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**A Study of the Factors Related to the Successful Merger of
Information Technology Departments
Within Local Government**

A Thesis

Presented to the

Department of Information Systems and Quantitative Analysis

and the

Faculty of the Graduate College

University of Nebraska

In Partial Fulfillment

of the Requirements for the Degree

Master of Science in Management Information Systems

University of Nebraska at Omaha

by

Angela Patton

November 2003

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Thesis Acceptance

Acceptance for the faculty of the Graduate College,
University of Nebraska, in partial fulfillment of the
requirements for the degree Masters of Science
in Management Information Systems,
University of Nebraska at Omaha

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Date: November 18, 2003

A Study of the Factors Related to the Successful Merger of
Information Technology Departments
Within Local Government

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University of Nebraska, 2003

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Abstract:

This study focuses on the merger process of Information Technology (IT) departments within local government. The research that exists indicates that local government mergers, in general, have a high rate of failure. In addition, the political, managerial, cultural, and behavioral aspects that impact these mergers are ignored.

The importance of computers to the departments/agencies housed within local government has made the IT departments a critical part of the local government structure. This study looks at the problems faced by the merging IT departments within local government in order to gain a better understanding of this process and to increase the success rate of these types of mergers.

A case study of a merger between a county IT department and a city IT department within a mid-western local government structure was performed. In addition, a nationwide survey was distributed to IT Directors of local government units.

A model was tested using five variables that may have an impact on a successful local government IT merger. The tests revealed a revised model: variables “commitment of appointed/elected officials” and “employee support from appointed/elected officials” are related to “quality of the decision-making process”; and “quality of the decision-making process” is related to “perceived merger success.”

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1. Introduction

A major debate among local government officials is whether or not merging services offered by the city with services offered by the county will result in an increase in governmental efficiency and effectiveness (Feiock & Carr, 2000). Due to the differing opinions on the efficiency and effectiveness of mergers and the complexity of the merger process, only a small number of local government entities have actually merged. Of the merged governments, very little research exists on their experiences throughout the merger process (Durning & Nobbie, 2000).

Information Technology (IT) departments play a more critical role within local government as computers become a more vital aspect of their structure. Of the research that exists on merged governments, very little attention is focused on the efforts of IT departments to merge.

Local government mergers, in general, have a very high rate of failure (Campbell & Durning, 2000). Research that does exist on local government mergers ignores the political, managerial, cultural, and behavioral aspects (Campbell & Durning, 2000). IT departments provide computer support for all of local government, therefore, the list of people impacted by these mergers include: IT employees and administrators, appointed and elected officials, governmental departments and agencies, and the public. With the interaction of all of these shareholders, it is important that the behavioral, managerial, and political aspects of these mergers are studied.

This study has three main objectives: 1) to add to the knowledge that exists on the merger efforts of IT departments within local government; 2) to focus on the behavioral, political and managerial aspects of local government IT mergers; and 3) to increase the success rate of these merged IT departments.

In order to increase the success rate of IT mergers within local government, research must exist that follows this process from beginning to end. IT is one of very few departments within local government that has a daily impact on all department/agencies within local government. In addition, they have the added complication of setting up a standardized system for local government as a whole while continuing to support the unique needs of each.

In order to completely understand the problems faced by trying to merge IT departments within local government, a study of this specific type of merger is crucial. Studies of this process may prevent other mergers of this type from “reinventing the wheel” and may increase the number of successful mergers.

In order to gain an understanding of the factors impacting the merger process of IT departments within local government, this research observes the efforts to merge the IT department within Douglas County in Omaha, Nebraska with the IT department within the City of Omaha. Background information on these two IT departments will be discussed in detail. Other sections of this research include a literature review and analysis of the various types of IT mergers. In addition, a questionnaire that was mailed out

nationally to IT Directors within local government will also be analyzed quantitatively and qualitatively.

2. Literature Review

2.1 Introduction

This review focuses on the merger efforts of Information Technology (IT) departments within local government. Little research exists on local government mergers due to the fact that so few are available to study. As of 2000, there were approximately 31 merged governments in the U.S. (Campbell & Durning, 2000).

Very little research was found that examined the merger efforts of IT departments within local government. In order to get a clearer assessment of the issues impacting local government IT mergers, this study will research the three following main areas: merging of various departments within local government, merging of IT departments within business firms, and local government entities that make major changes to their IT systems.

The first section will include a history of local government mergers. The second section will contain a literature review of local government mergers followed by an analysis of the issues that impact this type of merger. The third section will contain a literature review of IT merger efforts within business firms followed by an analysis of the issues that impact this type of merger. The fourth section will contain a literature review of local government efforts to update their IT systems followed by an analysis of the issues that impact this type of change initiative.

The fifth section and conclusion will be an analysis of all the issues that local government can expect to have an impact when they attempt to merge their IT

departments. Since very little research has been completed on the merging of local government IT departments, conclusions will be drawn from those few researched mergers, research on the change management process, in addition, to the knowledge that was obtained from all of the other merger and IT efforts discussed in previous sections.

The terms “acquisition,” “merger,” or “consolidation” are used to describe any activity where companies join (Halperin & Bell, 1992). “Restructuring is sometimes used as a “catch-all” term for any type of corporate change” (Halperin & Bell, 1992). All terms are used interchangeably to refer to the same topic. However, merger will be the main term used in this research.

2.2 History

A merger is defined as a “combination of two or more organizations into one, to form a new entity.” City-county mergers take on three forms: 1) the merger of a county and the cities within it into one government; 2) the merger of a county and its’ cities with the county remaining as a separate unit in regards to some functions; and 3) unification of some of the municipal and county governments. Municipal mergers occur when the merger is extended to include two or more counties or other local governments (Baldinger, 1971).

“Differential growth patterns between cities and suburbs have distributed the burdens of governance unequally across the urban landscape and resulted in a sorting of

the population whereby wealthy, well-educated residents have moved in disproportionate numbers to the city's periphery, leaving behind the poor, the disenfranchised and the dependent" (Florida Advisory Council on Intergovernmental Relations, 1984) (Feiock & Carr, 2000). Mergers and other government proposals are attempts at solutions to bring order out of the chaos of fragmentation in metropolitan areas (Baldinger, 1997).

Merger efforts attempt to reach the following goals: 1) to provide services efficiently and productively; 2) to foster economic development; 3) to improve fiscal response in financing public service and removing inequalities; 4) to provide democratic control and accountability; and 5) to promote professionalism within county operations (Gonzalez, 2000).

Proponents of city-county mergers believe that merged governments will reduce cost and deliver services more efficiently. These beliefs have not been substantiated, as a matter of fact; expenditures tend to increase after the merger (Selden & Campbell, 2000). Feiock and Carr (2000) found in previous studies that merged governments instead of enhancing economic development, tend to increase taxes, cause greater dissatisfaction among employees, and reduce turnout in local elections.

The history of city-county mergers in the United States occurred in two phases. The first phase began in New Orleans and Orleans County in 1805. Merger efforts stopped during the period of the Great Depression and World War II. After this period of time, merger efforts were revived with a major change. Prior mergers were accomplished by state legislative action. However, after World War II, voter approval was generally

required for all merger proposals. The factor that resulted in this change was the success of civic reformers in securing the adoption of initiatives and referendums during the 1920s and 1930s (Lyons, 1977).

As of 1980, only six governments had merged. The small number of mergers was due to political obstacles. In addition, as stated by Selden and Campbell (2000), the research community has not helped by failing to provide concrete evidence to support their positions.

City-County mergers became more popular in the 1990s. “Since 1990 there has been a substantial increase in merger and acquisition (M&A) activity, with a significant portion of the activity occurring in technology-based industries” (Ranft & Lord, 2000). Factors accounting for the renewed interest include pressure to achieve greater efficiencies in providing services, the need for improving local tax bases, and the demand for improved responsiveness and accountability by local government. There is constant debate on whether or not government mergers will be able to deliver its’ promised benefits. The people most negatively impacted by mergers include: incumbent politics, government employees, and racial minorities. The people most positively impacted by mergers include: citizens and good government (Feiock and Carr, 2000).

Campbell and Durning (2000) studied five merger efforts to determine if mergers were considered a good policy choice. They concluded that city-county mergers are very complex and, therefore, more research should be done before any conclusions can be

drawn. “The success or failure of city-county unification is difficult to judge because few empirical studies provide evidence to support or refute the claims of positive impacts and those that have been undertaken contradict each other” (Durning & Nobbie, 2000).

Campbell and Durning found that approximately 80 percent of the merger referenda voted on in the last three decades has failed. A failure in regards to merger research is “they ignore the legal, political, managerial, and cultural contexts that affect individual local governments when they merge” (Campbell & Durning, 2000). Future research on “should instead explore what factors contribute to the success or failure of particular mergers.” “Such research must pay attention to the context of each merger including the administrative and cultural characteristics of the governments to be merged, the changes in political roles that affect who are elected to implement the merger and changes in the policy-making structure. Then the research can investigate how different elements of the administrative, cultural, and political contexts of the merger affected its success or failure” (Campbell & Durning, 2000).

“Only in the last several years have a few isolated attempts at metropolitan government been successful. The consolidation of Nashville with Davidson County, Tennessee; Jacksonville with Duval County, Florida; Indianapolis with Marion County, Indiana; and the urbanization of Miami and Dade County, Florida, constitutes a select group of areas, out of over one hundred attempts, that have been able to reorganize.” More research into key success factors needs to be completed “given the importance of

M&A in today's economic environment and the poor track record of many firms in the M&A area . . ." (Inkpen & Sundaram, 2000).

2.3 Local Government Mergers

"A challenge confronting students of local government reform and service delivery is to document the effects of city-county mergers so that policy judgments can be made about the wisdom of such mergers" (Campbell & Durning, 2000). Following is a summary of studies on local government units that have merged.

2.3.1 Case Studies/Research

2.3.1.1 Nashville and Davidson County, Tennessee

Elazar (1961) studied the local government merger efforts between Nashville and Davidson County, Tennessee. Legislative powers within Nashville were vested in the county court and the executive powers were vested in the county judge. The level of power of the county judge was determined by the person in office at the time. The city was governed by a twenty-one member city council and the mayor. The city and county both had planning commissions that met jointly.

In 1946, a small informal group of local government agency heads met periodically to discuss metropolitan area problems. In 1951, this group requested that the State Legislature complete a formal examination of the problems affecting Nashville. As

a result, the Community Services Act was passed to establish a joint community services commission. This commission submitted a report which recommended that the city annex suburban areas outside of its' present boundaries. Once this report was submitted, the commission disbanded and, as a result, the annexation proposal was tabled. Other small annexation laws were passed; however, it became clear that none would lead to a substantial solution to basic metropolitan problems of Nashville. Therefore, other committees were established to continue the analysis of the metropolitan problems of Nashville.

In 1955, the county judge along with the mayor requested the adoption of one government for the city and county. In June of 1958, the voters rejected a proposal to merge the governments of Nashville and Davidson County, Tennessee. Conclusions were drawn from the studies of the campaign and interviews of over 100 leaders. There were many issues which were responsible for the failure of this merger proposal. These issues were separated as they apply to the proponents and the opponents of the merger. The issues that were the underlying basis for the opposition to the merger included: 1) people were afraid of paying higher taxes; 2) people did not want centralization of government to increase; 3) people were afraid that the city political machine would extend to the county mainly, due to the fact, that the mayor was mistrusted.; and 4) the residents distrusted the newspaper. The newspaper generally agreed with the merger efforts.

Issues that were considered failures on the part of the proponents included: 1) failure of the proponents to understand the nature and the interests of the local residents;

2) failure of the proponents to organize; 3) failure of the proponents to communicate effectively to the residents; and 4) lack of support for the proponents.

There were many other factors that had an influence on the failure of this merger. Factors that should be carefully considered in all merger efforts. The first factor discussed that impacted this merger effort was the division of residents into groups according to area. Local government should consider that each area of a city may tend to maintain different conceptions of community, interests, and values. The second factor discussed that impacted this merger effort was the historical climate at the time. Local government should consider that the history of smaller communities may impact the residents' position on mergers. The opposition's side in Nashville consisted of a group that had been cooperating on business and political-related issues for twenty to thirty years. The proponent's side lacked this type of organization. The third factor that had an impact on this merger was the hesitancy of the politicians in regards to changes in the political structure. Politicians will naturally fear that a merger may eliminate jobs and disrupt already established political relationships and power centers.

The fourth factor that had an impact was the lack of support of the business community. Typically, larger businesses tend to support mergers and can be a valuable resource. The fifth factor that had an impact was the level of support of government employees. Due to the fact that government employees are involved in the political area, they tend to vote in large numbers and also have an effect on family and friends. They

will tend to oppose government mergers if they feel that they may lose their positions or any benefits. A sixth factor that had an impact was the opposition of minority groups. It is a mistake to assume automatically that minority groups will either oppose or support government mergers.

A seventh factor that had an impact was the number of conservatives. Most people are basically conservative when it comes to the idea of changing traditional forms of government. An eighth factor that had an impact was the type of governmental structure proposed. Different types of governmental structures will affect the attitudes of community leaders differently. The ninth factor that had impact on this merger was the differences between the city and the suburbs in relation to party affiliation and the types of governmental services desired.

2.3.1.2 Facquier County School Board and the County Board of Supervisors in Virginia

Doane and Tuohy (1997) focused on the 1993 merger of the Facquier County School Board and the County Board of Supervisors. The school districts in Virginia are geographically identical to a county or city. The school boards were also fiscally dependent on the county and city.

A seven member merger committee was established to guide the merger. An administrator was hired to develop a phased implementation plan over a two-year period.

The goal of the merger was to improve cost-effectiveness by eliminating duplication and providing increased staff specialization.

The plan was completed according to schedule with the merging of building and grounds maintenance in the spring of 1995. The financial and personnel areas were consolidated in July of 1995. In essence, three departments replaced nine previous departments. The results of the merger included a small reduction in staff and expenditures and a significant increase in productivity.

Impacts on this successful merger included bureaucratic turf battles, institutional resistance and lack of support from elected officials. Between 1996 and 1997, various other departments were added to the merger. The next proposed departments to be merged included the departments in charge of data processing and the management information systems division.

2.3.1.3 Pittsburgh and Allegheny County, Pennsylvania

Ehrenhalt (1995) focused on the increasing importance of mergers. The residents of Allegheny County lived in 130 different municipalities each with their own mayor and city council. It was known as the “most fragmented governmental structure in the United States.” Pittsburgh sponsored courses and conferences on this merger topic, however, their politicians continued to try and prevent it. “Just about everybody agrees that governments must begin to consolidate, and just about every place resists the idea”

(Ehrenhalt, 1995). Ehrenhalt, however, believed that Pittsburgh's fragmented government was coming to an end, due to the fact, that the county and city of Pittsburgh were working on merging their police training programs, their delinquent-tax collection efforts, and their computerized mapping facilities.

Regionalism has had a lot of "false starts in local government." Ehrenhalt, however, believed that the regionalism discussions would increase in the mid-1990s. The assumed reasons for the increase included: various articles stressing some form of regionalism and an increase in the number of elected officials favoring regionalism.

