, and thereby modernize public management: “In many cases, the reforms were not aimed at the products of the public sector [...] Rather, they have represented attempts at changing the modes of managing, controlling and accounting for the actual production of such services” (Brunsson & Sahlin-Andersson, 2000, p. 722).

What Mintzberg (1996) labels the Performance-Control Model closely resembles the NPM concept, since it includes the central NPM features: business sector influences, marketization, performance objectives, measurement, accountability, and incentives (Almqvist, 2006; Hood, 1991).

Increased public service effectiveness has often been at the very heart of these reforms; internationally (Hood, 1991), as well as in Sweden: “Many of the changes that have taken place in the Swedish government administration during the past twenty years have been incited by a pursuit of effectiveness. Government agencies have been split up. Some have been made into companies” (Holmblad Brunsson, 2002, p. 189).

According to Hood (1991), these phenomenons reflect four general megatrends, namely (1) the ambition to limit government growth and spending, (2) a preference for privatization and quasi-

privatization, (3) increased automatization of services, and (4) a more internationalized perspective on public administration.

For more than two decades, Sweden's political landscape has also been increasingly influenced by corporate management concepts, e.g. management by objectives (MBO). According to Holmblad Brunsson (2002) "[t]he MBO-model was constructed to promote effectiveness in the government administration" (p. 192) and formalize the government agencies' accountability to the government.

Hood (1991) reasons that a distinct dichotomy exists within the very NPM concept itself, and differentiates between (1) a traditional, theoretical economics movement (stressing agency theory implications, incentives, and transaction costs); and (2) a modern, management movement expressed through "successive waves of business-type 'managerialism' in the public sector" (p. 5). In the context of the Danish public sector, Hansen (2011) correspondingly argues that "[d]istinguishing between NPM innovations clearly related to a marketization paradigm and those clearly related to a managerial paradigm proved useful" (p. 304), and exemplifies marketization phenomena with e.g. neoliberal motives, outsourcing and privatizations; while managerial NPM measures aspire for increased efficiency through decentralization and implementation of new management concepts. These suggested distinctions create two diverging pathways within the NPM framework as to how organizational culture is most likely to be addressed within public administration. Thus, theoretical analysis indicates ambivalence within the NPM paradigm itself in regards to which importance it attributes to organizational culture.

In accordance hereby, Mintzberg (1996) argues that the Performance-Control Model, in its essential form, also suffers from a severe rigidity and bureaucratization: "the brave new world of public management all too often comes down to nothing more than the same old machine management" (p. 81). Almqvist (2006) highlights the same contradiction in his review on the standard critic of the NPM concept, namely that "NPM appears to advocate both centralization and decentralization at the same time" [translated] (p. 31). This contradiction corresponds with the theoretical dichotomy within the NPM concept (Hansen, 2011; Hood, 1991), and causes an ambiguity regarding the expected regard for organizational culture, as previously mentioned. A decentralized management would realistically allow for a higher concern for organizational culture than a strictly centralized management.

The identified dichotomy therefore generates two contrasting hypotheses within the NPM concept, with differing implications for the expected assessment of organizational culture in mergers between governmental agencies.

2.3.2.1 THE MARKETIZATION NPM PERSPECTIVE

Empirically, one of Hansen's (2011) findings in Denmark was that "[m]anagers reporting more extensive adoption and implementation of NPM innovations tend to be less focused on social relations" (Hansen, p. 304). Additionally, the implementation of marketization NPM principles throughout the UK's public administration saw "top-down, control orientation" (Sanderson, 1999, p. 302) generally being preferred to cultural concerns, bottom-up processes, and facilitation of organizational learning. This finding appears consistent with the view that a marketization or economical perspective, trying to limit government spending and agency costs, rather than a more managerial view, has certain implications for the perspective upon organizational culture. It is therefore possible to theorize that (1) some NPM dimensions correlate *negatively* with concerns for organizational culture, and (2) that those dimensions possibly represent the NPM reforms motivated most by marketization or economics theories.

This generates the following hypothesis:

H2: Reflecting these academic findings, this thesis theorizes that a marketization NPM perspective upon public administration would correlate with a *low* concern for organizational culture in government agency mergers.

2.3.2.2 THE MANAGERIAL NPM PERSPECTIVE

However, on the contrary, NPM measures more closely resembling the managerial perspective would indicate a relatively *high* regard for cultural concerns. The management ideas within NPM represent a democratization compared to a traditional weberian bureaucracy, with managers being allowed more flexibility in order to meet performance objectives, providing management with the "freedom to manage" (Hood, 1991, p. 8). It also stresses the importance of management itself, and how processual and decentralization management techniques could contribute to improved results (Almqvist, 2006). Among the many tools at management's disposal from this perspective, Hood (1991) explicitly mentions their ability to influence the organizational culture.

This generates the following hypothesis:

H3: Based upon the conducted theoretical analysis, this thesis hypothesizes that a managerial NPM perspective indicates a *high* degree of consideration for organizational culture in government agency mergers.

2.4 CONTRASTING THE THREE PUBLIC ADMINISTRATION PERSPECTIVES

As shown in the previous section, there is a contrast between the bureaucratic and the NPM perspectives. The very concept of NPM also contains ambivalence in regards to the importance it attributes to organizational culture. By starting with the previously described perspectives of public administration, and the generated hypotheses regarding how they relate to the concept of organizational culture; and next applying them on Mintzberg's (1996) framework, generates the following model (see table 1).

Table 1. Models for managing government, and their expected implications for cultural assessments in government agency mergers. Developed from Mintzberg (1996, pp. 80-81).

Model for managing government	The Government-as-Machine Model	The Performance-Control Model	
Attributes	Bureaucracy, formalization, centralization	Performance measurement: "make government more like business"	
Orientation	State-oriented	Results-oriented. Managers accountable for performance objectives	
Control mechanisms	Rules, regulations and standards	Superstructure plans; microstructures execute	
Motto	"Control, Control, Control"	"Isolate, Assign and Measure"	
Corresponding political science concept	Government	New Public Management	
Perspective in theoretical framework	The bureaucratic perspective	Marketization	Managerial
Hypothesized cultural regard in government agency mergers	H1: Low	H2: Low	H3: High

3. METHODOLOGY

In the following section, the thesis' fundamental methodological choices are accounted for and theoretically motivated. Initially, the thesis' scientific approach and research design are discussed, as well as the choice of study object for the case study. Since the research area of this thesis is characterized by theoretical uncertainty, the process of developing the theoretical framework is described in detail in section 3.3. After this, a review of the primary and secondary data sources used in the thesis is provided. Lastly, the methodological section also contains a discussion on the quality of the chosen research design.

3.1 SCIENTIFIC APPROACH AND RESEARCH DESIGN

Assessment of organizational culture is complex, as is the very concept of culture itself. Since the thesis' research questions and purpose require an in-depth understanding of such a complex issue we have deemed it suitable to study the research questions through a qualitative lense. Qualitative methods are distinguished by their hermeneutic perspective, and often focus on words, contexts, and processes rather than quantitative data. Furthermore, the thesis' explorative ambitions correspond well with a qualitative methodological perspective (Bryman & Bell, 2011).

To answer the research questions we have used an abductive approach where we have allowed for a continuous interrelation between theory and empirical data (Sohlberg & Sohlberg, 2009). An abductive approach combines characteristics of deductive and inductive methods, where the former is based upon empirical findings and the latter is based upon a general rule (Alvesson & Sköldbberg, 1994).

In order to gain access to relevant empirical material we have chosen to conduct a case study of a merger of governmental agencies, where interviews have been conducted with decision makers involved in the process as well as people in leading roles at the respective agencies. George and Bennett (2005) argue that there are four primary advantages of case methods: "their potential for achieving high conceptual validity; their strong procedures for fostering new hypotheses; their value as a useful means to closely examine the hypothesized role of causal mechanisms in the context of individual cases; and their capacity for addressing causal complexity" (p. 19). Additionally, a case study's focus lies on understanding and describing a process, which is consistent with the research questions of this thesis (Merriam, 1994).

3.2 CASE SELECTION

When performing a case study, the choice of study object is essential. One of the aspects considered when selecting the case was the size of the merger. It was important to find a merger

of suitable proportions for an in-depth case study: large enough to enable detailed analysis, but yet of reasonable size, to be able to gain a detailed understanding of the fusion process given the limited scope of the thesis. Another aspect reflected upon was the time of the merger. A merger that had occurred recently would make it easier to identify potential interview respondents, increase their availability, and reduce the risk for retrospectively erroneous or biased answers from the interviewees. A final consideration taken into account was that the process preceding the merger ideally should be well documented, as this would significantly increase accessibility to useful secondary data sources.

With these criteria in mind, the choice of study object fell on the establishment of the Swedish Council for Higher Education (henceforth UHR). Given that this fusion contained three agencies being merged into one, it adequately met our demand of finding a merger of appropriate size. The merger also took place recently, with its initiation in June 2012 and completion in January 2013, and the entire process was remarkably well documented, containing extensive external and internal documentation.