Another reason regionalism discussions would increase was due to economics. An example given used the fact that several of Allegheny County's municipal governments were going broke and had no other clear choice. The state of Pennsylvania gave \$11.7 million to bankrupt Allegheny County municipalities. The following factors were listed as deterrents to a successful merger in at least one of Allegheny County's municipalities: history, geography, ethnicity, and corporate greed.

Ehrenhalt stated that in order for regionalism to be successful, it can't consist of troubled communities joining forces to share their problems. It would take the metropolitan areas working together to permanently plan the region's economic future. Successful mergers that were mentioned included: Charlotte, North Carolina, Minneapolis-St. Paul, and Portland, Oregon.

2.3.1.4 Research by Rybczynski and Linneman

Rybczynski and Linneman (1999) focused on the issue of regional government as a solution to the large growth in small cities and the decline of large cities. They stated that a regional government proposal is a difficult concept for most states to accept. The people who live in suburban counties most likely left the central cities to escape the problems of larger cities. The central cities may resist because they are afraid of losing their political clout if incorporated into a wealthier electorate.

Rybczynski and Linneman listed many drawbacks of a regional government. They indicated that an increase in size increases inefficiencies in regards to delivery of services. They, also, believed that regional government is less responsive to voters. They don't consider merging as a desirable option for cities. However, they stated that in certain situations there is no other viable alternative. A potential problem could be politicians who see mergers as eroding their electoral bases. Major factors in the success of merger proposals will depend on how successfully mergers deal with community services, new housing, and dislocation issues.

2.3.1.5 Des Moines and Polk County, Iowa and Cedar Rapids and Linn County, Iowa

Yepsen (2001) focused on the Des Moines and Polk County, Iowa merger proposal. Elected officials from Iowa studied the merger efforts of Louisville, Kentucky

to determine if it would be a good model for merging Des Moines and Polk County.

These areas were looking to merge due to tight budgets and a need for efficiency.

The proposal included merging the Des Moines City Council and the Polk County Board of Supervisors into a metrowide council. Yepsen stated that the proposal would fail if plans continued to hold a special election to vote on the proposal rather than a general election. A special election may require a bill in the Legislature which would result in the proposal being delayed. A general election means that the campaign would begin immediately and also have the participation of a wider electorate. A special election may also motivate special interest groups to mobilize a low turnout election. Early polls indicated that Polk County supported the proposal, however, they tended to have low voter turnout. Supporters believed that a successful merger proposal would increase with support from elected county officials. Earlier merger plans failed due to the fact that elected officials feared losing their jobs. "Courthouse officials should help to lead these parades, not try to sidetrack them."

2.3.1.6 Louisville and Jefferson County, Kentucky

McDonough (2000) focused on the local government merger of Louisville and Jefferson County, Kentucky. The study consisted of interviews with politicians and merger literature. Debate regarding the merger proposal was very intense.

An issue regarding the proposal was the redrawing of the districts within Jefferson County. The merger would also cause a change in minority representation in government.

African American leaders feared that the key purpose of the proposal was to reduce black political influence. A concern of local labor union leaders was that the merger proposal did not promise to retain the same benefits to city and county unionized workers.

Initially, no departments were involved in the merger. The merger mainly consisted of consolidating governing bodies. Future plans included merging eight departments: public works; housing and community development; emergency medical services; finance and administration; permits and inspections; technology and information services; human resources; and neighborhoods and community connections. A study conducted by local accounting firms indicated that there would be no savings in merging any of these departments. The merging of these departments would save money in some areas, however, increase costs in other areas.

Merger proponents believed that a benefit of the proposal would be an increase in the sharing of information and technology. City and county officials were in the process of researching the purchase of the same computer programs for their finance departments.

2.3.1.7 Kansas City and Wyandotte County, Kansas

Leland and Thurmaier (2000) researched the merger efforts of Kansas City, Kansas with Wyandotte County, Kansas in the 1990s. At the time, this merger was only one out of thirty-three consolidated city/county governments in the U.S. Another unique

feature of this merger was the fact that it was only one of four mergers to occur in the 1990s.

Issues that affected Kansas, at this time, included high tax rates, population loss, a decline in household incomes, political patronage, and a need for improved service provision. The citizens and representatives of Kansas decided that these issues could be addressed by having a more accountable, unified government.

Other prior attempts had previously been made to consolidate Wyandotte County and Kansas City, Kansas. In 1968, the first merger attempt was made. This attempt failed due to a lack of public support. The second attempt was made in 1987. This attempt failed because the county commission failed to empower the panel, who were commissioned to study and report on the merger, to initiate a referendum.

In 1995, a third attempt was made to consolidate. A factor in this failed attempt was due to the inability to get a clear view of the personnel situation in the county. The county did not have a modern personnel classification system which prevented the commission from recommending merging. Another factor was a need by the commission to not alienate the county officials by pointing out their shortcomings by recommending a more reformed government. Another merger attempt was expected. Leland and Thurmaier determined that a factor in its' success would be a systematic review of all programs.

2.3.1.8 St. Louis City and St. Louis County, Missouri

Schmandt, Steinbicker and Wendel (1961) studied the merger efforts of St. Louis City and St. Louis County, Missouri. St. Louis City was governed by the mayor and city council. The first merger plan of all local units of government began in 1926. This reorganization effort failed. A second merger attempt began in 1930. This reorganization effort also failed. After 1950, two more failed attempts were made to consolidate on a more moderate basis.

In November of 1959, voters of St. Louis City and St. Louis County rejected a proposed plan to consolidate all city and county governments into one municipal government. This attempt failed by an overwhelmingly majority of the residents. Factors that had an impact on the vote included: social rank, partisan activity, and political support. Schmandt et al. (1961) concluded that the last merger attempt had no chance of succeeding due to the forces against it. The majority of the political leaders were opposed to the merger. This opposition was fueled by the unresponsiveness of the residents toward this issue. The residents on average were relatively satisfied with their local government and held few service complaints. Their attitudes were revealed during a transportation survey that was conducted during the last merger attempt.

Schmandt et al. (1961) concluded that any future merger attempts would also fail. Factors that would improve the success of merger efforts included: interest by the

citizens, support of key political leaders, commitment of the economic and civic elite, and assistance from interest groups.

2.3.1.9 Nashville and Davidson County, Tennessee

Booth (1963) completed a case study of a proposal to consolidate the functions of the city of Nashville and Davidson County in Tennessee in 1958. Instead of a city council and the county court, legislative authority was to be made up of a twenty-one member metropolitan council. The proposal did not include unification of all city and county functions; however, a considerable amount of unification was expected. The proposal was endorsed by the city mayor and the county judge. Opposition to the proposal did not occur until one week prior to the vote. Opposition consisted of members of the county court, school teachers' organizations, and fire and police departments. Specifically, organizations that would have been driven out of business, if the proposal had succeeded.

The proposal was defeated with 53% of the votes against the merger. Interviews were given with eighteen members of the city council and forty-five members of the county court just prior to the referendum. The interviews concluded that the local legislators were not completely aware of the implications of the merger and most considered it to be a threat to their political futures. In addition, their income and educational levels were found to be a factor in their interest in merging.

Further research was conducted geared toward the public in order to determine the reasons for the failure of the merger since it was the public rather than the local legislators who actually defeated the proposal. A study was conducted after the vote in which 185 residents were interviewed. The top reasons for the defeat of the merger included: satisfaction with the present form of government, fear of an increase in taxes, fear of having to pay for unreceived services and dislike and suspicion of politicians.

2.3.1.10 Centre Region Council of Governments (COG) Report

The Centre Region Council of Governments (1991) was a voluntary association of local government units made up of the following municipalities: College, Ferguson, Halfmoon, Harris, and Patton Townships and State College Borough. The Centre Region COG was given the responsibility to determine the implications of merging for the Centre Region communities. Also, they were to determine if other alternatives existed for coordinating all of the local government services. This study was not intended to promote municipal mergers.

Merger discussions first began in Pennsylvania in 1986 when a workshop was held to provide elected officials with information regarding the pros and cons of municipal mergers. A white paper was written and it was decided that any further discussions of merger efforts would be postponed indefinitely. In 1989, a committee was asked to develop a plan for merging. In December of 1989, the Centre Region Council of

Governments was awarded a \$5,000,000 grant to conduct a merger study. A plan was approved in 1990 and shortly thereafter, the Centre Region COG was given the added responsibility of defining an implementation plan.

In 1987, a survey was given to the residents of Centre Region. This survey indicated that the residents were divided on their feelings regarding merging. Another survey was completed in Ferguson Township in the Fall of 1989. Both surveys indicated that residents were not for or against a merger effort.

Issues that were considered to be a factor in consolidating included: 1) fear that merger efforts would change the tax structure; 2) determining whether merging would improve the efficiency and effectiveness of providing services; 3) determining whether alternative solutions to merging could be found to provide efficient and effective services; 4) the level of access that residents feel that they have over local representatives; 5) the level of local identity that the municipality held. A municipality may not want to give up its' identity by merging with another community; 6) the number of grants and the level of political influence. Reorganized municipalities tend to secure more federal and state grants. Consolidated municipalities are able to exert a greater influence over the political process due to their increase in size; 7) the level of professionalism. Some believe that small municipalities are less qualified. Others believe that merging leads to a decrease in the quality of employees due to the increase in bureaucracy; 8) the number of gains and losses for all of the governments. No one municipality should benefit anymore than the other. This stresses the need for open discussion by everyone involved; and 9) public

opinion. Attempts are usually made to poll residents about their feelings regarding merging.

Also, included in the report were summaries of case studies that were completed on other merger efforts:

2.3.1.11 St. Mary's Borough and Benzinger Township, Pennsylvania

The Centre Region COG (1991) completed a case study on the merger proposal of St. Mary's Borough and Benzinger Township located in Elk County, Pennsylvania. The growth of the township and the decline of the Borough led to a merger discussion. A group was formed to establish a timetable for a formal merger study and implementation. The process began in 1983 and the new government was to take over in 1986. The deadlines for the merger were tightened because the proposal had to be voted on in the November 1985 election or wait until November 1988. Municipal elections only occur every other year.

It was concluded that the deadlines were one of the causes of the merger failure. Due to the tight deadlines, merger proponents were unprepared to answer questions regarding the merger. Another factor of the failure was the municipal employees. These employees went door-to-door with their opposition campaign because they thought their jobs were in jeopardy.

2.3.1.12 City of Dubois and Sandy Township, Pennsylvania

The Centre Region COG (1991) completed a case study on the merger proposal between the City of Dubois and Sandy Township that was eventually defeated by the voters. It was concluded that the merger proposal failed due to losing sight of the project's objectives. A commission was formed to address the pros and cons of merging. The commission released a report that only minimally discussed the issues and, therefore, they lost the support of the voters. The report stated that substantiation of recommendations and citizen involvement are crucial to the success of any recommendation.

2.3.1.13 East Greenville, Pennsburg and Red Hill, Pennsylvania

The Centre Region COG (1991) completed a case study on the merger proposal of East Greenville, Pennsburg and Red Hill. In the mid 1960s, there was a controversy to decide whether or not to merge all of the school districts. This controversy continued until 1970 when a full merger proposal began. A study was initiated to investigate the possibility of a merger. Shortly a year later, voters rejected the merger effort.

To determine the reasons against the merger, a voter survey was initiated. The survey revealed that the main reason the voters were against the merger was due to the fear that unknown costs would be a result of the merger. As a result of this survey, a recommendation was made that any future merger proposals include a thorough financial plan revealing current finances and finances under the merger.

2.3.1.14 Metropolitan Toronto, Canada

Kelman (2000) focused on the merger efforts of Toronto, Canada. In 1953, a new regional government was formed known as Metropolitan Toronto. Toronto's government was a two-tiered system with the new government being given much power and responsibility. The other lower tier was made up of thirteen local municipalities.

In 1967, the number of local municipalities was decreased to six cities which included Etobicoke, North York, Scarborough, Toronto, York and the Borough of East York. Throughout the 1970s and 1980s, minor adjustments were made to the structure. In the 1990s, people began to feel over-governed and unfairly taxed. In 1995, a task force was formed in response to growing concerns about the system. Shortly after the creation of the task force, an election was held that changed the political realm from the New Democratic Party to the Conservative Party. Under the new party, a single tier of government was adopted in 1998. The greatest impact of this change in structure was the downsizing of government employees due to budget pressures. Approximately 22,000 of the 46,000 government employees worked in areas in which there was a great degree of duplication. The bulk of the budget savings were achieved through staff reductions and reductions in salary and benefits. Despite the reduction in staff, the city had to continue to provide regular services.

Information technology systems were also consolidated within the new government. Each of the former municipalities had different financial and human

resources systems. Many problems were encountered in this change to one system. First, in order to rapidly implement the system, mapping of financial and human resource data was not conducted scientifically. Second, the previous system was disabled prior to the new system being fully functional.

Staffing was also an issue in this merger. All non-union employees had to apply for a position within the new government. This resulted in multiple employees from the former governments competing for one position. As a result, employees were given new positions in the private sector or given early retirement. Some employees did not receive new positions but instead were entered into separation programs. The remaining employees experienced anger, stress, lack of trust, risk avoidance, and guilt.

A study given to the residents of Toronto showed that the residents generally perceived the amalgamation to be a success. Kelman established the completion of eleven major factors that demonstrate a successful amalgamation: benefits of amalgamation reflecting in reduced costs and streamlined processes; major public services issues resolved; selected commissions and boards streamlined; major government issues resolved; the integration of key information systems; restructuring of departments; the merging of corporate policies; major human resources and labor relations issues resolved; major business processes reviewed; staff relocated; and development of a positive new organizational culture and shared vision. The Mayor of the new government indicated that “no other municipal government in our country has ever undergone an evolution of this nature.”

2.3.1.15 The Twin Cities of Minneapolis and Saint Paul, Minnesota

Baldinger (1971) studied the merger efforts of the Twin Cities of Minneapolis and Saint Paul, Minnesota. The Twin Cities were able to enact a successful variation of the typical merger proposal. Minnesota was known for having one of the most honest political systems in the nation, with a great degree of citizen participation. Election turnouts were always very high. Minneapolis had a very weak mayor-council form of government. The mayor possessed very little formal power. The city council had control of the budget. Attempts to change this structure have been rejected repeatedly by the voters. Saint Paul had a government made up of seven commissioners and the mayor. The mayor had very little power but more than the Minneapolis mayor. The city council also held little power. The comptroller handled the budget based on recommendations by the commissioners.

In 1967, Minnesota had one of the most highly fragmented systems of government with 2,754 elected units of government. A commission was established to study the state laws concerning merging and annexation in order to provide a more orderly growth. A report was developed in 1959 that found the present laws inadequate. They recommended that another commission be established to change existing laws and to study the problems created by increased urbanization in order to provide more orderly growth and much needed services. A commission was established in 1959 with the added responsibility of further studying the state's laws on mergers and annexation.

Also, in 1959, an emergency meeting was called with the mayors of the Twin Cities to discuss a survey that showed serious contamination of ground water. In 1960, an elected official proposed the need to develop a multi-purpose agency to deal with the water and sewer problems in addition to creating a governmental mechanism to deal with other functions. In 1961, the governor initiated a conference to deal with metropolitan issues. Discussions of these issues continued for the next few years. In 1967, a Metropolitan Council was created to deal with these issues. The Metropolitan Council was a hybrid unit of government possessing a myriad of powers which enabled it to coordinate and control the growth taking place in the area.

The lessons learned from this experience include: 1) planning is integral to the political process; 2) participation of the public and leadership is integral; 2) metropolitan government should not be seen as another level of government to be considered a threat but rather an equal extension of government. Baldinger (1971) concluded that with enough desire and will to act that reorganization objections can be overcome.

2.3.1.16 El Paso, Texas

Gonzalez (2000) focused on the merger efforts of city-county governments within El Paso, Texas. The following were listed as indicators of an effective merger: citizen participation, the introduction of objectivity into the process, and a voice for public-sector employees. Potential solutions that would support these indicators included: 1) the development of sophisticated pre-assessment techniques; 2) an independent facilitator; 3)

inclusive representation on merger committees and decision-making groups; 4) the opening of lines of communication; and 5) a quantitative analysis as to the costs and benefits.

The majority of El Pasoans believed that merging would be a success. However, the employees believed that many public employee benefits would be eliminated; therefore, they were not optimistic about the expected benefits. County Commissioner Charles Hooten was pessimistic about the merger because he believed that a new government would create a huge bureaucratic system which would become unmanageable and inefficient.

Initially two attempts were made to analyze merging. These attempts failed due to the following: 1) failure to include all key stakeholders in the surveys or committee process; 2) a cost-benefit analysis was recommended; and 3) the recommendations of the studies weren't implemented as a result of longstanding political divisions.

Due to the inaction of previous merger analyses, the topic was avoided until 1988. Problems that were encountered during the pre-assessment phase included: 1) they confused need assessment techniques with strategic planning methods; and 2) the committee was made up of politicians and advocates of merging; opponents, public employees and citizens were left out.

Other merger efforts were studied throughout the nation in order to do a better assessment of El Paso. Many different problems were found that plague merger efforts.

It was discovered that governments typically function in accordance with the goals of the political decision-makers. These decision-makers typically react from areas of self-interest and personal gain. This increases the complexity of successfully implementing a strategic plan. The lack of any political cohesion and a strategic plan hampered El Paso's merger efforts.

Many theories exist as to the reasons why merger efforts have not succeeded in El Paso. The most common theory is that city officials fear that the county will strip the city and the city council of its autonomy and the county representatives fear a merger will decrease their representative power. Each side fears losing some of their political power. Another theory is that pre-assessment committees lack the ability to deal with each issue. An additional theory is that the policy-makers are unwilling to invest in mergers and all of its' benefits.

The major stakeholders in this merger included the following: the citizens of the County of El Paso, the employees of the city-county governments, and the influential politicians. These stakeholders should be taken into consideration. The citizens of El Paso will be the beneficiaries of both positive and negative consequences of a merger. The public employees will be required to provide services to an ever-growing population that requires a vast array of services. Also, as a result of merging, functions that appear to be redundant are reduced; therefore, employees may still be required to provide services without the previous workforce.

Recommendations were given in order to successfully complete any endeavor: 1) consensus among key stakeholders; 2) inclusion and active participation of all key stakeholders; and 3) the delicate management and implementation of a strategic planning process.

2.3.1.17 Athens and Clarke County, Georgia

Durning and Nobbie (2000) focused on the unification of the city of Athens and Clarke County, Georgia in January of 1991. City and county government employees were asked prior to unification about their opinions about its' expected impacts. After unification in 1992 and 1993, they were asked to explain the actual impacts. Initially the employees were very optimistic, however, in the second survey, they believed that the unification had no positive benefits. Their negative feelings were due to the turmoil they had experienced in moving to a consolidated government.

Another survey was administered in 1997 after the process was completely finished. This survey showed that the employees were more optimistic than in the second survey, however, they were not quite as optimistic as in the initial survey prior to unification. This article focused on the results of the survey from 1997 and compared the employee attitudes from the 1997 survey to the previous surveys.

Although the percentage of employees who had a negative view of the unification had decreased in the 1997 survey, a large majority still felt that the unification had an

negative impact on them, their departments and the government. One explanation for the negative views of the employees is due to the stress that they experienced during the four-year transition. Durning and Nobbie (2000) concluded that “employees who are in the midst of change beyond their control may be unable to examine and reflect on the process itself but instead experience it from a very personal point of view. Their attitudes toward unification are likely influenced by the trauma of changing daily routines, office procedures, officemates and bosses, and the perceived real threats to pay, advancement, and benefits.”

Issues that impacted the merger transition included the difficulty experienced when integrating the two personnel systems in a way that was satisfactory to the employees and the difficulty with merging particular departments, for example, the city and county police departments. Another factor was the cultural differences between the city and county governments. Two other issues that reflected upon the transition was the dissatisfaction by employees in regards to their pay and opportunities for advancement. Two factors mentioned by employees were the inability of human beings to accept change and an underestimation of the amount of time it would take.

2.3.1.18 Louisville and Jefferson County, Tennessee

Ehrenhalt (2001) focused on the merger proposal of Louisville and Jefferson County, Tennessee. In 2000, voters approved a proposal to merge Louisville and Jefferson County. Until the passage of this proposal, the last major American city to

successfully consolidate was in 1968 involving Jacksonville, Florida. Louisville had two unsuccessful merger attempts in 1982 and 1983.

The reason for this failure included in exhaustive detail all of the services that would merge. They stressed the benefits of a combined police department to the point that police officers in every jurisdiction feared losing their jobs and, therefore, opposed the merger. The plan for this proposal was to limit the amount of detail about the merger proposal. Critics complained about this strategy, however, the proposal passed by 54%.

2.3.1.19 Athens and Clarke County, Georgia

Durning (1995) concentrated on the data collected from surveying employees of the city of Athens and Clarke County, Georgia. Data was collected over three years to determine employees' perceptions of the city-county merger. As of January 1991, these employees moved from working for separate city and county governments to a merged government.

Prior to unification, questionnaires were mailed to a large sample of city and county employees, and "informed citizens." The "informed citizens" group included volunteers for a committee focusing on issues related to merging. The first questionnaire focused on the respondents' view of how unification affects local government. A second questionnaire was mailed in June of 1992 which focused on the respondents' view of the impacts of merging eighteen months after it had been implemented. A third questionnaire

was mailed out in July of 1993 to the 1991 and 1992 respondents plus others who had not previously been surveyed.

Prior to the unification, forty percent of the employees supported the unification. In the 1992 and 1993 surveys, one of the questions asked employees about dissolving the unification and returning to separate governments. In 1992, approximately 64 percent said that they would dissolve the unification. In 1993, approximately 70 percent said that they would dissolve the unification.

Overall in 1991, the majority of employees felt little fear that they would lose their jobs due to the unification. They also believed that it would lead to some improvements in government operations. In the 1992 and 1993 surveys, the employees had much more negative views. They judged the merged government as being less efficient, effective, and responsive. There was agreement amongst the majority of employees that the unification had lowered morale. They did, however, still feel little fear of losing their jobs. The employees indicated that the unification had fallen below their expectations.

Durning (1995) concluded that a case can be made that the employees' negative view of the unification is a result of unification transition rather than the unified government itself. Effective implementation was found to be critical to the success of a merger.

2.3.1.20 Athens and Clarke County, Georgia

Selden and Campbell (2000) focused on the government merger proposal of the city of Athens and Clarke County, Georgia. Their first year of unification began in 1992. Per the merger process, the unified government consisted of 17 new departmental entities. The merging of the city and county departments caused changes to their organizational structures, leadership, missions, and operating procedures. Prior to the merger, cooperation between the city and county had been limited; therefore, many decisions had to be made. The most significant decisions that would impact the success of the merger involved the budget and budgetary process, service delivery and personnel. To help with these decisions, a unification commission was created.

In regards to personnel, the unified government guaranteed that all full-time city and county employees would become employees of the unified government. The unified government was prevented from firing or laying off employees when they were no longer needed. The only way they could reduce duplication was through attrition, reassignment, and/or reorganization. The employees were also promised that they would not experience any decrease in compensation, including salary, insurance, and retirement benefits, annual and sick leave, and rights provided by a merit system. Another promise included that all employees who were performing the same functions and responsibilities would receive uniform compensation by the end of the fourth year. These promises were not easy to keep due to the fact that the city and county had operated different personnel systems and

salary structures. Major projects of the merger included resolving technical incompatibilities between the city and county, establishing a microcomputer network, and addressing inequitable salaries of prior city and county employees.

This research supports the conclusions that important factors in establishing a more efficient governmental entity depends largely on the design of the new government and the policy and management decisions of its' elected officials. This research also supports the fact that merged governments cannot be accomplished without incurring some costs. Some of these costs include non-monetary costs.

Despite the provisions to protect prior full-time employees, employees were very discontent throughout the government. Employee concerns included job transfers, salary differences, and a new organizational structure. During the initial phase of the merger, the perception that the elected officials were unconcerned about employee conditions seemed to increase their concerns and aggravate their discontent. Lessons learned from this merger include the need to involve city and county management staff in critical policy and management issues, the importance of informing the staff regarding the status of the merger and the importance of considering the costs of each and every decision.

2.3.1.21 Barcelona, Greater Copenhagen Council, Indianapolis and Marion County, Indiana, the Twin Cities Metropolitan Council, Greater London Council, Montreal, Tokyo, and Toronto

Sharpe (1995) reviewed case studies of various consolidated governments (Barcelona, Greater Copenhagen Council, Indianapolis and Marion County, Indiana, the Twin Cities Metropolitan Council, Greater London Council, Montreal, Tokyo, and Toronto) in order to determine the reasons for the collapse of many metropolitan governments in the mid-1980s. Several inherent problems were found to exist within metropolitan governments. First, a metropolitan government will always be in the middle of two hostile forces. Second, a major problem is trying to determine where the new boundaries should be drawn. Third, hostility will tend to develop from the existing system of local government. In conclusion, it was determined that metropolitan governments will never be easy to initiate and will not face an easy future once in place. It is normal for currently successful metropolitan governments to eventually fail, and new metropolitan governments to fail miserably at their emergence.

2.3.1.22 Lexington and Fayette County, Kentucky

Lyons (1977) focused on the merger proposal of Lexington and Fayette County, Kentucky. In 1972, the voters of Lexington and Fayette County voted to consolidate their

local governments into a single “urban county government.” Lyons concluded that a number of situational factors were responsible for the success of the merger. The two major factors included: the threat of annexation and the first-class city threat. It allowed the proponents of merging to convince black voters that only by choosing to merge would they get district representation. Also, the unusual boundary between the city and county made it easy to prove the concepts of waste and inefficiency.

Despite the situational factors in Lexington, Lexington was comparable to other merger studies in that their unique situational factors provided a means for voters to link merger issues with rather specific goals that could not otherwise be reached under the status quo. Although the merger was approved in 1972, it was not implemented until 1974 due to the fact that the law prevented any comprehensive plan from becoming effective until the term of the county judge had expired. This delay of thirteen months ended up not being enough in order to work out all of the details of the merger. A task force was established to develop plans for making the transition.

Many important lessons may be learned from this merger. First, it will take from two to three years to complete the transition. Second, a change over to a single-member district system of representation can produce a change in the decision-making process. Conflicts over public policy questions may increase which will result in delays in making decisions. Third, a government merger tends to result in ambivalence among the residents. Citizens are not willing to pay the price for conflict and delays in the decision-making process. Fourth, a new system of government tends to create a new set of

demands and expectations among individual and groups in the community. Elected officials may find that the number of requests from individuals and government administrators will increase.

Given the above difficulties by the Lexington government, a petition to dismiss the merger and return to the old system of separate city and county governments began a few months after implementation of the new government. More than 9500 signatures were filed and only 6,102 were needed in order to demerger. However, over 4000 signatures were thrown out because they were unreadable, those of unregistered voters, or duplicates of signatures.

2.3.2 Analysis

There are two phases of issues that impact local government mergers: 1) issues that impact the merger proposal before it has been voted on; and 2) issues that impact the merger effort after the voters have favorably decided to implement the process in some form.

Feiock and Carr (2000) stated that a successful merger is a two-step process. The first step is to get the proposal on the public agenda. The second step involves the decision regarding whether or not to adopt the proposal.

Step One:

There are many issues that impact a merger proposal. Review of the above merger efforts found that the issues having the most impact are: 1) Fear of changing the current system; 2) Lack of support of elected officials; 3) Lack of public support; and 4) Lack of support of the business community and/or special interest groups.

2.3.2.1 Fear of Changing the Current System

Opponents of mergers are against such proposals because they fear changing the current system. Residents may believe that mergers will lead to higher taxes, inefficiency, and less responsiveness to voters. They believe that an increase in size will make it more difficult for the local government to provide adequate delivery of services. Residents and elected officials oppose mergers simply because they are satisfied with the current system and they are unsure about the changes that mergers will create. They believe that there are many unknown costs associated with mergers and less risk of those unknown costs when staying with their current form of government. “Regional government would be more remote from – hence less responsible to – the voters, resulting in more corruption and inefficiency” (Rybczynski & Linneman, 1999).

2.3.2.2 Lack of Support of Elected Officials

“Perhaps the greatest lesson to be drawn from the Lexington experience up to this point is that, regardless of how the enabling legislation is drawn, it is very difficult for the

proponents of city-county consolidation to initiate consolidation efforts without at least a modicum of support from local political incumbents” (Lyons, 1977). Elected officials oppose merging because they fear changes in their political structure. Many residents believe that elected officials are looking out for their own self-interests and not which process is best for their constituents. Elected officials fear that merging will result in a loss of their jobs or a loss of some of their political power. “Courthouse types killed earlier merger plans because they fear someone would put them out of a job” (Yepsen, 2001).

2.3.2.3 Lack of Public Support

Lack of public support results in the failure of many merger proposals. Merger proposals are typically voted on before they are initiated. Proposals that have no public support will fail during the election (Feiock and Carr, 2000). Public support relies on communicating with the public on issues such as the impacts of merging on housing and community services. Failure of the local government to answer these questions adequately will result in opposition of the merger proposal from the residents. In order to increase public support of merging, they also must be included in the proposal process.

2.3.2.4 Lack of Support of the Business Community and/or Special Interest Groups

Support of the business community and/or special interest groups is crucial to merger proposals. For example, merger proposals can be blocked by labor unions who fear that union interests would not be well-represented under a consolidated government. “Despite wide public support, these relatively small interest groups were able to control the ballot box” (Yepsen, 2001).

Step Two:

The above issues prevent the merger process from proceeding on to the next phase. There are many issues that impact the merger effort after the voters have favorably decided to implement the process in some form. Review of the above merger efforts found that the issues having the most impact are: 1) Lack of support from elected officials; 2) Lack of support from employees; 3) Lack of internal integration; 4) Failure to include stakeholders in the process; and 5) Lack of strategic planning.

2.3.2.5 Lack of Support from Elected Officials

Once voters decide to consolidate, it is very important to have support from the elected officials. The elected officials make a lot of major decisions in regards to implementing the initial merger process. Elected officials who do not support the merger may not make decisions that will help to improve the success of the merger. Elected officials who did not support the merger proposal may want the new consolidated

government to fail. It is also crucial that elected officials support employees through the many changes that they will have to face. “Politicians come and go, yet leave lasting effects on organizations”(Bruhn, 2001).