3.3 DEVELOPING THE THEORETICAL FRAMEWORK

Given the choice of a conducting a study within the previously rather unexplored research area of public sector M&As it became a necessity to combine theories within different fields of research to generate a useful theoretical framework. In this work, the literature on corporate M&As represented a natural point of departure. The review of previous research (see section 1.3 above) was conducted in order to describe the consensus on private sector M&As, their general effectiveness in realizing synergies, and provide an overview of which non-economic variables that are hypothesized to influence the outcomes of M&As within the private sector. By trying to identify a knowledge gap regarding previous academic research on public sector M&As, there was also an ambition to confirm the thesis' potential academic contribution through the conducted literature review.

To analyze the assessment of culture, a necessary prerequisite was to create an adequate definition of organizational culture. Given that our research question concerns the assessment of organizational culture in M&As, we also had to extend our theoretical framework to include methodological concerns when examining cultural aspects in this specific context. Having gained an understanding of how organizational culture can be assessed in the context of a merger, it became relevant to take into consideration that our research question targets mergers within the

public sector. We therefore had to make additions to our theoretical framework to include this important distinction from private sector M&As. Since the Government is the political actor that initiates mergers between government agencies, the literature on public administration became the natural academic foundation for the generated theoretical framework.

Next, theoretically relevant public administration perspectives were identified in the literature; whereafter they were compared and analyzed with regards to their respective expected concern for organizational culture in government agency mergers. Thereafter three corresponding exploratory hypotheses were generated, to enable further analysis of the empirical findings and ensure sufficient theoretical depth. The aim of the generated hypotheses was to allow for abductive reasoning, rather than to merely conduct deductive hypothesis testing.

3.4 MATERIAL AND DATA SOURCES

3.4.1 PRIMARY DATA

In the gathering of primary data we have used semi-structured interviews, as these are suitable for collecting qualitative data. A snowball sampling method has been used regarding interview respondents. A clear benefit with this method is that it has provided more extended interviewing opportunities than what would have been achieved through the usage of a statistically more systematized sampling method.

All interviews were conducted as face-to-face meetings at the interviewees' offices, with interviews on average lasting approximately 60 minutes. With the interviewees' permission, all interviews were recorded, as this allowed us to focus on moderating the interviews and asking relevant questions. The choice was made to adopt an informal and conversational style for the interviews, as we aimed to make the interviewees feel relaxed and willing to share their experiences. A list of all interviewees can be found below (see table 2).

Table 2. Interview respondents.

Name	Title	Role during merger	Date
Ulf Melin	Director-General, UHR	Special Investigator during stage 3	2013-03-06, 2013-03-22
Magnus Hjort	Deputy Chief of Staff, UHR	Secretary	2013-03-22
Birgitta Böhlin	Director-General, the Swedish Agency for Economic and Regional Growth	Special Investigator during stage 2	2013-04-05
Lars Petersson	Head of Department for Qualifications Recognition, UHR	TMT* member	2013-04-19
Anna Lindholm	Chief of Staff, UHR	TMT* member	2013-04-25
Cecilia Parkert	Communication strategist, UHR	Project Manager, Visual Identity	2013-04-26
Eino Örnfeldt	Director-General, Ministry of Education and Research	Governmental representative	2013-05-02
Sara Bringle	Deputy General, Ministry of Education and Research	Governmental representative	2013-05-03
Eva Durhan	Director-General, Ministry of Education and Research	No formal role	2013-05-06

*TMT = Top Management Team

3.4.2 SECONDARY DATA

As the chosen merger process was characterized by extensive external and internal documentation, we have also used a significant amount of relevant secondary data when gathering the qualitative empirics necessary to answering the research questions. The sources used to collect secondary data include: governmental bills, formal directives, the public officials' memorials and protocols, investigative reports preceding the merger, the new agency's blog, and additional documents used throughout the merger. One stage in the merger contained secondary data in the form of comments from the consultative bodies (i.e. relevant external institutions and stakeholders). Those data (n=71) were collected and included in the empirical material, whereafter a simplified content analysis was performed to search for objections towards the completion of the merger (see appendix 2 for the result of the performed analysis).

3.5 QUALITY OF RESEARCH DESIGN

A disadvantage of single case studies is that they can suffer from limited external validity due to their idiosyncratic focus (Yin & Heald, 1975). There is also a “growing consensus that the strongest means of drawing inferences from case studies is the use of a combination of within-case analysis and cross-case comparisons” (George & Bennett, 2005, p. 18). Generalization of research findings from a single case study can therefore be problematic. Despite this, the opportunity of adding further cases and perform a comparative case study has been declined. The main reason for this decision has been the seemingly limited number of additional recent government agency mergers, along with obvious limitations in both interviewing capabilities and timeframe. Furthermore, we argue that the single case method’s strength in hypothesis generation and in analysis of complex causality more than offset this limitation.

In regards to the interviews, a potential drawback is that the snowball sampling method used reduces the representativeness of the sample, and thereby the thesis’ external validity to some extent (Bryman & Bell, 2011). Another consideration in this area derives from the often emphasized importance of speaking to people on different levels within an organization when conducting a case study based on interviewing, as a failure to do so might result in an unrepresentative sample, again limiting the thesis’s external validity (Bryman & Bell, 2011). To motivate our choice of interviewees with this important notion in mind, one should recall the purpose of the thesis. The aim of this thesis is to describe how and to what extent cultural aspects are taken into consideration before a merger of government agencies. Defining the aim in this way, the scope of people involved in the process is limited to actual decision makers and people in leading roles within the studied organizations. The choice was therefore made to exclude lower-level employees from the study, as they would only marginally, if at all, be able to contribute to the answer of the research questions.

Reflecting on these methodological choices, there are alternative methods and research designs that could have been adequate. A slightly more quantitative approach could have enabled an integrated analysis of the cultural assessments in *several* government agency mergers by collecting a larger sample of secondary data. For instance, various forms of content analysis on large samples of governmental documentation (e.g. directives) preceding previous agency mergers could have been performed. Additionally, using a survey-method instead of the chosen qualitative semi-structured interviewing could have increased the primary data material. Through these data increases, along with the opportunity to analyze data from several government agency

mergers, these measures could also have increased the thesis' external validity, i.e. facilitating generalization of its conclusions. However, given the limited previous research within the field, the complexity of the studied phenomena (e.g., a questionnaire would probably demand a slightly simplified operationalization of culture), the importance of multifaceted data and in-depth analysis to capture the many possible forms of cultural assessments, and the explorative ambition of this thesis; the choice was made to disregard these alternative research designs.

4. EMPIRICAL FINDINGS

To create an understanding for the complex structure of expectations that government agencies are subject to, this section on empirical findings first contains a review on the Government's ambition for public administration. After that, we turn our attention to the case study that has been conducted and start off by describing each of the three merging agencies respectively. Next, we present and structure our findings in accordance with the three chronological stages that a governmental fusion process entails; the decision stage is described in section 4.3, the due diligence stage in section 4.4 and the preparation stage in section 4.5.

4.1 THE GOVERNMENT'S AMBITION FOR PUBLIC ADMINISTRATION

Citing an “extensive pressure for change and constant demands for legal security and efficiency” (Prop. 2009/10:175, p. 28), 2010 saw the Government formulate a revised objective for Sweden's government administration through a bill prepared by the Ministry of Finance. The new ambition became an “innovative and collaborative government administration that is fair and effective [with] [...] well developed quality, service and availability” (p. 27). In general, the Government targeted a public administration where public services are “conducted objectively, impartially and accurately, while taxpayers' money is used as effectively as possible” (p. 24).

Within the educational sector, through the Ministry of Education and Research, the government parallelly intended to provide the institutions of higher education with a higher degree of independence, and increased opportunities for the local management to relatively freely manage the operations of their respective agencies in order to reach the government's performance objectives, and “increase freedom” (Prop 2009/10:149, p. 1).

Additionally, the Government explicitly argued that a shared “public ethos” (Prop. 2009/10:175, p. 36) needed clarification and strengthening among the employees within its administration. The purpose was to increase the officials' knowledge and understanding of the “core values” (p. 36) of public administration. The government agencies' local management representatives were made responsible for implementing these shared values; and a supporting investigation was initiated (Dnr Fi2009/7223). An eventual report named *Public ethos - a good administrative culture* was accordingly published two years later (Dnr 2012/42). Finally, the Government also stressed the dualism of Swedish public administration: where the government agencies are politically independent in their day-to-day operations; yet, are formally subordinate to the Government, and accordingly expected to implement its policies (Prop. 2009/10:175). Eva Durhan, Director-General at the Ministry of Education and Research, describes a general tendency in Swedish public administration over the last decade towards a clarification of the government agencies' subordination to the government. The paradigm shift that Eva Durhan describes corresponds

with a series of official investigations and reports published over the same period of time. They essentially state that the government agencies' strong independence contained a long-term risk to cause a fragmented perception of the public administration (SOU 1997:57; SOU 2007:10; SOU 2007:75).

In spite of some criticism from the political opposition (2009/10:Fi11), the Government's bill was approved by the Committee on Finance, which also added that the Government held the ambition of developing an effective and efficient process for change management in public administration, to "capture and share experiences from organizational changes" (2009/10:FiU38, p. 12).