2.3.2.6 Lack of Support from Employees

It is crucial for employees to support the merger process. “Your people, not you, ultimately decide whether your change initiative will succeed or fail” (Buchanan & Connor, 2001). Employees will typically not support the merger if they will be negatively impacted by merger decisions. Merger decisions can affect employees in many ways. To name just a few, employees may fear threats to their jobs, salaries, and benefits. It is important for leaders to not only acknowledge impacts on employees but recall these impacts when they make merger decisions. “Left unattended, the impacts of change reduce employee and organizational productivity, contribute to burnout, negatively impact the quality of products and services, damage customer relations and reduce employee morale” (Bennett, 2001).

2.3.2.7 Lack of Internal Integration

Consolidated governments include various departments and agencies. One step in the merger process is to integrate the separate local governments, in addition to, the departments and agencies. Integration steps may include creating a shared vision,

developing compatible systems, and fostering communication and sharing of information among department heads. “People in one function rarely know in any detail how the people in other functions do their work” (Buchanan & Connor, 2001).

2.3.2.8 Failure to Include Stakeholders in the Process

It is important to include all stakeholders in the process. Merger processes must have employee and citizen participation. Inclusion allows leaders an opportunity to communicate with employees and citizens and, also, receive feedback from them. “. . . when any policy initiative is attempted, careful consideration must be given to the political and economic realities which create conflicts among the stakeholders and in the community at large” (Gonzalez, 2000). Employees, especially, are expected to make the merger succeed; however, they typically have no voice in the process. “If they have been totally informed and they can perceive that changes will be beneficial for them, they will act and react in a positive fashion” (Nauert, 2000).

2.3.2.9 Lack of Strategic Planning

Strategic planning is an important step in the merger process. Strategic planning is a management tool used to help an organization do a better job, to focus, to ensure that members of the organization are working toward the same goals, and to assess and adjust the organization's direction in response to a changing environment. Strategic planning helps to guide the entire merger process. Delays in decision-making can derail the

implementation of the new consolidated government. Strategic planning not only helps to reach the goal of a consolidated government, but it also helps citizens and employees to be continually aware of the process along each and every step. Lack of planning is a common aspect of many mergers. One specific planning issue is an underestimation of the amount of time it will take to implement the consolidated government.

2.4 IT Merger within Business Firms

There were many mergers in the high-tech industry during 1997. A study by Broadview Associates found that global merger and acquisition activity increased in all major-high tech companies in 1997. U.S. companies made up to 66% of those merging. One reason for the large number of mergers may be the increase in public technology companies (Hausman, 1998).

The biggest year for IT mergers was in 1995. There were 684 mergers during the first six months of 1995. Reasons for IT mergers include increasing earnings (61%) and increasing revenue (51%). Broadview's study included interviews with 150 senior executives at U.S. IT firms. Other reasons to pursue mergers included: leadership in existing market (46%), presence in converging market (35%), increase productivity (33%), acquire distribution channels (29%), U.S. expansion (18%), acquire new technology (17%), international expansion (17%), respond to competitor (11%), obtain management skills (7%), and eliminate competitor (7%) ("Info Tech companies," 1995).

Broadview Associates estimate that 72% of IT companies will experience mergers this year. IT companies are merging in order to expand into a new technology. These companies are looking to not only buy a product, but also to buy a customer base. About 70% of the companies surveyed by Broadview plan to seek mergers in 1997 (Higgins, 1997).

Below is a summary of studies and research completed on consolidating IT areas within business firms.

2.4.1 Case Studies/Research

2.4.1.1 Research by Ranft and Lord

Ranft and Lord (2000) focused on firms classified as “high-technology” in the Securities Data Corporation Worldwide Mergers and Acquisitions database. Phone calls were made to key managers to describe the project and to secure participation. The survey was then sent via mail to the primary contact person and to a senior manager in the firm. The final sample included 89 cases.

The following conclusions made during this research were drawn from studying literature. Most high-tech acquisitions in the 1990s were a result of a desire to enhance a firm’s technological capabilities which are based in a firms’ individual and human capital. Cisco Systems, Inc. acquired over thirty technology companies between 1994 and 1997. Literature indicates that many acquisitions do not succeed in achieving the stated objectives. The primary reason for this is the problems associated with post-

acquisition implementation. Acquisition implementation problems occur as a result of clashes between organizational cultures and as a result of a loss of key executives in the acquired firm. An important determinant of post-acquisition performance is a loss of the knowledge and skills of a firm's top managers. Not all employees are critical to a firm's knowledge base. Key employees are considered to be those that possess individual expertise about a particular technology.

The survey revealed the following results. First, many acquisitions occur with the objective of acquiring knowledge-based technologies and capabilities. Second, retaining key employees is critical in order to transfer the knowledge-base. Third, in order to keep employees organizations must: 1) grant their employees a greater status by increasing their responsibilities; 2) show commitment to the acquisition; and 3) grant autonomy to the acquired firm.

An important result of the study revealed that financial incentives do not significantly affect the retention of key employees. Socially-oriented issues are more important to employees rather than economically-related issues. "Finally, from the perspective of management practice, this study may provide managers with some direction for where to focus their efforts and expend their resources in order to retain valuable human capital when they acquire other knowledge-intensive organizations."

2.4.1.2 Research by Panko

Panko (1999) concluded that most companies do not have a good track record in regards to merging. A study by Conning & Co. found that mergers increased in 1998. The study reported the merging efforts of 432 companies in 1997 and 565 companies in 1998. Another study, the Towers Perrin study, polled 150 mergers and found that companies were better off before the merger than after the merger. A report by A.M. Best analysts found that 60% to 70% of mergers were considered failures.

According to a Forbes 500 study of chief financial officers, the two main reasons for merger failure are incompatible cultures and an inability to manage in order to reach targeted goals. These companies were unable to forecast foreseeable events such as labor relations' problems, the need for technology investment, clashing management styles, paying too high of a price for the acquired company, and forcing together incompatible marketing systems.

An executive from Arthur Andersen's insurance and health-care practice indicated that the main reason companies experience merger failure is the inability of management to explain the reasons for the merger and the results they expect to their employees. Management fails to bring their IT staff into the implementation process and they consistently underestimate costs of technology.

Companies typically have differing philosophies regarding approaches to successful mergers. Liberty Mutual Group in Boston stated that importance should be placed on maintaining distinct identities. The Lincoln Financial Group stressed the

importance of having a manager at the acquired company's location to supervise the integration.

Another executive from Arthur Andersen's indicated that a successful merger has to begin before the closing of the merger. An assessment should be completed of the business functions and the information technology fit. Then a successful merger should proceed through a two-phased approach. In the due-diligence phase, management must decide what is to be accomplished and how to approach the process. In the study phase, management should assess the situation and design a plan of action. The plan of action should include involving the important players. He recited a situation where an IT staff were not brought in on the merger process and management later found out that the cost of rebuilding the information system was more than the cost of the original system. IT staff should be involved early on in the process. Other important players include interested outside parties.

2.4.1.3 Study by Forrester Research

Forrester Research surveyed 33 chief information officers at companies who have experienced mergers. One of their analysts concluded that an important factor in merger success is time. IT platforms and strategies should be merged or integrated quickly. Quick IT decisions typically decrease the pain for customers, lessen long-range IT employee morale problems, and also maximize cost savings. Speed has been found to be

an especially crucial factor in companies who are extremely dependant on IT for the delivery of services (McGee, 1997).

2.4.1.4 Research on bank mergers

This research focused on the failure of bank mergers in the U.S. Despite the increasing number of mergers, mergers aren't delivering their required benefits. A study by the U.S. Federal Reserve concluded that only 17% of bank mergers resulted in positive returns. This article concluded that bank mergers fail due to: 1) the difficulties in integrating IT systems. Successful mergers commonly build in their IT capabilities at the beginning of the merger process. 2) the inability to capitalize on the strengths of each organization. The value of a company is measured not only in deposits and customers, but also from their knowledge base and best practices. 3) the failure to acknowledge the impact of the merger on employees. Many employees decide to leave the organization as a result of the merger, taking their knowledge and experience with them as they go. The Wells Fargo-Norwest merger prevented employee turnover by offering stock options, retraining, and referrals to assist employees in finding other positions within the bank (Bank marriages, 2000).

2.4.1.5 Research by Stylianou and Jeffries

Stylianou and Jeffries (1996) focused on the relationships between Information Systems (IS) integration success and issues that impact the merger process. Much can be

learned from the problems that impact mergers and acquisitions. “From top to bottom, corporations depend on their information systems (IS) departments to provide timely and accurate information, yet IS and the IS area tend to be ignored in the merger/acquisition planning process.” In order to increase the successfulness of a merger/acquisition: 1) IS fit should be determined prior to the merger/acquisition and 2) IS professionals should be involved in the process so that any IS-related issues can be determined early.

A study conducted by the American Management Association identified that: 1) two-thirds of the companies studied indicated that they had inadequate information in order to make decisions regarding IS issues. Half of the respondents indicated that IS-related information was not available because no one even considered asking for it.

Factors that prevent the successful integration of IS systems during the merger process are: 1) IS personnel are not included in the planning process; 2) IS planning occurs after the merger has completed which causes delay; 3) the new organization must deal with cultural differences, workload, morale and varying technical skills; and 4) technological issues such as compatibility and redundancy of hardware and software must be resolved.

The respondents for this survey focused on Chief Information Officers (CIO) from companies that have participated in corporate mergers from 1989 to 1991. The respondents indicated that the reasons that they favored merging are to: grow in size and strength; increase market share; and expand geographical territories. They also indicated

that issues that impact a successful IS integration are: 1) participation of IS personnel in merger planning; 2) quality of merger planning; 3) criteria used for setting IS integration priorities; 4) high level of sharing of data. Deterrents that impact a successful IS integration include: 1) personnel changes; and 2) programming language incompatibilities.

2.4.1.6 New Hay Study

A study by Hay Group Inc. concluded that company executives believe that not having a leadership, culture, and placement plan for key employees are factors in 50 to 70% of mergers that occur. Hays, a leading consulting firm, surveyed 60 companies such as Microsoft, IBM, Information Technology Solutions, Cisco Systems, Sun Microsystems and American Online. These companies were asked how well they had addressed people issues before and after a merger. They reported that they weren't adequately prepared in the areas of determining cultural fit, communicating the reason behind the merger, and establishing an ongoing "people strategy" (Weekly Corporate Growth Report, 1999).

2.4.1.7 Research by Inkpen and Sundaram, Rockwood

Inkpen and Sundaram (2000) focused on non-U.S. acquisitions of technology-based companies from the United States. Their research concluded that organizational and governance issues are critical in determining the success or failure of mergers and acquisitions. Their study focused on both of these issues. The study revealed that the

main reasons for acquisition failure are differences in management styles and inadequate planning for post-acquisition integration.

The SDC Mergers & Acquisitions database was used for this research. The final sample focused on six case studies of Silicon Valley-type firms acquired by non-U.S. firms. The integration process of Cisco Systems was used as a benchmark.

Following is a summary of the findings. First, acquisition of technology companies in Silicon Valley are as a result of a need to obtain new technology and obtain existing customer relationships. Factors that impact a successful post-merger integration included: speed of integrating and making decisions, the communication styles and vision of the acquiring company, the level of networking and socialization, and the employees sense of knowing who is in charge.

In reference to these issues, it is important to merge as quickly as possible, especially if technology issues are involved. Communication ensures that employees understand the objectives of the acquisition. “The most immediate downside of a failure to communicate expectation and an atmosphere of uncertainty is that employees will leave.” Trust is tied to performance and reputation. There is sometimes confusion as to who is responsible for the acquisition and integration.

2.4.1.8 Research by Agami

Agami (2001) concluded that the reasons for the significant increase in cross-border mergers among businesses are due to: an increase in competition, growth in global markets, and rapid changes in technology.

There are many issues that will minimize merger failures. First, cultural clashes should be expected as the employees of the merging companies begin working together. Second, employees should be informed about the impacts of the merger on them. “Because the level of anxiety and fear of employees for their job security as a result of the merger is high, the CEO has to be prepared to address this issue up front and in a convincing way.” Third, management must decide which employees will remain and which will be let go. “Some of the recent years’ mergers have delayed this decision and ended up with two CEO’s competing for power and spending their time and efforts trying to consolidate power rather than running the company.” Some mergers result in a board too large to manage effectively. Fourth, the CEO must have a vision for the company after the merger. Fifth, a strategic plan should be devised in great detail. Sixth, shareholders should be persuaded that the merger is justified.

Many merger proposals have failed. For example, the acquisition of Wordperfect by Novell. The merger ended with Novell selling Wordperfect to Corel two years later. An example was given of an unnamed actual merger case. The two companies exceeded expectations by developing an integration plan and by proving the value of the merger to their shareholders.

2.4.1.9 Research by McKay and Qureshi

McKay and Qureshi (2001) concluded that human resource issues have a great impact on the successfulness of a merger. Numerous studies concluded that people problems are high on the list of issues that cause the failure of acquisitions and mergers. The main difference between companies that implement successful acquisitions such as Microsoft and Cisco Systems, Inc. and those who don't include the fact that these companies evaluate the people and numbers issues concurrently. Those who don't successfully handle acquisitions consider the end of the process to be the closing date of the deal.

Deals can be divided into three phases: Targeting, Transaction and Integration. The transaction phase focuses on developing a written agreement. The integration phase involves executing the deal and obtaining all necessary approvals. The targeting phase involves planning the deal. A successful acquisition requires both the transaction and integration phases. Unsuccessful deals involve poor implementation of either one or both of these phases. In regards to the transaction phase, the acquirer focuses on completing the deal. People issues and synergy goals aren't discussed until after the deal is signed. In regards to the integration phase, not enough emphasis is placed on this phase. Few resources are allocated to this phase and lower skilled staff are assigned to it.

To improve success, a third phase should be included: the due diligence phase. The focus of this phase is to assess the key people and organizational issues. Key people

to use during this phase are from Human Resources. An example given was of a high-tech firm whose value was embedded in the knowledge of its' people. Human Resources can be helpful because they can give strategic advice about people issues regarding key employees and the acquired organization's skills and talent. Human Resources can also be instrumental in motivating employees by establishing a communication campaign. Human Resources can help to identify the best people to lead the transition and integration phases.

2.4.1.10 GMAC Commercial Mortgage Study

Quinn (1998) concluded that technology is an important factor of bank mergers. Merging companies cite the inability to smoothly merge different platforms and other communication systems to be factors in the merging companies ability to meet earnings targets and expense reductions. GMAC Commercial Mortgage has achieved success in mergers due to their extensive use of Internet and intranet technologies and their scalable networking architecture. Their intranet system was the backbone of all of their internal and external communications. Originally, a major problem for them with acquired companies was in regards to network problems. They discovered the importance of being constantly vigilant in the area of technology.

2.4.1.11 Research by Howell

Howell (1994) focused on the information technology revolution in the U.S. Corporate leaders indicated that the issues that impact the failure of mergers in the IT industry are: antitrust concerns and government-ordered cuts in cable-television charges. These delays can offer the time needed to research the impact of new technologies and services. Once large corporations begin to merge, it will be too late to go back. The following steps are not being taken before developing IT systems: 1) social and behavioral consequences aren't being considered; and 2) experts like social and behavioral scientists, aren't being consulted about these consequences.

2.4.1.12 Research by Weiss

Weiss (1998) concluded that employee duplication is a part of every IT acquisition. It is important to consider which key employees will be retained. The next step is to minimize the trauma that they feel with the acquisition by facing the organizational and cultural changes. In addition, employment contracts and agreements must be developed. Contracts and agreements as to non-compete clauses and confidentiality agreements. A technical and product transition plan should be developed in order to develop a list of goals, uncover deficiencies and to ensure a smooth transition after an acquisition has closed.

2.4.1.13 Research by Panko

An executive from an IT systems provider stated that the glue that holds together a merger is information technology. The integration time of a merger can be cut in half if IT systems are integrated prior to the merger. A new application should be built which will cut down on internal fighting and each company involved in the merger will have an opportunity to share their methods and technology (Panko, 1999).

2.4.1.14 Grieveson Grant and Kleinwort Benson Merger

Webb (1998) focused on the Grieveson Grant and Kleinwort Benson merger. Evidence exists that proves that one of the last items that a company considers before merging is IT. The following question was considered: Should a company merge their information technology?

An answer to this question was given using a brokerage firm, Grieveson Grant, which was taken over by Kleinwort Benson. Neither company had given much thought to the fact that they had different systems that would need to be integrated. They experienced problems for a long time over the fact that Grieveson's systems did not fit well within Kleinwort.

An executive from Blue Consulting concluded that companies see a merger as a chance to improve their IT skills; however, they don't equate all of the additional costs such as system incompatibilities. A consultant from IBM Capital Markets stressed the

need for consultation regarding the IT strategy early in the merger process. Other issues that impact merger failure are turf wars, arrogance, and shortsightedness.

2.4.1.15 Research by Willsmore

Willsmore (1999) researched IT mergers. An IBM executive stressed the need to include IT in pre-merger negotiations. Approximately 70% of mergers fail to deliver cost savings. About 50% of those mergers end in divorce. Merger success can be increased by being aware of the consequences of the merger in regards to the combined IT infrastructure and also by preparing adequately for the integration. Corporations that include IT as a priority in pre-merger negotiations tend to receive more benefits from the merger. However, merging companies tend to leave IT decisions out of their negotiations.

Issues that impact merger failures extend from IT issues to cultural differences. Awareness of these issues is a solution to overcoming these issues. Companies typically concentrate so intently on other driving factors of the merger that they fail to include IT management in the planning process. Phases of the merger lifecycle include: due diligence, merger planning, implementation, and post-merger projects. During the due diligence phase, it is important to ensure that technology will meet business objectives. During the pre-merger planning phase, employees are the focus. Keeping employees informed of the merger process is crucial in addition to establishing priorities for business

products and IT processes. During the implementation phase, it is important to implement the integration projects that have been defined.

A critical factor in merger success is the ability to be prepared. This includes focusing on IT and identifying integration challenges early in the process. A successful merger includes: fully understanding the challenges, focusing on IT issues, forming a dedicated team, establishing a project office to track progress, executing with speed and ensuring continuous improvement after integration.

2.41.16 Research by Popovich

Popovich (2001) concluded that mergers fail due to problems experienced during the implementation stage. One of the critical areas of mergers is the implementation of IT. The IT M&A Critical Success Factor Model is a model that enables IT organizations to benchmark their implementation performance, learn from other organizations, and to enhance performance overall.

IT is involved within various departments throughout the organization. IT functions play a large factor in the ability of these departments to succeed. A variety of IT mergers were researched and this research revealed that IT problems can cause organizations to fail. In order to ease the merger process, IT personnel need to be involved in the merger at the beginning stages. IT personnel should help to develop a strategic plan, devise a plan to consolidate and retire IT systems, and help to develop an integration approach that fits the company's business strategies.

Other factors that were found to make a merger easier is to include people on the staff who have been through the merger process before, to develop a proven methodology for integrating, and to implement a contingency plan when problems occur. Another factor is in relation to speed. IT integration should occur quickly. Also, company culture plays a factor. IT staff should be retained in order to support critical business systems. Communication is also key to implementation success which then affects merger success. Employees should be informed of the aspects of the merger, they should be given the opportunity to express their feelings, and the vision of the company's future should be stressed. Another important factor is not neglecting day-to-day operations during implementation of the integration. The establishment of email and intranet operations is crucial.

IT readiness plays a large part in the successfulness of mergers. IT functions must be in place when a merger is implemented. Factors that play key roles in making sure that IT is well-prepared for the merger are a well-integrated merger structure, proper organization and the proper methodologies. In addition, experienced staff in the merger process using well-proven methods that have worked in other mergers will also have an impact.

2.4.1.17 Study by PricewaterhouseCoopers

MacMillan (2000) focused on a study by PricewaterhouseCoopers (PwC). This study revealed that the biggest obstacle to a successful merger is the failure to successfully integrate IT systems. Three-quarters of the respondents reported problems with integrating their IT systems which, in turn, cause lost revenues. This is of concern considering the fact that 1997 has seen the largest number of mergers in history. The greatest reason for merging is to acquire skilled IT workers. The best approach to successfully integrate these IT systems is to move as quickly as possible and plan.

2.4.1.18 Research by Kohlers and Kohers

The results show that even though the initial market reaction to high-tech mergers is favorable, these mergers tend to under perform in the three-year period following the merger. These findings suggest that the market expects too much from high-tech mergers involving companies with who possess currently high market valuations (Kohlers & Kohers, 2001).

2.4.1.19 Grant Thornton Business Owners Council Survey

Clark (2001) focused on the data collected from the “Grant Thornton Business Owners Council Survey.” The survey polled 750 small and mid-size U.S. companies and nearly half of all executives polled expected their businesses to experience a domestic merger at some point within a three-year period.

The executives who believed that their companies would experience a merger were asked why they believe that mergers fail. Sixty-five percent said the reason for failure is due to poor integration strategies, 62% said the departure of key employees, 61% said lack of compelling strategic rationale, 60% said the acquiring company did not implement sufficient due diligence plans, 59% said poor internal and/or external communications, 55% said culture clashes, 53% said the premium paid for the company was too high, and 52% said the unrealistic expectations of possible synergies.

2.4.1.20 Research by Zinn

Zinn (2000) concluded that layoffs are not always a result of mergers as they have been in the past due to the fact that there is a scarcity of skilled employees, especially in technical areas. Cisco Systems is known for acquiring and integrating new companies. They are dedicated to ensuring a smooth transition and retaining talent. When merging, an important step is to buy a team intact. Retaining employees when merging can improve the success of merging. Time Warner received a huge benefit of technology skills when it merged with AOL. An important factor of a long-term successful merger is dependant upon the employees making a smooth transition.

2.4.1.21 Research by Roberts

Roberts (1999) concluded that mergers will most likely be successful when a missing technology is provided to the merged company. Another factor of success is keeping the employees who developed the technology. Cisco Systems Inc, a networking equipment company has acquired many companies. The key to Cisco's success is people. A Cisco executive explained that all employees are retained. They understand who their employees are, what the employees can do, and how they fit into the organization. Cisco also stated that another key to success is not to acquire large companies. It takes too long to learn about another large company. Key people may leave by this time.

National Semiconductor Corporation had success when acquiring Cyrix Corporation National needed IP expertise with its new system-on-chip-strategy so it acquired Cyrix. National allowed Cyrix to stay a stand-alone business. A National executive stated that having a process in place is key in order to quickly deal with changes that will most likely occur.

2.4.1.22 Research by Weber and Pliskin

Weber and Pliskin (1996) focused on the contribution of IS integration to the effectiveness of mergers and acquisitions. This research tried to determine if merging companies with highly integrated information systems are more effective. The factors that contribute to this topic are: commitment of top management and the level of political

turbulence within the organization, the level of IT within the industry, and the differences in organizational culture.

A survey from the Journal of Mergers and Acquisitions published during 1985-1987 was used for this study. The sample consisted of a questionnaire that was mailed to the top management teams of 69 companies. The findings of this study were: 1) organizational culture plays an important part in IS integration; and 2) there is great value in integrating information systems when trying to increase merger performance. Highly IT-intensive firms should concentrate on issues of cultural fit when proceeding through the pre-merger process. Cultural fit is just as important as the level of IS integration. Also, when attempting IS integration in a merger, companies should be aware that culture clash may affect the successfulness of the IS integration and, ultimately, the merger itself.

2.4.1.23 Hewlett-Packard Co. and Compaq Computer Corp.

Hewlett-Packard Co. has plans to merge with Compaq Computer Corp. Opponents of the merger indicate that large mergers in the computing industry rarely succeed. Opponents, also, believe that absorbing Compaq into HP would be a difficult process and would expose HP to the recent slump in the PC business (Proxy firm, 2002). Heirs of founders Dave Packard and Bill Hewlett are against the merger (Sappenfield, 2001). HP expects a drop in revenue due to the redundancy in the product lines of HP and Compaq (George, 2002). Approximately 15,000 jobs are expected to be lost in the

merger. Other concerns include the loss of HP's unique corporate culture (Sappenfield, 2001).

Critical to the success of the merger is gaining support from the employees. HP regularly surveys their employees in order to better understand their merger concerns. Approximately two-thirds of HP employees are in favor of the merger. The surveys revealed that employees are most concerned about their jobs and the amount of notice that employees will be given about terminations (George, 2002). In order to increase the successfulness of the merger, HP has dedicated 600 employees to the process. This group of employees is working on an integration plan to smooth the transition (George, 2002).

2.4.2 Analysis

There are many issues that impact merger efforts of IT areas within business firms. The issues that were found to have the most impact are: 1) Lack of strategic planning; 2) Differences in organizational cultures; 3) Loss of key executives; 4) Speed of implementing IT-related decisions; and 5) Lack of leadership.

2.4.2.1 Lack of Strategic Planning

Strategic planning plays an important role in consolidating IT areas within business firms. A strategic plan is usually either not created or occurs too late in the process. A key concept of the strategic plan is that IT employees should be included in the planning process. Including IT employees in the creation of the strategic plan

improves the quality of the plan and lessens critical errors. “IS participation in high quality merger planning is an important contribution to the success of the integration process . . .” (Stylianou, Jeffries & Robbins, 1996). Strategic planning also enables an organization to develop goals, uncover deficiencies and to ensure a smooth transition.

2.4.2.2 Differences in Organizational Cultures

Differences in organizational cultures can greatly impact IT merger efforts. Organizational cultures can vary amongst organizations and these variations are exacerbated when two areas are consolidated. “Because organizational culture acts as a filter through which members grasp the realities inside and outside the organization, organizational culture affects practically all aspects of the way young people of a group interact with each other (Weber & Pliskin, 1996).” Cultural differences also include differences in organizational vision and also communication styles.

2.4.2.3 Loss of Key Executives

Retaining key executives is critical to IT merger efforts. Major personnel changes may be a result of merger efforts. These changes can be due to decisions made by management to reduce duplication or decisions made by employees who are unhappy about the merger changes being made. Specifically, it is important to retain IT employees during merger efforts. Critical knowledge obtained by pre-merger IT employees will be

lost when those employees leave the organization. “Keeping key IT staff to support critical business systems is a top issues in the first six to 12 months after a merger closes” (Popovich, 2001).

2.4.2.4 Speed of Implementing IT-related Decisions

IT-related decisions should be made quickly. Integrating systems before the actual merger improves the successfulness of the merger. The majority of business firms concentrate on the deal itself initially. They, then, try to integrate multiple technologies which causes constant changes within an organization and an extension of the merger process. “The best way to be successful is to be prepared. This means starting early and putting first things first – namely focusing on IT and on identifying integration challenges early (Willsmore, 1999).”

2.4.2.5 Lack of Leadership

Leadership is important for many reasons. The merger process is a very unsure time for employees. It is important that employees know who is in charge. Leadership includes motivating employees, communicating to employees about the merger process, commitment to the merger, management of the merger process and motivating employees. “Managers today have a dilemma: maintaining employee commitment in the face of downsizings, mergers, and turbulent change” (Dessler, 1999).

2.5 Changes to Local Government IT Systems

Local governments who may not consider merging as an option may still decide that they need to update their IT systems. Updating IT systems usually involve making different departmental systems more compatible so that the government entity can promote the sharing of data and increase communication. “To date, little comprehensive empirical research has been undertaken in the area of system integration resulting from merger/acquisition activity” (Stylianou et al., 1996). Consolidating IT areas within local government and updating IT systems within local government require many of the same decisions; therefore, there should be a correlation between their issues.

Included in this section is research on the change management process. The change management process is a common theme throughout IT change initiatives. This research was completed to get a better understanding and a general overview of the process.

Below is a summary of studies and research completed on local government efforts to update their IT systems. In addition, research on the change management process is reviewed.

2.5.1 Case Studies/Research

2.5.1.1 Alameda County, California

Harris (1999) focused on the local government of Alameda County, California and its' implementation of an Enterprise Resource Planning (ERP) system. As a result of this study, the several issues were found that impact change management programs. First, it is critical to assign a change management team to the project. Employees should be assigned full-time so that they may focus completely on the project. Second, training is critical to implementing new systems. The Alameda project team had difficulty handling their normal duties, the duties required for the new system and also serving as trainers. The county eventually decided to contract out for training.

Third, it is important to educate end-users on the new processes. Fourth, constant communication to employees about the project is imperative. Fifth, it is important to identify and analyze the impacts of changes in job duties on employees. This step can help to reduce the fears that employees may have regarding job elimination or expansion of job duties without being compensated. Sixth, it is important that the leadership in the organization supports and is completely involved in the project. "It is the role of leadership to champion change." One issue that was challenging to the Alameda project included the lack of an adequate change management staff. This caused substantial delays in the project.

2.5.1.2 Governance Performance Project: County Grade Report 2002

The Governance Performance Project (GPP) is a comprehensive survey that grades the effectiveness of core government management. The GPP seeks to achieve a better understanding of government management on county, city, state, and federal levels. GPP examines the management practices of thirty-five major cities within the U.S. The five areas focused on are: Financial Management, Human Resources Management, Information Technology, Capital Management, and Managing for Results.

The GPP grades governments based on the analysis of information collected in the following ways: criteria-based assessment, comprehensive self-report surveys, document and website analysis, extensive follow-up and validation, statistical checks and comparisons, journalistic interviews with managers and stakeholders, and journalist/academic consensus.

In regards to the Information Technology area, the GPP focuses on the uses of IT systems in management which includes: hardware and software performance, integration with other management systems, training, cost, and reporting capability (Governance performance project, 2002).

As part of its County Grade Report in 2002, the Government Performance Project examined the management practices of forty counties within the U.S. See Table 2.1 for the 40 counties evaluated by the Government Performance Project.

West Region	Midwest Region	South Region	Northeast Region
Alameda, CA	Cook, IL	Broward, FL	Allegheny, PA
Clark, NV	Cuyahoga, OH	Dallas, TX	Anne Arundel, MD
Contra Costa, CA	Franklin, OH	Fairfax, VA	Baltimore, MD
King, WA	Hamilton, OH	Fulton, GA	Erie, NY
Los Angeles, CA	Hennepin, MN	Harris, TX	Monroe, NY
Maricopa, AZ	Milwaukee, WI	Hillsborough, FL	Montgomery, MD
Orange, CA	Oakland, MI	Mecklenburg, NC	Nassau, NY
Riverside, CA	Wayne, MI	Miami-Dade, FL	Prince Georges, MD
Sacramento, CA		Palm Beach, FL	Suffolk, NY
San Bernardino, CA		Shelby, TN	Westchester, NY
San Diego, CA			
Santa Clara, CA			

The average grade in the area of Information Technology for these counties was a C+. Only two of the counties studied received an A rating. The GPP found that the nation's largest counties are taking steps to implement useful computer systems. However, a major challenge is interjurisdictional coordination and cooperation. A difficulty has been to align the priorities and capabilities of all of the county agencies. Training is also a challenge for many counties due to the fact that funding is limited.