4.2 MERGING THREE AGENCIES INTO ONE

In June 2012 the Swedish Parliament formally decided upon the establishment of a new government agency through a merger of three existing ones: the Swedish Agency for Higher Education Services, the International Programme Office for Education and Training, and certain divisions within the Swedish National Agency for Higher Education. Effective January 1st 2013, the new agency, the Swedish Council for Higher Education (UHR), was going to be founded (rskr 2011/12:278). The decision was made in general accordance with the Government's bill and the Committee on Education's memorial (Prop. 2011/12:133; bet 2011/12:UbU22).

4.2.1 THE SWEDISH NATIONAL AGENCY FOR HIGHER EDUCATION

The Swedish National Agency for Higher Education (henceforth HSV) had a supervisory and investigative role within Swedish higher education, including quality evaluations (Dir. 2011:52). Although formally founded in 1995, the heritage of HSV dates back to as early as the nineteen-sixties (SOU 2012:1). Ulf Melin describes HSV as the most traditional of the merging units; a government agency characterized by its academic heritage, a certain prestige, and a relatively hierarchical structure. He reveals that the public officials had their own offices, benefitted from a relatively high salary level, and were allowed flexible working-hours and a certain degree of professional freedom. It represented a highly political organization in the sense that they depended entirely on state funding. In-house departments managed most of the agency's organizational support functions. Their conference rooms were named after items in a pedagogical setting, e.g. school desks. Special Investigator Birgitta Böhlin confirms the image of an agency with a strong tradition, and a distinct "academic tonality". Reflecting on his time at

HSV, Magnus Hjort describes how the agency's supervisory function and government funding naturally caused a tendency to distance themselves from the educational institutions. On the basis of his seventeen years within the agency, Lars Petersson describes HSV as a very knowledge intensive organization with 140 dedicated professionals with high competence, and a readiness for initiatives and undertaking of new projects. Anna Lindholm describes how the employees' respective academic degrees were considered important even among colleagues at HSV; an expression of its unique academic culture. Additionally, she explains, HSV was characterized by a strict professionalism and a very high degree of legal security. However, it lacked the customer-orientation that was evident at the other merging government agencies.

4.2.2 THE SWEDISH AGENCY FOR HIGHER EDUCATIONS SERVICES

The Swedish Agency for Higher Education Services (henceforth VHS) provided assistance, primarily related to the student admission process, along with administrative services, directly to the educational institutions (Dir. 2011:52). VHS shared its organizational background with HSV, but gained individual recognition in 1992 (SOU 2012:1). According to Magnus Hjort, VHS represented a government agency financed practically directly through the institutions of higher education, which essentially made the educational institutions the agency's customers. Accordingly, its low level of state funding made it a relatively non-political agency compared to the other merging agencies. Birgitta Böhlin describes how VHS was essentially managed "like a company", expected to "sell its services to the educational institutions". Ulf Melin reveals that the agency's organization was production- and process-oriented, and the officials were seated in an open office landscape. Employee benefits were reasonably generous. A hierarchical structure characterized the agency, and the internal salary levels were relatively unequal (i.e., the salaries of the agency's management significantly exceeded those of its officials). Anna Lindholm also perceived VHS as a production-oriented agency; resembling a "factory" where the high production volumes of services provided caused a high demand for well-functioning and "incredibly efficient processes".

4.2.3 THE INTERNATIONAL PROGRAMME OFFICE FOR EDUCATION AND TRAINING

The International Programme Office for Education and Training (henceforth IPK) provided services in order to facilitate cooperation internationally, often within established international programs. IPK coordinated, informed, and assisted parties on all levels within the Swedish educational system (Dir. 2011:52). The agency was originally founded in 1995 (SOU 2012:1). Former IPK Director-General Ulf Melin describes the organization as a relatively small,

proactive, process-oriented and modern government agency with approximately 75 employees. IPK was characterized by a complex stakeholder structure; with funding being provided by the Swedish Government, the European Commission, the Nordic Council of Ministers, and Sida. Furthermore, he portrays a relatively flat organizational structure with a clear orientation towards its “customers” and “markets”. The agency constantly monitored its e-mail “response frequency”, and relied on external providers of consultant services. Anna Lindholm, previously at IPK for five years, describes an intimate organizational climate at the agency, where all staff members felt familiar with the Director-General and had “high demands on participation”. Its international focus depended upon ensuring “open eyes, and open minds” throughout the organization. Ulf Melin mentions that IPK’s conference rooms were named after philosophers, and characterizes the former agency as service-oriented, with relatively minor salary differences between the agency’s management and officials. Employees were often seated in individual offices, but open office seating was occasionally used as well. See table 3 for a summarization of the agencies’ respective characteristics.

Table 3. Characteristics of the three merging agencies.

Government agency	HSV	VHS	IPK
Described orientation	Political	Production	Service
Financing	State	Educational institutions	Diverse funding
Office environment	Individual offices	Open office landscape	Mixed
Customer orientation	Low	High	High
Number of employees	140	120	75
Qualitative descriptions	Hierarchical, traditional, academic, professional, prestigious	Production-oriented, process-efficient, sales-oriented	Intimate, modern, process-oriented, flat

4.2.4 THE CHRONOLOGICAL PROCEEDINGS

Eva Durhan, Director-General; Eino Örnfeldt, Director-General; and Sara Bringle, Deputy General, all represent the Ministry of Education and Research. When combining their individual

descriptions of the merger process into distinct phases, the stages are similar: It starts with a perceived problem, followed by the initiation of the merger through governmental directives that regulate the subsequent stages of the merger. Next, a Special Investigator is appointed, whereafter the due diligence formally starts. The due diligence eventually results in a final memorial, and comments on the directives and the due diligence memorial are then collected from the consultative bodies. Finally, the Government publishes a bill eventually decided upon by the Parliament (*the Swedish Riksdag*), whereafter the final preparation stage of the merger begins: including all final measures preceding the establishment of the new government agency. See figure 1 for a visual demonstration of the process.

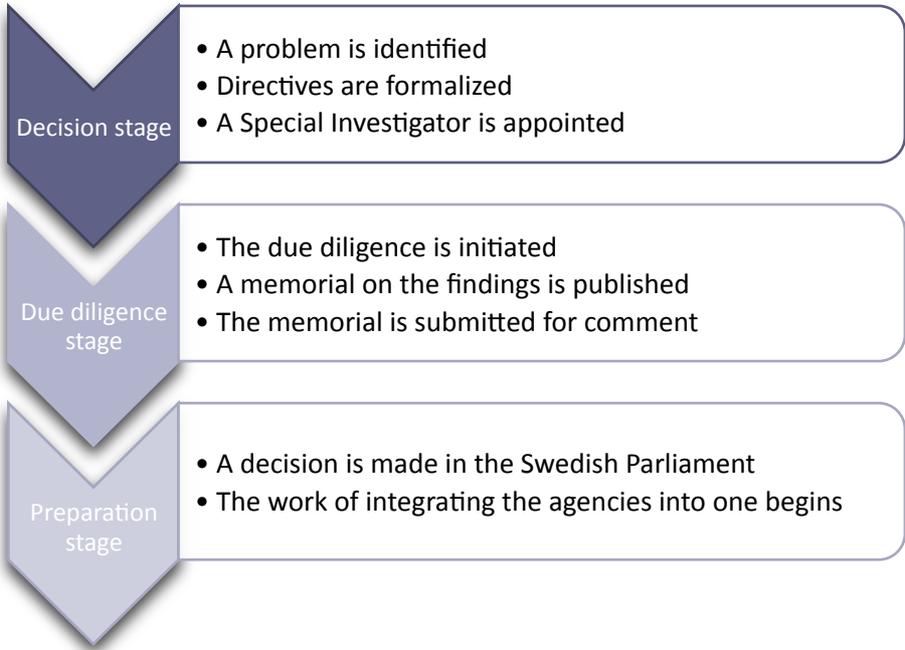


Figure 1. The chronological proceedings of a government agency merger.

4.3 THE DECISION STAGE

4.3.1 INITIATING THE MERGER

Data contain several decision criteria for initiating the merger between the three agencies. The Government had previously committed to a general ambition to "create fewer and larger government agencies with broader missions" (Prop. 2009/10:175, p. 74) in order to facilitate administrative unity, cooperation and a holistic perspective in public administration, that would benefit citizens and stakeholders.

In June 2011, the Government next decided upon initiating a due diligence to enable a merger of three of its government agencies: HSV, VHS and IPK. Most divisions within HSV were to form a new agency responsible for supervision and quality evaluation; whereas some of their remaining divisions were to be entirely fused with VHS and IPK to form a (yet unnamed) government agency specialized in service and coordination of certain public services in education (Dir. 2011:52; Prop. 2011/12:133).

In general accordance with the government's formal public administration objectives, Eino Örnfeldt explains how the government's reform aimed at providing higher autonomy to the educational institutions represented an important background in order to fully understand the decision to initiate the merger of the three governmental agencies. He argues that the government's reform contained a slightly revised perspective in the sense that it represented a transition from a normative to a performance-oriented system for quality evaluation in higher education, where the Government did no longer necessarily perceive itself to represent the individual actor best-suited to "decide exactly how to manage operations", instead a management-by-objectives methodology, focused on results and actual "bang for the buck" came into effect.

The formal decision criteria for initiating the merger was to organize the agencies' services more effectively, and allocate responsibility more efficiently by distinguishing between the actual performance of public services, and the function of monitoring and evaluating service quality. The service-providing agency was the intended subject of the merger (Dir. 2011:52).

According to Eino Örnfeldt, there were also some ambitions to increase the agency's administrative body in order to facilitate in-house competence, and address the challenge of the expected role of HSV. Visavi the Ministry of Finance, achieving a slight reduction in the number of agencies might have been positive, but the rationale behind the merger was primarily due to operational concerns, he explains. Eva Durhan also confirms how a merger decision often begins with the identification of a perceived operational problem.

Eino Örnfeldt describes that cultural differences are not considered a factor that could essentially prevent a government agency merger: Instead, the general assumption is that it represents a challenge "for a government agency's management to solve". The risk of eventual clashes between the merging agencies' respective cultures was discussed throughout the merger process,

but is generally considered an inferior decision criterion in a decision of this type. Rather, there is an ambition for “bureaucratic beauty” in a functionalistic sense (Eino Örnfeldt, interviewed 2013-05-02).

Eva Durhan concurs with Eino Örnfeldt, and explains that although cultural challenges are a “risk factor” in government agency mergers, it eventually represents “a delicate task for the Director-General, to integrate these cultures into one”. Sara Bringle, Deputy General at the Ministry of Education and Research, confirms that organizational culture is considered an issue for the eventual Director-General at the new agency: “The question of *how* [emphasis added] must lie with the government agency”. She explains this as a reflection of the Swedish constitution, which prevents the government’s direct involvement in the agency’s operations.

Eino Örnfeldt also explains how “the investigative culture has become slightly eviscerated” in government administration, in part due to a general increase in the expectations for swiftness in political decision-making. In accordance hereby, there is not always sufficient time or resources to conduct in-depth due diligences preceding the decision of merging agencies. Additionally, Eva Durhan presents it as a trait characterizing the Government Offices to prioritize operations and results rather than cultural concerns, and have a slightly “hard-boiled” perspective at times.

4.3.2 APPOINTING A SPECIAL INVESTIGATOR

The government next appointed a Special Investigator to manage the due diligence preceding the merger (Dir. 2011:52). At present, Birgitta Böhlin is Director-General at the Swedish Agency for Economic and Regional Growth, while she previously held a position at the Ministry of Education and Research. During her interview, she describes how she was appointed Special Investigator by the government to investigate how the post-merger organization was most suitably structured; how the merging process could be managed; and which the most notable obstacles of a successful merger were. She explains that she was given the resources to employ a Secretary to assist her throughout the due diligence, and chose Magnus Hjort due to his knowledge of HSV’s culture; as well as his experiences from due diligences and report writing in previous government agency mergers. An HR resource and a group of various government officials were eventually added to the team. The latter were politically appointed government officials from the Ministry, representing various governmental political interests in the new agency, rather than contributing with any specific areas of expertise regarding the merger process itself.

The government's directives were "evident and clear", Birgitta Böhlin explains. Ulf Melin confirms the clarity of the directives that Birgitta received: "The directives she had were very clear [...], what the Ministry wanted [...], among the clearest directives I have seen". The directives focused on the respective government agencies' operations, formal responsibilities, and services provided. They did not include any explicit mentionings of the between 300 and 350 employees of the merging agencies, neither any assumptions of potential human resources implications of the merger; nor any concerns for diverse organizational cultures across the merging agencies. The directives structured the remaining merger process in two phases: a due diligence stage, and a preparation stage. Apart from recommending the organization of the new agency, and evaluate potential efficiency increases and synergies, the directives also stipulated that the Special Investigator was expected to "highlight potential problems that may arise in the transition of operations from the merging government agencies to the new organization and recommend how these can best be solved" (Dir. 2011:52, p. 10).

4.4 THE DUE DILIGENCE STAGE

4.4.1 CARRYING OUT THE DIRECTIVES

The due diligence team began its project halfway through 2011 (SOU 2012:1). During the interview Birgitta Böhlin confirms that she set out with the ambition to first and foremost carry out the directives, rather than to challenge its prerequisites: "If you undertake an assignment, you should go through with it. Especially when it is as concrete as it was in this case".

Birgitta Böhlin describes the eventual outcome of her investigation as the "fusioning of three government agencies, three cultures: very, very diverse cultures". She explicitly identifies organizational culture as the single most important concern in a government agency merger: "The risks and obstacles always boil down to people and culture. One must have an incredible respect for the fact that you can not simply draw boxes and place people there, and then expect it to work".

However, out of more than 100 pages, the eventual memorial presenting the results of the investigation practically only included the following passage on organizational culture: "Three government agencies' traditions and cultures will meet and collide. This is enriching but it will still demand measures to create new and shared values" (SOU 2012:1, pp. 81-82). Thus, apart

from the conclusion that clashes between different organizational cultures can be beneficial, yet challenging; no further formal analysis was presented. Hence, although one of the investigation's formal objectives was to "highlight potential problems [...] and recommend how these can best be solved" (Dir. 2011:52, p. 10), the memorial does not include any recommended solutions to an aspect that, informally within the due diligence team, was considered one of the most important challenges of the entire government agency merger.

Birgitta Böhlin finds this fact slightly contradictory herself, but cannot find any evident explanation: "I don't know why we didn't write more about it. I really can't say. We talked a great deal about it; and we talked a lot about it when we were out meeting people; and we talked a lot with the Ministry about it. But [...] I really don't know".

Magnus Hjort explains that an investigation normally does not diverge from the specific content of the directives: "When you do an investigation, you should follow the directives. The directives regulate what to do. You work on behalf of the Government and the Ministry. If the Ministry had wanted that kind of questions to be considered, they would have mentioned it in the directives. If it's not included in the directives, you normally don't do it".

In accordance with the directives' request for a recommended dimensioning of the agency (Dir. 2011:52), the due diligence memorial contained very specific recommendations and estimates on the resources at the eventual new agency's disposal. A specific budget was suggested, and a annual staffing equaling 211 annual working units was recommended (SOU 2012:1). In her final report to the Government, Birgitta Böhlin also recommended that the new agency should be located in the previous office spaces of one of the merging agencies, namely VHS. The reasons underlying this recommendation were mainly financial concerns, based upon three arguments: (1) the possibility of using VHS's present IT solutions in the new agency would allow for cost-savings, (2) using one of the existing agency's office spaces would significantly lower relocation costs for the new agency, and (3) the rental fee per square meter was substantially lower in VHS's old office spaces in Garnisonen than in the more centrally located office spaces at Wallingatan, which were also being considered (U2011:03).

4.4.2. COMMENTS FROM THE CONSULTATIVE BODIES

In accordance with the political decision-making process, once the due diligence memorial was finished, it was submitted for comment. This allowed stakeholders of the three merging agencies

to voice their opinions and potential concerns regarding how the investigative work had been conducted and what might happen when the three government agencies became one. From the 71 comments it is clear that the consultative bodies are positive to the overall objective of the restructuring, to gain a more efficient allocation of responsibility between the government agencies that operate in the area of higher education by distinguishing between the actual performance of public services, and the function of monitoring and evaluating service quality, and agree that a change in this area is necessary. There are however, also several objections to the new agency structure put forward in the comments by the consultative bodies.

Concerning the new government agency, UHR, there was a widespread worry among the consultative bodies regarding the much wider operative scope of IPK's operations in relation to that of the other two merging agencies, which focused solely on higher education. Almost half of the consultative bodies expressed this concern in some way. The Swedish Trade Union Confederation wrote in its comment that 75 percent of IPK's operations were directed towards other areas than the field of higher education, and stated that a change where IPK was included in a new agency for higher education would risk "damaging the well functioning operations conducted by IPK today". The Swedish National Council of Adult Education agreed and stated that not only did the directives fail to specify the reasons as to why IPK's operations should be included in the new agency, they also lacked a problematization of the consequences of doing so. They argued that this represented a "serious shortcoming".

Another common objection was that the Special Investigator had very clear directives, which one fifth of the consultative bodies stated. One out of ten also regretted that the Special Investigator had not been given a wider mandate to investigate how the government agencies within higher education should ideally be structured. Dalarna University believed that the directives for the investigation had been far too detailed in order for the investigation to be able to consider different alternatives for organizing. In their comment, the Parliamentary Ombudsmen agreed, saying that they regretted that the directives had not allowed the opportunity for the Special Investigator to consider alternative, more adequate solutions. Gotland University added an additional objection in its comment, where it claimed that the directives for the investigation were very narrowly defined and that the university would have wished for a more open-ended investigation of the three agencies' organization and operations.

Out of the total 71 comments, only seven percent mentioned the concept of culture in some way.

In one comment, The Swedish Agency for Public Management wanted to emphasize the importance of working out strategies for handling the challenge of merging three agencies with differing operations and few contact points. They argued that such strategies should include measures for internal communication and the facilitation of a shared organizational culture. Perhaps with such a strategy in mind, The Swedish Confederation for Professional Employees believed that there would be a need for additional resources aimed at creating a new organizational culture that could bridge the differences between the old agencies and enable the fulfillment of the new agency's mission. On this point, the Swedish Agency for Government Employees agreed, saying "the work of bridging the old agencies' cultures into a new, efficient operation will initially demand considerable resources".