There are many areas in which counties are doing well in regards to IT. The turnover issue seems to be decreasing. More counties are investing in IT and utilizing outsourcing to take over portions of their IT operations. The counties successful integration of IT systems has been impacted by the decentralized nature of county government. "While many counties are moving toward integrated systems, the decentralized nature of county government makes it difficult to implement the efficient

use of technology. For example, different county offices or other levels of government may use different IT systems that are not compatible” (Grading the counties, 2002).

2.5.1.3 Governance Performance Project: City Grade Report 2000

Following are the 40 cities evaluated by the Government Performance Project:

Anchorage, AK; Atlanta, GA; Austin, TX; Baltimore, MD; Boston, MA; Buffalo, NY; Chicago, IL; Cleveland, OH; Columbus, OH; Dallas, TX; Denver, CO; Detroit, MI; Honolulu, HI; Houston, TX; Indianapolis, IN; Jacksonville, FL; Kansas City, MO; Long Beach, CA; Los Angeles, CA; Memphis, TN; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York City, NY; Philadelphia, PA; Phoenix, AZ; Richmond, VA; San Antonio, TX; San Diego, CA; San Francisco, CA; San Jose, CA; Seattle, WA; Virginia Beach, VA; and Washington, DC. The average grade in the area of Information Technology for these cities was a C+.

The GPP findings concluded that within the IT area, city governments are in the process of attempting to standardize their old systems due to the fact that these old systems have made sharing of information difficult. Another positive is that all of the cities are also currently utilizing the internet to communicate with citizens. Obstacles facing these cities include: 1) there is a need for strategic planning in IT. Some cities are afraid that they will lose valuable time focusing on a strategic plan and instead choose to implement new projects; and 2) there is a lack of training for employees. New systems

enable managers the capacity to create their own reports, however, very few of the employees have the knowledge needed to create them (Grading the cities, 2000).

2.5.1.4 Dallas, Texas

Genusa (2001) focused on the local government of Dallas, Texas in regards to information technology. Dallas was nationally known as the high-tech hub, however, it was utilizing a three-decades-old infrastructure. Governing magazine gave the city's technology a grade of D+ in 2000. The majority of the information systems were not integrated and it was difficult to access data. The former city auditor stated that the city's IT lagged behind due to its' lack of investment in new technology and a lack of leadership. The city's key applications ran on the LINC operating system and mainframe computers. The police, city attorney, fire and water departments, and financial management system each operated their individual local area networks which were 5 to 8 years old. The city's 911 system had never been upgraded and the telephones ran on an old analog system using phone sets that had been discontinued. The city had five email systems, five wordprocessing systems, and a mixture of PCs and Macintosh computers that ranged from Windows 3.0 to 98.

A CIO was hired in 1999. He turned over 66% of the staff in order to initiate new skill sets. A strategic plan was prepared that included: 1) purchasing 6,000 new standardized PCs for employees; 2) developing a city-wide intranet; 3) implementing a new 911 system; and 4) implementing a new automated human resources system. It was

expected that this IT overhaul would encounter problems when going to political leaders for funding.

2.5.1.5 Boston, Massachusetts

Ulfelder (2001) focused on the local government of Boston, Massachusetts and its information technology structure. Boston hired its first-ever CIO in 2000. Boston's IT program was given a B rating by *Governing* magazine. *Governing* rates cities according to effective IT planning, timeliness of procurement, and quality of training.

The CIO had support from the mayor. In addition, he maintained a strong track record in government IT. Boston's politics, however, is normally averse to changing the process of doing business. The IT infrastructure of Boston has a fairly good foundation. Major projects for 2001 include implementing a wide-area network that would link various agencies and to have 100% of the city buildings connected to the WAN. Recently, the city implemented a new dispatch system for the police, fire and EMS departments.

The greatest challenge to Boston is their ability to persuade government agencies to share information. Another challenge to Boston is convincing the agencies to change the process in which they do business. For example, Boston does not utilize the Internet and mainly does their processing in using paper copies.

Areas in which local government CIO's should focus their efforts include: coordination, communication and standardization. Managerial-political skills that are required to manage a large group of employees and to relate effectively with mayors, legislators, and citizens are more important than technology skills.

2.5.1.6 Research by Bennett

Bennett (2001) focused on the importance of organizational leaders to implement a change plan to help their employees make a smooth transition and embrace the change. Managers who are unable to lead their employees through major change within the organization will spend more time combating resistance rather than implementing the planned change.

Employees respond to change in many ways. These responses include: periods of denial, anger, bargaining, and depression. Each organization implements a different change plan. However, there are many steps that managers or leaders can take when faced with major organizational change. First, it is important for the manager or leader to accept the change themselves. It is impossible to lead others through transformational change when managers have not accepted the change themselves. Second, explain the reasoning behind the change. This will help management gain support for the change. A step within explaining the reasoning for the change includes involving employees in developing implementation plans. Third, management must be willing to adjust their

change project. Only when this is possible will employees have an opportunity to influence the process.

Fourth, management should track the progress of the project and then share the news with employees. This will help everyone to focus on the process. Fifth, communication is imperative. “. . . it is imperative to ask often, listen well and communicate thoroughly.” Communication allows management to understand the resistance and, in turn, develop strategies to deal with it. Sixth, acknowledge acceptance when it occurs. Seventh, stress the benefits of the change. This will help everyone to see the value in the new process. Eighth, provide opportunities for employees to learn and grow. The change process requires the need to learn new skills. Ninth, management should support their employees through the change process. This step includes listening to their concerns and being empathetic.

2.5.2 Analysis

There are many issues that impact the efforts to update IT structures within local government. The main issues that were found to have an impact are: 1) Lack of support from elected officials; 2) Lack of training on new systems; 3) Lack of coordination among departments and/or agencies; and 4) Lack of an adequate change management process.

2.5.2.1 Lack of Support from Elected Officials

The support of elected officials is important to updating IT systems. Changes in systems usually require that employees learn new skills and a new way of doing their job. This can cause uncertainty in employees which increases the need for supportive elected officials. It is important for the elected officials to identify the impacts of these new systems on their employees and also to develop strategies for decreasing the impact that these new systems may have on employees. It also important for elected officials to be supportive of the new systems. “. . . while rolling out the red carpet for high-tech companies, city leaders have largely ignored the public sector” (Genusa, 2001).

2.5.2.2 Lack of Training on New Systems

Training can have a major impact on employees when they are trying to adjust to new systems. Confidence that employees feel about the new system and their role in regards to the new system can increase if they feel that they are properly trained to handle the system. “The truth is, it’s a lot easier to get money from a city council to buy a new computer system than to teach people how to use it properly” (Grading the cities, 2000).

2.5.2.3 Lack of Coordination among Departments and/or Agencies

Local government deals with a variety of different departments and agencies. In order to update and integrate IT systems, it is important to coordinate all of these different departments and agencies. Typically, each department and agency is using a variety of

different systems and applications. In order to improve communication between these departments and agencies, it is critical that they use a majority of the same major systems and applications. This can be a very difficult process when each department and agency has different goals and do not wish to change the way in which they do business.

“Sometimes the barriers aren’t between governments, but between agencies in the same government” (Grading the counties, 2002).

2.5.2.4 Lack of an Adequate Change Management Process

“Change management also is concerned with steps to manage people through the emotional ups and downs that inevitably occur when an organization is undergoing massive change” (Harris, 1999). Updating IT structures is a process that requires a change management process. “Change management refers to all activities associated with the interaction of technology, processes, and people” (Harris, 1999). An adequate change management process can be very helpful to employees and, therefore, will increase the chances of implementing a successful new IT structure or system. Each employee must be aware of the need for this change and also the role that they are expected to play in regards to this new structure or system. Assembling a change management team to focus completely on the problems associated with updating IT systems is crucial.

2.6 Conclusion

There are a few issues that are common among the different types of mergers and IT change initiatives discussed in previous sections. The issues that will most likely have an impact on local government as they attempt to merger their IT departments are: 1) lack of support from elected officials; 2) lack of public support; 3) lack of support from employees; 4) lack of strategic planning; and 5) quality of the systems integration process.

The first three issues found to have an impact are all behaviorally and socially-related issues. However, research that exists on local government mergers indicates that the majority of all criteria used to evaluate the success of mergers are based on economic, financial, or strategic contexts (Bruhn, 2001). The results of this research reveal that local government should put more of an effort into the “people factor” in order to increase the successfulness of their local government IT mergers. “While no one management pattern can be recommended as ideal for every type organization, it is certainly clear that superior results could be achieved in all organizations if there were more trust and openness, more sensitivity to the needs of others, more opportunities to build self-confidence and feelings of importance, more democracy in the organizational system” (Marrow, Bowers & Seashore, 1967).

This research also reveals that strategic planning is of utmost importance throughout the entire process. Very few of these mergers actually take the time to develop a strategic plan. Strategic plans are thought to delay the merger when in actuality, if not completed, the merger will most likely be delayed anyway.

Also, found to have a tremendous impact on local government mergers is the quality of the systems integration process. This impact includes many issues such as: the need to include IS personnel in the process, the need to integrate systems quickly, the level of cooperation that exists between departments and agencies within local government when making IT-related decisions, and the amount of training provided to end-users. All of these issues combined reveal the true uniqueness of consolidating IT departments within local government.

Local government IT mergers are very complex. Many different issues must be managed. “The days of the soulless corporation, the heartless capitalist, or the robber baron are gone. Their place has been taken by the enlightened management concerned with human behavior and social relationships – as well as technology and production” (Marrow, Bowers & Seashore, 1967).

3. Case Study: DOT.Comm

3.1 Overview

Douglas – Omaha Technology Commission (DOT.Comm) is the merged IT department that combines the services offered through the city government within Omaha, Nebraska and the county government of Douglas County.

The City and County have future plans to merge various other departments throughout their organization, however, the idea of merging the two IT areas (Management Information Systems within the City of Omaha and Information Services within Douglas County) came to the forefront in 1997 when Douglas County Information Services was under scrutiny of the Douglas County Board of Commissioners for its mishandling of police crime statistics and its lack of direction and leadership (Dukes, April 23, 1997) (Alexander, June 14, 1999).

City of Omaha Management Information Systems (MIS) is a division under the Administrative Services Department. MIS provides computer support and maintenance for a variety of City departments such as the Omaha Police Department, the Omaha Fire Department, and Public Works.

The goal of MIS is to provide information, connectivity, support, and training to the City of Omaha. MIS is governed by the City Council. Currently, the City Council is made up of seven elected officials (Marc Kraft, Frank Brown, James Vokal, Garry Gernandt, Dan Welch, Franklin Thompson and Chuck Sigerson) representing districts throughout Omaha. They are responsible for such items as: passing resolutions and

working with the Mayor of Omaha regarding various city issues. The City Council members are elected within their respective districts for four-year terms. Only two of the current City Council members remain from the time when the proposal for DOT.Comm was originally initiated. Another key elected official for the City is Mike Fahey, the current Mayor of Omaha (<http://www.ci.omaha.ne.us>).

Douglas County Information Services (DCIS) is a department that consists of two divisions: Applications and Development and Operations and Support.

The goals of DCIS are:

- Work in partnership with County, City, other departments and staff, to deliver automation and communication solutions to departments' business problems.
- Provide the most current, innovative, and appropriate technology solutions at a reasonable price.
- Enable customers to achieve their goals in an efficient, timely, and cost-effective manner.
- Demonstrate responsive and courteous customer service.

DCIS is governed by the Douglas County Board of Commissioners (County Board) and supervised by a Chief Administrative Officer. The County Board currently consists of seven members (Mary Ann Borgeson, Mike Boyle, Clare Duda, Carole Woods Harris, Kyle Hutchings, Kathleen McCallister, and Carol McBride Pirsch.). They are

responsible for items such as: passing resolutions, adopting the budget, and appointing committees. The County Board members are elected within their respective districts for four-year terms with three or four members, staggered, elected every two years (<http://www.co.douglas.ne.us>). All of the current County Board members were present during the initial merger proposal.

A proposal was added to the 2000 election ballot to determine the voters' feelings about merging local government services. During this election, the majority of the voters indicated that they supported the merger (Douglas County Board of Commissioners, October 30, 2001).

In May of 2000, the Douglas County Board voted to create a committee to make recommendations concerning merger issues (Deering, May 17, 2000). This idea was delayed in order to focus on the approval of the IT merger.

In 2000, Deloitte and Touche, a consulting firm, was hired to study the systems of the City and the County and evaluate the following different options: 1) consolidate part or all of the two IT departments into a single entity; 2) establish an "umbrella" (Technology Commission) organization that would be responsible for both IT departments; 3) outsource some or all of the departmental functions; 4) continue operations as is; and 5) privatize one or both of the departments.

Deloitte and Touche's final recommendation was for the City and the County to consolidate their IT resources under a "Technology Commission" and to outsource selected technology functions that the Commission finds appropriate. They believed that

the benefits to the Technology Commission included: 1) preservation of intellectual capital; 2) more flexibility in setting up a budget; 3) flexibility to innovate; and 4) job security for staff. Deloitte and Touche determined that the Technology Commission would have the following impact on the IT employees: 1) all MIS and DCIS will be transferred to the Technology Commission; 2) overall compensation and benefits will at the least be the same; 3) MIS and DCIS employees who desire to increase their knowledge will have an opportunity to do so; 4) day-to-day responsibilities will initially remain the same; and 5) employees questions and concerns should be addressed in a straight-forward and timely manner. Additional recommendations included: 1) the Technology Commission should have a Board of Directors; 2) a CIO should be hired; 3) a Transition Team should be established; 4) A User Committee should be established to provide input and feedback to the CIO; 5) certain IT functions should be outsourced to a single provider; and 6) the County Board and the City Council should approve a 5-year budget (Deloitte and Touche, September 15, 2000).

In September of 2000, a joint meeting was held between the County Board and the City Council to discuss plans to move ahead with the Deloitte and Touche recommendation. During the meeting, Michael Carpenter, DCIS IT Director, proposed the name: the Douglas Omaha Technology Commission or DOT.Comm. The initial proposal was assumed to take five years and about \$20 million to implement. The goals of DOT.Comm are as follows: better access to public information for citizens; and

increased cooperation between MIS and DCIS (Deering, September 16, 2000). The objectives are: to function more smoothly; more cooperation; and to function less expensively (Anderson, November 7, 2001).

During January of 2001, the County Board rejected the five-member commission proposed by Deloitte and Touche and instead voted in favor of a three-member commission. They rejected the idea of guaranteeing the IT employees under DOT.Comm the same pension, salary and civil service protection as they would receive if they remained under the city and county. Some believed that the pension and benefits for employees were already protected under state law and, therefore, not necessary (Deering, January 24, 2001).