One final concern that was put forward was the ambitious time plan, which was discussed in comments from four consultative bodies. The Swedish Dental Association points to this in its comment, elaborating that the association believed that the investigative material preceding the merger should be properly worked through in order to prevent additional restructurings in the future. Södertörn University also mentioned the short time frame at disposal for implementation, as did the Swedish National Defense College, and Karlstad University, which described the proceedings as "pressed for time". The shared concern in this regard was that critical functions of the agencies' operations might be disturbed if the process of integrating the three agencies was rushed.

Although these objections were clearly expressed, the Government proceeded with the merger process (Dir. 2012:56). Sara Bringle explains that the new agency's name was decided internally at the Ministry of Education and Research. The chosen name, the Swedish Council for Higher Education, implies that the governmental work conducted at the agency is centered around higher education. Since IPK's operations were much wider than that, and included a range of stakeholders in other educational areas, the personnel at IPK naturally had strong reactions towards the name (Anna Lindholm, interview 2013-04-25). The question of whether the name could be modified was therefore brought to the Ministry, but the only answer received was that "what's done is done" (Blog entry, 2012-09-21). As Anna Lindholm describes it, "the doors were closed and there was no room for discussion". The Swedish Council for Higher Education was thereby formalized as the name of the new agency.

The decision to merge the three government agencies was formally made in the Swedish Riksdag

on the 19th of June 2012 (rskr 2011/12:278) with the ambition to have all three agencies' former functions working properly in the new agency on the 1st of January 2013.

4.5 THE PREPARATION STAGE

Ulf Melin was appointed Special Investigator for preparing and conducting the establishment of the new government agency on the 1st of June 2012, with the intention of eventually becoming its Director-General (Blog entry, 2012-06-01). Accordingly, Ulf Melin and his chosen team had six months at their disposal before the new, merged agency needed to be up and running on the 1st of January 2013. He describes how he swiftly recruited Magnus Hjort, who had participated during the due diligence. Through Magnus Hjort's knowledge of the agencies' cultures, and some more or less informal discussions with Birgitta Böhlin that took place during the due diligence stage, Ulf Melin explains that he had received some information on the respective agencies' organizational cultures.

4.5.1 SETTING A TRANSPARENT STANDARD

When Ulf Melin was appointed Special Investigator on the 1st of June 2012, the formal decision to merge the three agencies was yet to be made by the Swedish Riksdag. In spite of the situation's uncertainty, he immediately took on his new role and initiated measures to overcome the key challenge of making three agencies, characterized by their previous missions and cultures, feel like one (Ulf Melin, interview 2013-03-06). Throughout this process, he adopted a strategy of transparency and openness (Cecilia Parkert, interview 2013-04-26). Soon after being appointed Special Investigator he visited each agency and met with all personnel groups that were to be affected by the merger, to discuss the establishment of the new agency (Blog entry, 2012-06-05). Cecilia Parkert further explains that since most of the decisions concerning the merger thus far had been made at a great distance from the everyday operations of the three merging agencies, the employees of the respective agencies had felt much worry and concern for what was going to happen, and whether or not they would actually have a job when the merger was completed. Ulf Melin's visits and the overall transparency with which he led the work as Special Investigator was therefore appreciated by the employees.

4.5.2 BLOGGING AS A MEANS OF COMMUNICATION

As a part of Ulf Melin's transparent, communicative strategy, he created the UHR-blog where the work of establishing the new government agency was to be depicted. He made his first entry on

the blog on the same day as he was appointed Special Investigator (Cecilia Parkert, interview 2013-04-26). The blog's target audience was the employees of the three agencies about to merge and the reason for its creation was that Ulf Melin wanted all personnel groups to be informed about the merging process on equal terms (Blog entry, 2012-06-05). Cecilia explains that since the three agencies still were located at different places, and Ulf could not possibly be at all three places at once, the blog offered a way to communicate the same information to all employees simultaneously. Throughout the process of establishing the new government agency, the blog came to be used as the primary channel for communicating and disseminating information (Blog entry, 2012-09-14).

In his first blog entry, Ulf addresses the importance of creating a uniform culture, stating that “the employees all have differing backgrounds and come from three different agency cultures. It will be important to unify the group so that we all feel like we are working in a professional and efficient way towards a common goal” (Blog entry, 2012-06-01).

4.5.3 DECIDING ON THE NEW STRUCTURE

In line with Ulf Melin's expressed ambition to create a common goal for the new agency, the preparation of the merger entailed a lot of work in terms of finding an appropriate structural design for the new agency, one that would encourage a unified mindset and give rise to desirable behavior among employees. As Ulf himself states, “given our wide scope of operations, it's important that we become *one* [emphasis added] agency. This will become a reality through our commitment to a shared vision” (Blog entry, 2012-06-21). After contracting the consulting firm Cepro Management Consultants in early June of 2012, Ulf Melin cooperated with the firm's consultants to analyze which contact points existed between the three existing agencies. Ulf explains that they next used that information to develop a vision, a business idea, a shared value-system and strategic goals for the new agency. The organizational structure of the new agency was to become a hybrid between the structures of the previous agencies, which more specifically indicated a relatively flat organization with a customer-oriented approach. Since all of the merging agencies had different systems for reporting time and dissimilar structures for salaries and benefits, there was also an explicit need for creating uniformity in these areas (Ulf Melin, interview 2013-03-06).

4.5.4 CHOOSING OFFICE SPACES

In the process of merging the three agencies into one, an important consideration had become where the office spaces of the new organization were to lie. Several suggestions for potential office spaces were discussed, among them facilities in Garnisonen and at Wallingatan. The Special Investigator's report had recommended locating the new agency at VHS's old office spaces in Garnisonen (U2011:03). Although faced with this recommendation, Ulf Melin and his team ultimately decided to go in a different direction. Instead of going for Birgitta Böhlin's economically logical suggestion of continuing operations at VHS's old office spaces, they decided to lease facilities at Wallingatan. For Ulf, this choice was primarily made out of cultural concerns. He states that "when you're starting something new, you can't move to one of the agencies, because then it's like moving to that culture." Anna Lindholm supports the action taken by Ulf. She argues that "I thought it was brave of Ulf to make the decision that he made concerning the office spaces. I think it has had an effect, it has given us better conditions for creating a single unified agency, starting in a new place this way." In their final report to the Government, Ulf and his team formally explains how they wanted to challenge the existing organizational cultures, and motivate why they had considered it of such importance to initiate an office-relocation: "The benefits that would be gained from continuing operations at VHS's present office location (lower relocation costs, etc.) are not outweighed by the disadvantages that would follow from establishing the new agency and its culture at one of the merging agencies' office location" (U2012:07, p. 7).

Birgitta Böhlin, however, does not consider this culturally based argument to be strong enough: "To me, it's a waste of the taxpayers' money. There was so much rationality in staying in the old office spaces, and in that light the cultural perspective doesn't carry enough weight."

Magnus Hjort gives his perspective on the situation and states, "Birgitta didn't have to show the same kind of consideration as Ulf did, since she didn't have to deal with the aftermath in the same way as he did. This allowed Birgitta to pursue a slightly tougher path in regards to the choice of office spaces. The office spaces in Garnisonen were adequate and ok in general, but they had a less attractive location. For Ulf, there were other aspects to take into consideration, and that's why these office spaces [Wallingatan] were chosen instead.

When the names of the conference rooms in the new office spaces at Wallingatan were to be decided, all employees were given the opportunity to make suggestions through a competition

that was advertised on the blog (Blog entry, 2012-11-27). The naming competition was conducted with the ambition to promote participation among the employees (Cecilia Parkert, interview 2013-04-26) and create uniformity around the new culture (Ulf Melin, interview 2013-03-06). The winning contribution, “The world’s largest cities”, was then later announced in the same forum (Blog entry, 2012-12-10). The concept is based on the principle that the largest room is named after the world’s largest city and it then proceeds in falling order of magnitude in terms of both the size of the rooms and the cities. Apart from the normally sized conference rooms, the office spaces at Wallingatan also contain a small room, not bigger than a closet, named Säfte. “Governmental humor”, as Lars Petersson describes it.

4.5.5 CREATING A VISUAL IDENTITY

Another step that is believed by management to have been essential in the work towards creating a uniform culture is the development of the new agency’s visual profile (Ulf Melin, interview 2013-03-06). Project manager Cecilia Parkert explains that during the visual identity project, it was important that all three merging agencies felt that they were being represented in the process. The project group therefore contained employees from all three agencies. Cecilia further describes how the development of the new visual identity went incredibly fast, that it was done in “record time”. Normally, she states, this kind of work is not done in three months. Throughout the project, advancements in the process were continuously reported on the blog. In addition to this, Cecilia made on-site visits to some of the different agencies and informed the personnel of the progress of developing the visual identity: “I believe that this made people involved in the matter and made them feel like they were a part of the process”, she states. The visits also gave the employees a chance to voice their opinions and share their concerns regarding the visual identity to be. In addition to these visits, a workshop was held where representatives from the three merging agencies took part. The purpose was to generate their input into the creative process. During the workshop several activities took place, one of which revolved around exploring the new agency’s character. This was done by creating so called mood boards, where the workshop’s participants chose colors, words, pictures and people that represented a feeling that they felt that the new agency should convey (Blog entry, 2012-10-27).

The logotype that was ultimately developed for the new agency consists of a symbol in the shape of the letter “U” in addition to the Swedish name of the agency, “Universitets- och högskolerådet”. This solution was chosen because it enabled the use of the symbol “U” in a flexible way. One particular aim in this respect was to create the feeling that the “U” does not

only represent the word “university”, but also represents the Swedish words for education, development, foreign education and investigation - all words that start with the letter “u” in the Swedish language (Blog entry 2012-11-16; Cecilia Parkert, interview 2013-04-26). This aim was important since parts of the new agency’s operations are directed towards schools, pre-schools, vocational education and adult education and it was firmly believed that this should somehow be reflected in the visual identity of the new agency (Blog entry, 2012-10-27; Cecilia Parkert, interview 2013-04-26). The color scheme used in the logotype also influenced the coloration of the new office spaces, which is apparent when stepping into the reception area (Blog entry, 2012-11-27).

When the project of developing the visual identity was completed, its design was finally revealed to the employees. It received positive reactions: “We [the project group] took this as a sign that the workforce embraced the visual identity, that they wanted to stand behind it and use it to represent themselves; show to the world that ‘I am a part of this new thing’” (Cecilia Parkert, interview 2013-04-26).

4.5.6 ORGANIZATIONAL CULTURE – AN ONGOING CHALLENGE

In their final, summarizing report to the Government (dated in the end of December 2012, i.e. less than two weeks before the formal establishment of the new agency), Ulf Melin and his team conclude that the agency merger had, and would continue to represent a cultural challenge: “culture, traditions and perspectives from three different agencies will be integrated into a new agency and it will require an extensive collective effort to create shared values and a new organizational culture for the new agency” (U2012:07, p. 7).

5. ANALYSIS

In the analysis section of this thesis, we apply the theoretical framework to our empirical findings in order to generate insights that can be used to answer our research questions. Accordingly, the theoretical perspectives and hypotheses from the framework are used. Similar to the empirics section, the analysis will start off with a comparison of the three merging agencies in section 5.1 and will thereafter be structured in accordance with the three stages that constitute the governmental fusioning process.

5.1 THE THREE MERGING AGENCIES

Data have clearly shown that the three merging agencies' organizational cultures were very different. HSV resembled a professional bureaucracy: a professional culture with highly educated employees, where the structure and management control system allowed a relatively high degree of freedom to its officials. VHS shared many features with the machine bureaucracy: its production-orientation, hierarchy, process-efficiency; whereas IPK combines characteristics from several structural configurations: small, modern and informal, yet process-oriented and efficient with specific performance targets.

Additionally, interview data have clearly described evident cultural differences between the government agencies in regards to: salary and incentives' systems; communication patterns; customer- and market-orientation; language and terminology; degrees of formality; office landscapes; heritage, tradition, and modernity; funding; number of stakeholders; political involvement; academic tonality, status and prestige.

In spite of the distinct cultural differences between the three merging government agencies, the assessment of organizational culture in the studied merger has differed significantly across the three stages in the merger process.

5.2 THE DECISION STAGE

The decision phase contained the decision criteria preceding the merger, the decision to initiate the merger, and the government's directives that regulated the subsequent due diligence. An empirical finding was that this phase generally did not consider organizational culture at all; neither the pre-merger degree of cultural fit between the merging agencies, nor whether and how an unified organizational culture could be established at the new agency. Applying the theoretical framework, the reasons for the lack of organizational culture assessment during the first stage in the studied merger process are multifaceted. However, an initial hypothesis in the theoretical

framework was that a low regard for organizational culture in government agency mergers was consistent with a bureaucratic perspective upon public administration.

Consistently, several empirical findings do support the notion of a bureaucratic perspective during the decision phase. Data have shown that some of the government's general ambitions for public administration had been focused on increased standardization, objectivity, and efficiency: all traditional bureaucratic trademarks. Additionally, the government's formal directives preceding the merger focused on similar aspects to an even higher degree: assessments of organizational structure and dimensioning, efficiency concerns, potential synergies, and even a specific budget were all included in the directives for the merger's due diligence. Of analytical importance is also what the directives *excluded*: e.g. culture and other human resources concerns. The interview respondents also describe the directives as clear, strictly regulating the following proceedings. Indeed, since the merger decision itself had already been made, the directives made that part of the subsequent due diligence into a formality. In accordance hereby, analysis clearly indicates that a bureaucratic perspective was evident during the decision stage, and lead to a low degree of consideration for organizational culture.

Alternatively, if the directives had been more general, e.g. in the form of a request for an overall overview of the public services in Swedish higher education; an analysis of the respective three agencies' operations; or more generally a process which had allowed for more flexibility during the subsequent merger stages, it would have reflected more of a managerial NPM perspective. However, when analyzing the data of the government's directives, they contain absolutely no such features.

Several interview respondents also confirmed the image of government as operations-oriented, and slightly bureaucratically functionalistic. These characteristics do resemble the Government-as-Machine Model in Mintzberg's (1996) sense. This allows for the interpretation that some general bureaucratic features are evident in the government administration, and that these features generally do not facilitate cultural assessments.

Additionally, an empirical finding is that the Swedish government has had an explicit ambition to create a central, unified organizational culture (*public ethos*) throughout Sweden's public administration. This represents a bureaucratic perspective in the sense that it reflects the perception of government administration as a single, unified organizational entity, where the

governmental agencies are executioners of central policy, rather than independent organizations in a cultural sense. Given the governmental perception of a superior, central culture; rather than local organizational cultures at the respective government agencies, the evident disregard for assessment of organizational culture during the first stage of the merger between the three government agencies' becomes more understandable.

Reflecting on (1) the government's standardization- and efficiency-oriented objectives and directives, which do not relate to organizational culture; and (2) the seemingly centralized perspective upon organizational culture in public administration; an initial conclusion in the thesis is accordingly that a bureaucratic perspective within government administration is evident and that the government agencies do not appear to be perceived as very cultural organizational entities. Thus, the agencies are primarily considered parts in the bureaucratic government machinery; a view that does not facilitate the initiation of any detailed cultural assessment in government agency mergers.

5.3 THE DUE DILIGENCE STAGE

Data show a distinct ambivalence in the assessment of organizational culture during the due diligence phase. Although both the interviewed government officials and the due diligence team confirm that organizational culture was considered an important dimension throughout the due diligence process, its perceived importance was not reflected in the eventual due diligence memorial, where organizational culture hardly gained any recognition. Additionally, given that data have shown that very specific analyses were performed within areas such as organizational structure, dimensioning, budgeting and staffing; it indicates a generally low concern for organizational culture during the due diligence stage.

Applying the theoretical framework, Mintzberg's (1996) opinion that "the brave new world of public management all too often comes down to nothing more than the same old machine management" (p. 81) has indeed gained some support from the empirical data in the sense that the due diligence memorial largely echoed the original governmental opinions, and disregarded organizational culture to a relatively high extent. This phenomenon occurred in spite of the fact that the due diligence team had been given the mandate to objectively identify the challenges of the merger; and, informally, did consider organizational culture to be of importance. Interview data accordingly indicate that the due diligence team did consider their assignment to primarily be to carry out the government's directives. Thus, it appears as if the government's initial directives

functioned as a bureaucratic framing, which evidently had a strong regulatory effect upon the following due diligence.

Additionally, since the due diligence team's actual thoughts on organizational culture do not reach formal level, the comments from the consultative bodies (that follow next in the process, after the due diligence memorial) do not represent replies on the actual intelligence that the due diligence has generated. Consistently, only a handful out of the 71 consultative bodies mention organizational culture in their comments. Accordingly, the bureaucratic framing indirectly influences several further steps in the merger process.

In accordance hereby, on a formal level, an initial conclusion in the analysis of the due diligence stage is (3) that the government's actions preceding the merger represent a bureaucratic framing, which the due diligence team adjusted to in its eventual memorial. This causes the cultural assessment that actually does occur during the due diligence to remain informal.

The bureaucratic discrepancy between decision-making and implementation has also been actualized in data during the due diligence stage. The Government's directives postpone the identification of problems and recommendation solutions to the due diligence phase. In the conducted interviews, its officials' also consider culture something for the eventual Director-General to address; but yet the new agency's very name is decided behind closed doors at the Ministry. Additionally, the Special Investigator considers organizational culture primarily as an operative concern for the eventual Director-General at the new agency. Since this tendency is constant throughout the merger process, it indicates that there could be stronger incentives to proceed with the merging process; rather than to formally challenge the government's directives or add further complexity by adding challenges that are not included in the original directives. An opinion expressed by one of the interview respondents is that Ulf Melin, as the eventual Director-General of the new agency, was the only person throughout the process that *had* to undertake any measures to address organizational culture, since he was going to have to manage the post-merger organization and be personally held accountable for the new agency's performance. That incentive was lacking during the earlier stages of the merger process.

A political organization in an institutionalist sense would not have any difficulties containing perceived doubts and obstacles: instead, ambivalence would be at the very core of its nature (Brunsson, 1991; in Arvidsson & Lind, 1991). Thus, it follows that the discussed empirical

finding is better understood as a reflection of the incentives in the bureaucracy's environment. Given that it can be more legitimacy-generating to make decisions than to actually implement them (Baier, March, & Saetren, 1986; Brunsson, 1990), the finding of a slight postponing in the analysis of problems; and limitations in evaluations of previous agency mergers (Riksrevisionen, 2010), could be consistent with a rational course of action for the Government in a bureaucratic environment.