During February of 2001, the City Council passed an amendment to enlarge the commission to seven members. In addition, the amendment guaranteed employees hired into DOT.Comm would receive the same pension, salary and civil-service protection they currently receive as city and county employees (Ruggles, February 21, 2001).

During the end of February, the County Board was scheduled to vote on the City Council's amended plan, however, the issue was postponed for at least two weeks until after the City Council election. During this election, five City Council members were in tough races that many believed would result in several new people on the council (Shaw, April 11, 2001). Mayor Hal Daub, Mayor of Omaha during the initial merger proposal, was against the plan because it would increase red tape and bureaucracy (Ruggles, March 1, 2001).

In May of 2001, the voters were asked to approve the formation of a commission (now referred to as the DOT.Comm Board or the Douglas Omaha Technology Commission) to oversee the IT merger even though the City Council and County Board had yet to agree to the specifics of the plan. Approximately sixty-eight percent (68%) of the voters approved the creation of the commission (Ruggles, May 16, 2001).

In June of 2001, the City Council's amended plan was rejected by the County Board (Shaw, June 20, 2001). During November of 2001, Mike Fahey, the newly appointed Mayor, offered a new version of the IT merger agreement that would loan employees from the city and county to DOT.Comm rather than creating a separate commission (Anderson, November 7, 2001).

During December of 2001, the City Council voted to approve Mayor Fahey's proposal. It was approved by the County Board in January 2002. The final agreement included a five-member commission consisting of the County Board Chairman, the Mayor, a citizen appointed by the County Board Chairman, a citizen appointed by the Mayor and confirmed by the City Council, and a citizen appointed by the four other DOT.Comm Board members. The city and county will loan employees to DOT.Comm for five years which also allows employees benefit protection during the transition (Anderson, January 16, 2002).

During February of 2002, the County Board and City Council began discussion again about establishing a committee to study the merger of its' various other services

(Anderson, February 26 2002). This committee is now called the Joint Committee to Study the City/County Merger. Lou Lamberty, Omaha Public Works Director, is the Chairman. Kathleen Jeffries, Omaha Planning Board member is the Vice Chairman. The city appointees are: Carol Gendler, owner of Marathon Realty Corp.; Timothy D. Hart, First National Bank executive; Trevis Sallis, Omaha Public Schools transportation official. The county appointees are: Rudy Novacek, Deer Park Neighborhood Association President; Chuck Powell, UNO Professor; and Jeffries. Lamberty is the joint appointee (Aksamit, May 13, 2002).

During March 2002, Leslie Byers was hired as the Chief Interim Information Officer (CIO) of DOT.Comm. The DOT.Comm Board, the five-member governing board for DOT.Comm, was appointed in March of 2002. County Board Chairman Clare Duda named Verlyn Kroon, Division Manager for Information Technology with the Omaha Public Power District. Mayor Fahey picked Angelo Privetra, Vice President and Director of Information Technologies with HDR, Inc. Kandace Miller, AIM Institute, was the DOT.Comm Board members' choice (Anderson, March 16, 2002).

A permanent CIO was appointed in 2003. The mission of DOT.Comm is to provide innovative technological solutions and services in a cost efficient and effective manner (<http://dotcomm.org/vision.htm>).

3.2 Interviews

In order to get a balanced idea of the issues affecting local government IT mergers, an interview was conducted with the two IT Directors from DOT.Comm. The interviews were unstructured which allowed some preliminary issues to surface in order to decide the variables that needed further in-depth investigation. Names of interviewees will be withheld to maintain confidentiality. See Appendix A for questions asked of the IT Directors.

The first interview to be discussed was with the IT Director from county government. He had special insight because at one point he worked simultaneously for the City and County for approximately seven years. The County IT Director supplied a lot of background information on the initial proposal that eventually evolved into the merged IT department. Despite a few concerns regarding the merger, he supports the merger and believes that it is possible for governmental entities to benefit greatly from mergers.

As Director, he is very concerned about his employees. He indicated that due to the uncertainty of the impact of the merger on their jobs, the morale of employees can become very low. He said that employees should not suffer because of the decision made to merge. He believes that of utmost importance is support of the IT staff by the elected officials. He believes that politics should not have an impact on any merger decisions.

The County IT Director does not perceive any downsizing within this particular merger, however, he did stress that there are never any guarantees. The workload experienced by he and his department has continued to increase over the years. Therefore, if downsizing were to occur, their workload would probably continue to increase as it has in the past despite a decreased workforce.

Another concern of his is in regards to integration. He discussed the various applications being used by the City that are in contrast to the County. His past experience has taught him that the process to integrate systems is usually never simple.

The variables uncovered through this interview were: support of employees from elected officials, downsizing, integration and coordination of departments, and politics.

The next interview was with the IT Director from the City. She is also very supportive of the merger. She believes the goal of the merger is to move the City and the County into the future without a duplication of efforts. In addition, she discussed the following main topics: budget issues, the employee protection plan, commitment of employees, commitment of elected officials, support of employees, downsizing, contracts, IT cultures, and cost savings.

Due to her background in Human Resources, the City IT Director is very concerned about the impact of the merger on employees. Due to concern for the employees, she initiated discussions for a new contract for the employees that would include a five-year grace period. This would guarantee the employees their positions,

salary, benefits and civil service for five years. After the five-year period, the employees would have the option to work for the newly merged IT department.

The City IT Director believes that it is important that the inner conflict between the merging departments and the elected officials are not reflected on the employees. She specifically stressed the importance of cooperation between the elected officials and both IT Directors.

Another concern of hers is in regards to commitment. She believes the commitment of employees is important to the success of the merger but does not believe that their employees will have a problem staying committed. She also believes that elected officials should focus on remaining committed to the merger and do all they can to make the merger work. She mentioned that one aspect of commitment by elected officials is to adequately fund the project.

The City IT Director believes in the importance of an end-user committee. The end-user committee would be established to guide the merger. Her proposed end-user committee would have representation from all of the departments.

She stressed that she believes the goal of cost savings can be difficult to reach. She discussed the possibility of differences in the IT cultures of the merging sides. She said that initial cost savings can be easily diminished in the process of upgrading technology.

Therefore, the variables uncovered through this interview were: support of employees, commitment of elected officials, funding, support of elected officials, cooperation between the merging departments, differences in IT culture and framework, and quality of the end-user committee.

4. Problem Statement

Due to the high rate of local government merger failure, this research will use “perceived merger success” as its dependent variable.

The following independent variables were found to have the most impact on IT merger within local government: the “commitment of appointed/elected officials,” the “commitment of employees” with “employee support from appointed/elected officials,” the “quality of the decision-making process,” and the “coordination of departments.”

From the variables uncovered through interviews and a literature review, this research will focus on the following problem statement:

To what extent will the commitment of appointed/elected officials, the commitment of employees with employee support from appointed/elected officials, the quality of the decision-making process, and the coordination of departments affect the success of a merger of two IT departments within city and county local government?

5. Theoretical Framework

Many variables that impact IT mergers within local government were uncovered through information gathered from a literature review and unstructured interviews. Following is a discussion of only the variables chosen that will most impact the success of a merger. The experiences of the DOT.Comm merger will be used as an example to further explain the variables.

Due to the need to develop a process to improve government mergers, the dependant variable for this study will be “perceived merger success.” The variance in the dependent variable, “perceived merger success,” can be explained by the four independent variables: “commitment of appointed/elected officials,” “commitment of employees” with “employee support from appointed/elected officials,” the “quality of the decision-making process,” and “coordination of departments.” See Appendix B for a schematic diagram.

The first independent variable is “commitment of appointed/elected officials.” All decisions regarding DOT.Comm were made by appointed and elected officials. They were responsible for drafting the contract upon which DOT.Comm is based. In order for a merger to be a success, all appointed/elected officials must be committed to the project.

The officials’ commitment to the merger must extend further than just to their initial statement. Many complicated decisions need to be made and would be further complicated by an appointed/elected official who is not committed the merger and/or does not support some of the major decisions made. An appointed/elected official not committed to the merger could stall the completion or hinder the level of success of a

merger. As stated by Anderson (November 7, 2001), “The County Board voted to postpone for a month a new version of an agreement to create DOT.Comm.”

The second independent variable is “commitment of employees.” The commitment of the employees will have an affect on the merger process at two critical points: during the initial phase and, more importantly, after the two IT departments have merged. During the initial phase which may involve developing the contract and making base decisions, it is important that the employees commit to and support the merger. Employee commitment and support will be most affected by the ability of the employees to freely voice their concerns, to submit suggestions and to remain informed about the decision-making process. Employees who are not able to play a part in these key initial areas will definitely have an affect on the day-to-day operations once the departments have merged. As stated by Bruhn (2001), “Employees usually have no voice in mergers but are expected to help make them succeed.”

The third independent variable which acts as a moderating variable of “commitment of employees” is “employee support from elected officials.” Employees may be initially very committed, however, as the support of the elected officials dissipates, so can the commitment of employees. Initially, the DOT.Comm employees spoke of all aspects of the merger and wanted desperately to be a part of the decision-making process. Important employee-centered issues that would affect the employees after they became members of DOT.Comm were delayed by the County Board. The majority of the County Board believed that those decisions would be handled by the

DOT.Comm Board since the DOT.Comm Board would eventually guide the merged IT department

Employee questions may include: Will salaries be comparable to our current salaries? Will we maintain our civil service protection? Will our positions remain the same? Will we be guaranteed a job or can we expect downsizing to occur? As these questions are unanswered, the employee's commitment to the merger may decrease. At one point, the employees of DCIS discussed the possibility of filing a lawsuit against Douglas County. As stated by Bruhn (2001), "Emotions may run high in a merger, but when the merger is politically imposed, organizational members feel that they have little to say about the process of the merger or its eventual outcome. The anger and frustration members feel toward the leaders of the merger are expressed as giving up on the organization; members thus focus on concerns about their own survival."

The fourth independent variable is "quality of the decision-making process." The initial decision-making process for DOT.Comm was very complicated. There were many versions of the DOT.Comm contract. The inability to create a final contract obviously can have a major impact on the merger process. Another problem is created when there is an inability for all board and council members to meet together. However, although discussed more than a few times by certain members, a joint meeting of all DOT.Comm decision-makers never seemed to be scheduled. As mentioned in Bruhn's article (2001), "the main objective of mergers is to improve the performance of the combined organizations; however, little time is spent on improving the process."

In addition, a key element of a quality decision-making process is the development of a strategic plan. A strategic plan should be developed during the beginning stages of the process and followed during each phase of the merger.

The fifth independent variable is “coordination of departments.” The issue of this being an IT merger is most important in regards to this variable than any other. The major stakeholders may include the appointed/elected officials, the employees, and the citizens. However, due to the various departments that are supported by the IT areas, the communication and coordination of all supported departments is crucial to the success of the merger. Both IT areas support a variety of departments with very specialized goals. Due to their specialization, each department uses a variety of different applications and the two proposed merging areas handle the computer support process in very different ways. Gemignani (2001) indicates that “frequent communication throughout the integration process must be made to all stakeholders . . .”

In order for the merged IT department to have the ability to support the combined services of the City and the County, coordination is critical to the success of the merger. It is critical that a Chief Information Officer (CIO) be appointed to guide the merger process by coordinating all aspects of the supported departments. Communication between the supported departments is also critical. Currently, the DOT.Comm city and county departments use different email systems. They also handle billing for IT services differently. Network topologies are also quite different. As stated by McDonough

(2000), “. . . merger proponents suggest that government consolidation would promote more sharing of information and technology.”

There is a great opportunity for DOT.Comm to integrate some of the computer systems to make them usable by all departments. Efforts are being duplicated in all departments. Integration of systems can help to promote a more effective and efficient government.

These types of standardization issues ultimately will be the responsibility of the merged IT department, however, the supported departments/agencies must be consulted regarding the changes that will most definitely affect their way of doing business. The CIO will play a crucial part. McCallister, Douglas County Board Commissioner, said: “It’s no secret that the county is not where it needs to be. We need leadership we don’t have.”

In two of the variables, the term “commitment” was used instead of the term “support”. Webster’s Dictionary defines commitment as: “dedication to a long-term course of action.” Support is defined as: “to give courage, faith or confidence.” It was concluded that the term “commitment” required the type of active long-term participation required for a merger of this type.

Each of the variables need to be operationalized due to the use of terms such as success and commitment. Success and commitment can be measured differently depending on the point of view. See Appendix C for operationalized definitions.

Thus, the five independent variables considered above will significantly explain the variance in the success of the merger. The “commitment of elected officials,” the

“commitment of employees” with “employee support from appointed/elected officials,” the “quality of the decision-making process,” and the “coordination of departments,” all positively impact “perceived merger success.”

6. Hypotheses

Based on the relationships established in the theoretical framework, the following hypotheses were developed for this study:

- H₁: As commitment of appointed/elected officials increases, perceived merger success increases.
- H₂: As commitment of employees with employee support from appointed/elected officials increases, perceived merger success increases.
- H₃: As quality of the decision-making process increases, perceived merger success increases.
- H₄: As coordination of departments increases, perceived merger success increases.

7. Research Methods

7.1 Questionnaire Development

Questions were developed using the operationalized definitions in Appendix B.

The questionnaire (see Appendix D) is separated into eight sections with a total of 30 questions. The first twenty-nine questions are closed-ended and the last question is open-ended. Questions within Section Two thru Section Seven were developed using the Likert ratings scale which allows respondents to indicate their level of agreement or disagreement using a five-point scale (see Table 7.1 for Questionnaire Table of Contents).

Table 7.1 Questionnaire Table of Contents		
Section	Variable Name	Item #s
One	Demographics	1 - 4
Two	Perceived Merger Success	5 - 9
Three	Commitment of Employees	10 - 13
Four	Commitment of Appointed/Elected Officials	14 - 17
Five	Employee Support from Appointed/Elected Officials	18 - 21
Six	Quality of the Decision-making Process	22 - 25
Seven	Coordination of Departments	26 - 29
Eight	Comments	30

7.2 Pilot Testing

The questionnaire was distributed to three IT Directors for pilot testing. Within this phase, the IT Directors were asked to actually answer the questions and then

comment on the conciseness and clarity of the questions. The actual responses of the pilot tests will not be used in the analysis. A few minor corrections were suggested by the pilot testers and then applied to the questionnaire.

7.3 Institutional Review Board

Prior to the distribution of the questionnaire, approval was required from the University of Nebraska Medical Center (UNMC) Institutional Review Board (IRB). The IRB requires that all key personnel involved with the conduct of human subjects' research at UNMC and University of Nebraska at Omaha (UNO) complete the required training. The IRB is responsible for assuring the protection of all human subjects in research projects conducted by faculty, staff, and students. An application was submitted and approval was obtained from the IRB prior to distributing the questionnaire (see Appendix E for approval letter).

7.4 Questionnaire Distribution

The questionnaire (see Appendix D) was administered nationally to 242 IT Directors within the field of local government. The list of IT Directors was obtained from InfoUSA, a firm that provides sales and marketing support. Questionnaires were mailed to the sample group in the following areas: Alaska, Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Hampshire, New Jersey, New Mexico,

Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, Washington DC, and Wisconsin.