Further support for the importance of incentives in the seemingly bureaucratic setting has been generated. Interview data indicate that since the Special Investigator did not hold any ambitions for the eventual Director-General position at the new agency, she could proceed with the investigation in a more objective, efficiency-oriented way. On the contrary, also consistent with the interview data, a Special Investigator with intentions to assume the Director-General post would have held a personal incentive to address HR questions (e.g., culture), but possibly at the price of the relatively strict, rationality-driven strategic planning that characterized the due diligence performed in this case. Given this information, the Special Investigator's personal incentives vary depending on whether the Special Investigator is aspiring for the Director-General position or not. This creates an incentive-driven tradeoff between a tough and a relatively soft investigative perspective.

Accordingly, an additional conclusion in this thesis is that the lack of assessment of organizational culture during the due diligence phase does not reflect any unique characteristics of the political organization. Instead, (4) the relatively limited concern for organizational culture during the due diligence stage might represent a rational course of action given the incentives within the bureaucratic environment, and reflect whether the Special Investigator also represents the intended Director-General for the new agency.

The difference between the formal and informal cultural assessment during the due diligence phase does however add further complexity to analysis. Interview data do indeed support the notion of an informal assessment of organizational culture during the due diligence phase, and furthermore confirms that a transfer of that knowledge to the next stage in the merger process did occur. As shown in the empirical findings, interview data confirm that cultural concerns were evident throughout the due diligence stage: The Secretary recruited to the due diligence team was partly chosen based upon his cultural knowledge from HSV; organizational culture was considered a key challenge by the Special Investigator herself; and the fact that informal

discussions on cultural challenges took place has been confirmed by members of the due diligence team as well as by the eventual Director-General at the new agency. Additionally, the interviews support that this knowledge was transferred to the remaining merger stages, through contacts between the Special Investigator and the Director-General, and by the eventual employment of the Secretary from the due diligence. In accordance hereby, it appears as if Mintzberg's (1996) statement was mostly correct on a formal level. On the informal level however, where the due diligence team's actions were not necessarily reflected in the eventual memorial, some minor cultural assessments did take place. Accordingly, as the level of formality decrease, so seemingly does the impact of the government's bureaucratic framing.

An additional conclusion is therefore that (5) there is a distinct contrast between the formal and informal level of the due diligence, where the latter does allow for some assessments of organizational culture during the government agency merger's due diligence.

5.4 THE PREPARATION STAGE

In sharp contrast to the previous stages in the merger process, Ulf Melin's team undertook a series of active measures, with the direct ambition to enable a shared organizational culture at the new agency. Organizational culture was at the very core of the entire preparation stage. Additionally, their actions appeared significantly more company-ized: launching an agency blog, assessing the agency's visual identity and logotype, contracting consultants, ensuring staff involvement and stressing transparency. The company-influenced measures during the preparation stage correspond well with a managerial NPM perspective.

The theoretical framework identified a dichotomy between *marketization* and *managerial* NPM principles. The former would theoretically and empirically be expected to correlate with a relatively low concern for organizational culture in mergers between government agencies; whereas the latter would allow for a more detailed assessment of culture. Generally, both primary and secondary data indicate that the Government does want to achieve a transition towards performance-oriented rather than normative evaluation criteria. This represents a feature included in both NPM perspectives. However, when analyzing the governmental bills in the data material features characterizing *both* NPM perspectives are found. This paradox becomes clear when comparing two of the Government's bills, previously described in the data material, and both formally approved by the Prime Minister.

On March 18th, 2010, the Government released a bill containing a centralized public administration strategy, stressing marketization NPM principles: performance-objectives, efficiency, and accountability for taxpayers' money (Prop. 2009/10:175). However, *the very next day*, on the 19th of March 2010, the Government published another bill, this time regarding its educational institutions. However, in that bill the Government focused almost entirely on managerial NPM aspects: decentralization, reducing regulations, and providing the educational agencies with more independence and managerial freedom (Prop 2009/10:149). This indeed represented a case where NPM is accompanied by a tendency for “centralization and decentralization at the same time” [translated] (Almqvist, 2006, p. 31).

Since the bill echoing the marketization NPM perspective was prepared by the Ministry of Finance; whereas the bill resembling the managerial NPM perspective was written by the Ministry of Education and Research, this analysis indicates there might be different NPM perspectives among the individual ministries in government administration. Given the hypotheses generated in the theoretical framework, these differences between the respective ministries might also help to explain the degree of concern for organizational culture in a government agency merger. Which Ministry the specific government agency merger is subordinate to could then have implications for how culture will be addressed in the merger.

In accordance with its bill (Prop 2009/10:149), interview data also confirm the theme of an ideologically motivated *managerial* NPM view at the Ministry of Education and Research, where its officials clearly state that the Government does not perceive itself to know how to manage its agencies' operations better than the agencies themselves. That Ulf Melin and his team addressed organizational culture to such a high extent during the preparation stage could therefore possibly be explained by the fact that it was a merger subordinate to the Ministry of Education and Research. Since the Ministry of Education and Research appears ideologically characterized by a managerial NPM perspective, it trusts its agencies' managers to freely manage their organizations. Thus, as long as the educational agency's management recognizes culture's importance, which Ulf Melin and his team did, organizational culture will be addressed. Hence, in accordance with the third hypothesis generated in the theoretical framework, they did put a high priority on organizational culture. When the choice of office locations actualized the dilemma of increased costs versus their concern for the new agency's culture, they boldly went against the previous Special Investigator's explicit recommendation, and chose to prioritize organizational culture.

It then follows, that if the studied merger instead had been subordinate to a Ministry characterized by more of a *marketization* NPM perspective, one could theorize, in accordance with the thesis' second hypothesis, that the degree of cultural consideration potentially could have been lower.

An additional empirical finding is that there appears to be a contradiction in the Government's perspective in the beginning (the decision stage) and at the end (the preparation stage) of the process preceding the establishment of the new agency: from strictly disregarding the importance of organizational culture in its initial directives, to later allowing its agencies' managers unlimited opportunities for cultural concerns before the formal establishment of the new agency. This contradiction itself merits further analysis in search for structural conditions that might differ between these different stages. Consequently, the Swedish constitution indeed does represent a structural frame of that character.

Empirics from government bills and conducted interviews indicate that the fact that there is a constitutional protection of Swedish government agencies from direct governmental influence (Bäck & Larsson, 2006) has important implications. The interviews support the notion that the Government's officials do not necessarily perceive themselves as constitutionally allowed to interfere in the agency's operations. A consequence of this constitutional frame is that it indirectly corresponds well with a managerial NPM perspective, providing government agency managers with a legally sanctioned freedom to manage. Indeed, the case study has found evident empirical support for the notion that management truly is given the opportunity to address the issue of organizational culture during the preparation stage: as proven by the choice of office location - they are even allowed to do it at a high direct cost. Generally throughout the case study, it appears that the closer the respective actors get to the agency's actual operations, the higher they prioritize its organizational culture. A plausible explanation is that the preparation stage might be considered that close to the eventual establishment of the new agency, that the government no longer considers itself constitutionally allowed to interfere in its actions.

An additional conclusion is therefore that (6) different ministries can have different ideological perspectives within the NPM paradigm, which influences how culture is assessed; and that (7) there might be a constitutional explanation for some degree of the high variance in cultural assessment across the different stages of the merger process, where a legally sanctioned

managerial NPM perspective allows the government agency's eventual management to freely analyze, address and prioritize the agency's organizational culture during the preparation stage.

6. CONCLUSIONS

In the following section, we summarize the conclusions drawn from our analysis and discuss how they contribute to answering the thesis' research questions.

The purpose of this thesis has been to increase the understanding of how and to what extent cultural aspects are taken into consideration before a fusion of governmental agencies. In line with this purpose, we have explored the assessment of and shown consideration for cultural aspects throughout the three stages that constitute the governmental fusing process. We have also sought to identify the reasons for the respective degree of consideration for organizational culture that the stages show throughout the process.

The two interrelated research questions that this study has sought to answer have thus been: *How is organizational culture addressed in government agency mergers?* and *What can explain the degree of cultural consideration?*

The thesis has shown that organizational culture is very differently addressed during the three different stages of the merger. During the decision stage, organizational culture is generally not analyzed or considered at all; neither as a decision criterion before the merger, nor in the Government's directives for the following merger stages. At the due diligence stage, the merging agencies' organizational cultures gain some minor recognition, but the issue is only briefly considered. Its relative importance is remarkably low in comparison with economical, structural and operative concerns throughout the due diligence. However, during the preparation stage, organizational culture is considered extremely important, and is addressed through a series of company-ized methods: communicative measures, purchases of strategic consultant services, logotype and visual identity overviews, and an office-relocation.

Several factors that can explain the respective degree of consideration for organizational culture in the merger have also been identified. Initially, the degree of concern for culture might decrease due to the fact that some relatively bureaucratic, mechanistic ideals exist for public administration in general, which influence the government's directives that regulate the subsequent stages in the merger process. This perspective is also reflected in the sense that when the agencies are not considered as independent cultural entities, their respective organizational cultures are less likely to be assessed.

Additionally, the government's initial directives can also function as a framing that might influence the due diligence team. Hence, the directives' specificity and priorities can influence to which extent culture is formally assessed during the due diligence stage. Incentives throughout the merger process can also influence the degree of concern for organizational culture. If the Special Investigator is appointed as the Director-General for the new agency, the perceived regard for organizational culture during the due diligence would potentially increase.

Different ministries within central government can evidently be characterized by differing NPM perspectives. Accordingly, if the fusing agencies are subordinate to a ministry committed to a managerial NPM perspective, their opportunity to freely address organizational culture appears very high. The ministry's respective NPM perspective can therefore help to explain the degree of cultural consideration in a government agency merger. It is also possible that the Swedish constitution allows a certain degree of freedom for the agency's management to independently choose how it addresses the new agency's organizational culture.

These identified factors are collectively and/or individually theorized to influence the degree of cultural consideration in government agency mergers. Combined with the descriptive analysis of how organizational culture is addressed during the stages preceding a merger between government agencies, the thesis has accordingly managed to answer its two original research questions.

7. DISCUSSION

In this concluding section, we discuss the generalizability of the thesis' results, reflect upon the conclusions' managerial implications and make suggestions for future research.

7.1 METHODOLOGICAL CONCERNS

In terms of the thesis' reliability, concerns mostly relate to the risk for biased or incorrect interview responses. For instance, the decision not to anonymize the participating interview respondents could theoretically have prevented them from answering the questions in an honest way. However, we found no such indications throughout the interviewing process. Additionally, the recency of the merger did probably decrease the risk for erroneous answers. In general, we have therefore found the thesis' conclusions to be of satisfactory reliability.

The internal validity of the analysis and conclusions in this thesis differs slightly between the two research questions. The relatively descriptive question of how culture is assessed has arguably been answered with a high level of internal validity: a literature-based operationalization of culture has been used to next generate a descriptive, seemingly consistent analysis of how it has been assessed in the merger. Data appear to reflect the very content (the assessment of organizational culture) of the studied phenomenon (*construct validity*), that also instinctively appears logical and plausible (*face validity*). The explorative analysis of the potential determinants of the degree of cultural consideration does however become more speculative, which reduces its validity slightly. However, we argue that this primarily reflects the challenge of searching for causality under conditions of severe complexity. As factors hypothesized to collectively and/or individually influence the degree of cultural consideration in government agency mergers, we still argue that their validity is satisfactory, especially given the thesis' explorative approach.

As previously discussed in section 3.5, the single case study method does generally suffer from a slightly reduced external validity. Accordingly, the chosen method has generated explorative insight, but occasionally at the price of a reduced external validity. This causes some uncertainty as to which conclusions that are valid to apply on the broader public administration discourse. The decision to isolate the study to a Swedish governmental setting - with a, from an international perspective, strong constitutional protection for the government agencies' independence - also decreases the opportunity to generalize some of the conclusions to the governmental conditions of other countries. We consequently argue that the reduced potential for generalization of the key findings in this thesis arguably represents its most important

limitation. In spite of these limitations, we argue that these methodological choices have been generally beneficial. They have allowed a more narrow approach, which has facilitated in-depth analysis.

7.2 MANAGERIAL IMPLICATIONS

Although speculative, one could argue that the findings from the case study, and the data on how organizational culture was assessed before and during the analyzed merger, might reflect how government agencies are perceived, and theoretically best described in the Swedish political landscape of today. Indeed, the findings from the case study appear to support the notion of a striking complexity in the perception of public administration: slightly contradictory perspectives seemingly co-exist, even across the government's own ministries. Additionally, traditional bureaucratic features *and* modern NPM principles both seem evident throughout government administration.

Reflecting on the thesis' main findings, there are several conclusions that possibly could have governmental and/or political implications. Given the governmental tendency over the last decades towards a higher concern for efficiency and performance within public administration, it is slightly paradoxical that organizational culture is seemingly considered of such low importance; especially considering the fact that corporate influences upon public administration have become increasingly common. Given that companies have started to realize the importance of culture in M&As, the government - reflecting on hundreds of government agency mergers over the last 20 years - would also have been expected to have learnt the impact of culture on the eventual outcome of merger processes.

Stressing the importance of performance objectives and efficiency regarding the taxpayers' money; while at the same time disregarding the risk that cultural challenges could prevent the realization of the mergers' expected synergies; appears a bit contradictory. The generally limited evaluations of the agency mergers' outcomes (Riksrevisionen, 2010) also appear problematic. In 2010, the Committee on Finance claimed that the government had an ambition to "capture and share experiences from organizational changes" (2009/10:FiU38, p. 12). Reflecting on the key findings in this thesis, that ambition does not seem to have had any significant impact on the process for mergers between government agencies. If the Government's ambition to more systematically address organizational change processes was to become more effectively implemented, a strong recommendation based upon the literature review included in this thesis'

would be to include organizational culture as one of the factors to analyze in agency mergers. A more specific recommendation with possible managerial implications would be to henceforth generally let the Government's directives require that an explicit cultural analysis is included in the due diligence memorial when investigating the conditions for government agency mergers.

7.3 SUGGESTIONS FOR FUTURE RESEARCH

This thesis has provided new insight on how organizational culture is addressed in mergers between government agencies, and generated several hypotheses on factors that might influence the degree of cultural consideration. To provide yet deeper academic knowledge within this field, our opinion is that future research could benefit from interdisciplinary approaches to generate additional theoretical insight. Additionally, comparative case studies could provide improved analytical opportunities. This potentially include comparisons of government agency mergers subordinate to different ministries; analysis of differences over time; and possibly across nations (to clarify the importance of the relatively unique Swedish constitution). However, further explorative, micro-level studies based upon within-case analysis, could also provide additional knowledge of interest to the academic community.

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9. APPENDICES

9.1 APPENDIX 1: INTERVIEW GUIDE

The interview guide below contains different areas that we aimed to cover during the interviews. Consistent with the semi-structured method, they do not include all of the questions and discussion points that were brought up during the interviews. Instead, they were intended to function as a support system to ensure that no important discussion areas were forgotten. Since the interview respondents had differing roles during the merger, the areas and associated questions that were discussed during each interview varied between respondents.

Introduction

During the introduction section of the interviews, we presented ourselves and the study we were conducting. We also asked for permission to record the interview and thereafter aimed to find out more about the interview respondent. Examples of questions during this section include:

- What is your current title/position?
- What was your position previous to the merger?
- What was your role during the merger? (Governmental representative, Special Investigator, Project Leader, TMT member)

The three merging agencies

The purpose of this discussion area was to get an idea of the culture that had characterized each of the merging agencies, and whether cultural differences had existed between them. Examples of questions include:

- How would you describe a typical employee at HSV/VHS/IPK?
- What differences can you see between the three agencies in terms of organizational structure, orientation of operations, financing, structures for salaries and benefits, office environment, dress code, jargon etc.?
- Beforehand, which (if any) factors were expected to potentially actualize the perceived and/or factual differences between the merging agencies?

The decision stage

This discussion area aimed to increase our understanding of the Government's view upon its agencies, in addition to how and on which grounds a decision to merge government agencies is made. Examples of questions include:

- When deciding to merge government agencies, what does the decision-making process generally look like?
- Which specific criteria were used when deciding to merge HSV, VHS and IPK?
- How you witnessed any general changes in how government agencies are structured, perceived, or evaluated in today's political landscape?

The due diligence stage

The ambition of this area was to gain information on how the work of investigating whether and how the three agencies should merge had been carried out, and how the Special Investigator's role related to the initial directives. Examples of questions include:

- How was the investigative work conducted? (which people took part, how was information about the agencies gathered, how did the communication with the Ministry of Research and Education take place, etc.)
- How well did the investigation correspond to what had been outlined in the directives? (To what degree were the prerequisites challenged?). What do you consider to be the function and main priorities of the due diligence?
- What obstacles and risks were the most evident in the merger?

The preparation stage

The aim for this discussion area was to increase our knowledge regarding how the implementation team practically had addressed the issue of integrating three agencies into one preceding the establishment of UHR. Examples of questions include:

- Did you initiate any activities to establish a shared vision, goals, leadership etc. for the new agency? (how was this work conducted, involvement of employees etc.)
- Which specific measures were taken to create a uniform culture for the new agency? (Followed by elaborating on the things we did have knowledge of at the time: the blog, the visual identity, the choice of office spaces, etc.)
- Which were the key differences between the measures you took during the preparation stage, and what was previously conducted/recommended during the previous stages of the process?

Final questions

This concluding section aimed to “wrap up” the interview in a good way. Some of the questions asked were:

- Is there anything else you would like to add? Is it ok if we return to you in case of additional questions?
- Can you recommend other people to talk to regarding the subject? (i.e., in accordance with the snowball sampling method)
- Do you have any additional material that could be relevant?

9.2 APPENDIX 2: CONTENT ANALYSIS OF STAKEHOLDERS' COMMENTS

Table 4. Breakdown of consultative bodies' objections towards a merger of HSV, VHS and IPK. The total number of responding consultative bodies was 71.

Mentioning/objection	No. of consultative bodies	Percentage share
The scope of IPK's operations	32	45 %
Confirms detailed directives	13	18 %
Regrets specificity of directives	8	11 %
Cultural concerns	5	7 %
Ambitious time plan	4	6 %