Respondents were provided with a self-addressed, stamped envelope in order to return the questionnaire. Respondents were given two weeks to return the questionnaire. Out of the 242 questionnaires distributed, 34 of the questionnaires were returned. In order to increase the number of returned questionnaires, the questionnaire was distributed to the sample group for a second time. In adherence to the IRB confidentiality rules, identifying information was not obtained on the respondents, and therefore, the second mailing of the questionnaire was mailed out to the entire sample group. IT Directors who responded to the first mailing were asked to ignore this distribution and not to respond again.

Out of the second mailing, 19 questionnaires were returned. Out of both mailings, ten questionnaires were returned due to the following: incorrect address, the listed IT Director is no longer working at the organization, and the IT Director listed is not working in a public organization and, therefore, not qualified to answer the questionnaire. Therefore, minus the questionnaires that were returned unanswered, 232 questionnaires were distributed. The total response rate for both mailings is 23% (53 total questionnaires).

8. Statistical Testing

8.1 Data Entry

Questionnaire responses for the first twenty-nine questions were entered into SPSS. SPSS is a comprehensive data analysis package for use in research (Kirkpatrick & Feeney, 2000). The last question, which include comments, were typed into a wordprocessing package and will be used for qualitative analysis (see Appendix F).

8.2 Factor Analysis

Factor Analysis is used to establish construct validity which determines if the survey instrument matches the theorized concept (Sekaran, 2000). Factor Analysis was performed only on the twenty-five non-background related questions.

The meaning of factor loading magnitudes vary according to the research context; therefore, loading guidelines deemed appropriate for Likert scales was used. An item loaded with a factor of .4 or less is considered a weak relationship. An item loaded with a factor of .6 or more is considered a strong relationship (<http://www.umn.edu/~edari/methstat/factor.htm>).

The results of the factor analysis revealed that the twenty-five questions loaded under six components. Table 8.1 displays only the nineteen questionnaire items that had a strong factor loading magnitude of .6 or more and the component under which they loaded.

Table 8.1: Factor Analysis					
Component					
1	2	3	4	5	6
Q18 = .758	Q16 = .821	Q7 = .816	Q14 = .808	Q24 = .888	Q20 = .651
Q12 = .735	Q29 = .695	Q6 = .749	Q22 = .704	Q25 = .776	Q26 = .645
Q10 = .726	Q13 = .683	Q8 = .699			
Q19 = .679	Q17 = .606	Q5 = .678			
	Q15 = .605				

Questionnaire items that were not considered to have a strong relationship were eliminated and will not be used in any further statistical testing. The six eliminated questionnaire items included: q9; q11; q21; q23; q27; and q28.

8.3 Cronbach's Alpha

Cronbach's alpha, a reliability analysis, was run on the 19 remaining items in order to test for consistency and stability (see Table 8.2). Cronbach's alpha determines the positive correlation between items in a set. The closer Cronbach's alpha is to 1, the higher the internal reliability. A reliability coefficient of less than .60 is considered poor. Those in .70 range is acceptable and those over .80 are good (Sekaran, 2000).

Component	Alpha	Questions included
1	0.7567	10, 12, 18, 19
2	0.7780	13, 15, 16, 17, 29
3	0.7466	5, 6, 7, 8
4	0.6486	14, 22
5	0.8679	24, 25
6	0.4750	20, 26

Although the generally acceptable minimum alpha is .70, Nunally (1987) suggests allowing a somewhat lower threshold, such as .60 or even .50, for exploratory work, such as this, involving the use of newly developed scales. Therefore, components 1 (.7567), 2 (.7780), 3 (.7466) and 4 (.6486) are in the acceptable range. Component 5 (.8679) is considered good. Component 6 (.4750) is considered poor.

The results of the reliability analysis indicate that the removal of items will not improve the alpha of Component 6; therefore, both Component 6 questionnaire items (20 and 26) will be eliminated from further statistical testing.

8.4 Component/Variable Comparison

Before statistical testing could be resumed, it was necessary to determine the variable names for each of the five remaining components. Questionnaire items for each component were reviewed to determine if their content could be matched to the original variables. It was determined that each of the components could be matched to all but one

of the original variable names (see Table 8.3). The variable that did not have a match was Commitment of Employees. Therefore, this variable was eliminated.

Component	Variable
1	Employee Support from Appointed/Elected Officials
2	Commitment of Appointed/Elected Officials
3	Perceived Merger Success
4	Coordination of Departments
5	Quality of the Decision-making Process

8.5 Frequency Distributions/Descriptive Statistics

Frequencies (see Table 8.4) were obtained for the questionnaire items in order to get a sense of the shape of the distribution (Newton and Rudestam, 35). The frequencies for the classification variable “# of years in organization” revealed that 54.7% of the IT Directors surveyed have worked in their current organization for 10 years or less and 45.3% have worked in their current organization for more than 10 years.

The frequencies for the classification variable “# of employees you supervise” revealed that 41.5% of the IT Directors surveyed supervise less than 10 employees and 58.5% supervise more than 10 employees.

The frequencies for the classification variable “personal merger experience” revealed that 24.5% of the IT Directors surveyed have personally experienced a local

government IT merger and 75.5% have not personally experienced a local government IT merger.

Questionnaire Item	Response	Frequency	Percent
# of years in organization	0 to 10 years	29	54.7%
	11 years and over	24	45.3%
# of employees supervised	0 to 9	22	41.5%
	10 and over	21	58.5%
personal merger experience	yes	13	24.5%
	no	40	75.5%

Frequencies (see Table 8.5) were obtained for the variables measured during the variable/component comparison. The mean for the variable “perceived merger success” is fairly high (4.1651) which indicates that most of the respondents agree that the satisfaction of the employees, the IT administrators, the appointed/elected officials, the merger board and the public are important to a successful local government IT merger. The standard deviation is .56104 which indicates very little dispersion exists around the mean.

The mean for the variable “commitment of appointed/elected officials” is high (4.5245) which indicates that most of the respondents agree that the commitment of the appointed/elected officials is important in order to have a successful local government IT merger. The standard deviation is .45273 which indicates very little dispersion exists around the mean.

The mean for the variable “employee support from appointed/elected officials” is fairly high (4.0377) which indicates that most of the respondents agree that it is important for the appointed/elected officials to support their employees in order to have a successful local government IT merger. The standard deviation is .63245 which indicates very little dispersion exists around the mean.

The mean for the variable “coordination of departments” is fairly high (3.9670) which indicates that the agencies/departments supported by the merged local government IT department should be coordinated. The standard deviation is .82339 which indicates little dispersion exists around the mean.

The mean for the variable “quality of the decision-making process” is high (4.500) which indicates that a quality decision-making process is important to a successful local government IT merger. The standard deviation is .57177 which indicates very little dispersion exists around the mean.

Variable	Minimum	Maximum	Mean	Standard Deviation
Perceived Merger Success	2.50	5.00	4.1651	0.56104
Commitment of Appointed/ Elected Officials	2.80	5.00	4.5245	0.45273
Employee Support from Appointed/ Elected Officials	2.75	5.00	4.0377	0.63245
Coordination of Departments	2.00	5.00	3.9670	0.82339
Quality of the Decision-making Process	3.00	5.00	4.5000	0.57177

8.6 Correlation Matrix

A Pearson correlation matrix was run on the five variables formed as a result of the factor analysis (see Table 8.6).

The closer a correlation value (r) is to -1 and 1, the stronger the relationship between the variables. The closer the correlation value is to 0, the weaker the relationship between the variables.

A correlation value from .01 to .20 (or -.01 to -.20) indicates a weak relationship. A correlation value from .21 to .50 (or -.21 to -.50) indicates a moderate relationship. A correlation value from .51 to .80 (or -.51 to -.80) indicates a strong relationship. A correlation value from .81 to 1 (or -.81 to -1) indicates a very strong relationship.

A positive correlation indicates as one variable increases, the other variable increases. Or as one variable decreases, the other variable decreases. A negative correlation indicates as one variable increases, the other variable decreases (<http://people.uncw.edu/pricej/teaching/statistics/correlations.htm>).

		Employee Support from Appointed/Elected Officials	Commitment of Appointed/Elected Officials	Coordination of Departments	Quality of the Decision-making Process	Perceived Merger Success
Employee Support From App./Elect. Off.	r					
	Sig					
Comm. of App. Elect. Officials	r	0.165				
	Sig	0.119				
Coord. of Departments	r	0.143	0.094			
	Sig	0.153	0.252			
Qual. of the Decision-making Process	r	0.186	0.379	0.117		
	Sig	0.091	0.003	0.201		
Perceived Merger Success	r	0.050	-0.018	-0.035	0.195	
	Sig	0.361	0.449	0.402	0.081	

A relationship is considered significant when the significance value is close to .000. Due to the exploratory nature of this study, a significant value of .10 or less will be

considered acceptable (Labovitz, 1970). Below is a discussion of the relationships that were considered statistically significant.

The results show that employee support from appointed/elected officials is significantly (.091), positively correlated (.186) to quality of the decision-making process. That is, when there is an increase of employee support from the appointed/elected officials, there is also an increase in the quality of the decision-making process. The value of r (.186) indicates a weak relationship between these two variables.

The correlation results also show that the commitment of appointed/elected officials is significantly (.003), positively correlated (.379) to quality of the decision-making process. That is, when the commitment to the merger by the appointed/elected officials increases, there is an increase in the quality of the decision-making process. The value of r (.379) indicates a moderate relationship between these two variables.

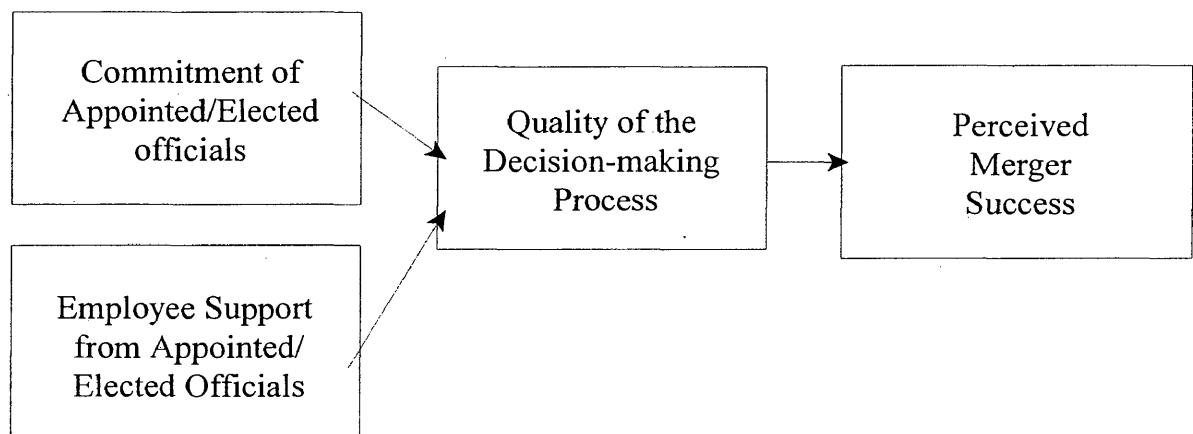
The correlation results show that the quality of the decision-making process is significantly (.081), positively correlated (.195) to perceived merger success. That is, when the quality of the decision-making process increases, then perceived merger success increases. The value of r (.195) indicates a weak relationship between these two variables.

9. Revised Hypotheses and Schematic Diagram

Based on the significant relationships established in the correlation matrix, the following revised hypotheses and schematic diagram (see Figure 9.1) were developed:

- H₁: As employee support from appointed/elected officials increases, quality of the decision-making process increases.
- H₂: As commitment of appointed/elected officials increases, quality of the decision-making process increases.
- H₃: As quality of the decision-making process increases, perceived merger success increases.

Figure 9.1: Revised Schematic Diagram



10. Discussion of Results

The original factors that were hypothesized to impact a successful local government IT merger were: the commitment of appointed/elected officials, the commitment of employees, the employee support from appointed/elected officials, the quality of the decision-making process and the coordination of departments. Two factors were eliminated (the commitment of employees and the coordination of departments) as a result of the factor analysis.

The results of this study indicate that employee support from appointed/elected officials, commitment of appointed/elected officials and quality of the decision-making process are important to a successful local government IT merger.

The two eliminated factors, however, may still be considered important factors to a successful merger. The respondents may have considered the commitment of employees and employee support from appointed/elected officials to be similar factors as they both are employee-related.

The factor “coordination of departments” was developed to reflect the IT-specific issues that impact these mergers, such as providing computer support for departments with various computer systems, multiple IT projects in development, etc. However, it appears that the respondents may consider this factor to be an issue that is outside of the merger process and should be handled specifically by people with IT knowledge. Both of these issues were eliminated for the purposes of this study because further in-depth research needs to be conducted to understand the underlying reasons for their elimination.

The correlation matrix indicated that there was a moderate relationship between the commitment of appointed/elected officials and quality of the decision-making process. However, a weak relationship was shown between employee support from appointed/elected officials and quality of the decision-making process; and quality of the decision-making process and perceived merger success. The weak relationships among these variables may occur because smaller sample sizes result in weaker relationships (<http://people.uncw.edu/pricej/teaching/statistics/correlations.htm>). In addition, further study may be necessary to uncover additional variables to explain decision-making quality.

The major difference between a local government IT merger and a business IT merger is the political climate that exists within local government. As stated by one of the questionnaire respondents, "It is the political interest of the merged governments that can create unresolved obstacles."

Even though the above factors were found to be important to a successful local government IT merger, the biggest obstacle is assuring the factors are implemented. As stated by one questionnaire respondent, "So "I agree" or "strongly agree" in a perfect world --- time constraints and limited resources prohibit the application of these "ideal" circumstances in a real world merger."

A major debate regarding this process is the participation of appointed/elected officials. Some believe that due to the lack of IT knowledge of local government officials, it is better that their participation is limited. As stated by one of the

questionnaire respondents, “Once the decision is made to merge, you would want to keep the elected officials out of the process as much as possible.” Another questionnaire respondent stated, “They should provide the basic framework then let the techs do their job.” However, in reality, appointed/elected officials tend to be heavily involved in the merger process.

11. Limitations of the Study

The small sample size is the major limitation of this study. Not enough statistical power may have existed to uncover a significant relationship when one exists.

12. Recommendations

An important aspect of improving the success rate of local government IT mergers is the need for more direct studies of local government IT mergers while they are in progress. It is important that stakeholders of these mergers realize the importance of studying this process from beginning to end.

A factor in the low number of studies that exists on this process may be the fear that interviewing and questioning members involved in the merger may create more problems and result in a failed merger. The strong desire to improve this process for all future mergers will hopefully help to overcome this fear.

An optimal research study should include: 1) an independent party studying the process with the full support of the local government administration; 2) confidential interviews with IT employees; 3) a questionnaire distributed to IT employees and appointed/elected officials that contains very in depth questions; 4) interviews with appointed/elected officials; and 5) a study that results in the development of models, standards and procedures for all future mergers to follow.

These studies should begin with the discussion to merge and continue for a length of time after the actual merger. Studies of this same governmental entity could be conducted a year or two after the merger to determine the issues that continue to impact this merger after a period of time has passed.

More specifically, IT Directors can improve the chances of a successful merger by developing a change management plan. Jeanie Duck (2001) developed a change management plan that can be used by any organization going through a change effort.

Using this plan as a basis, there are three essential steps that should be followed in order to have a successful local government IT merger: 1) develop a clear and sound strategy; 2) follow a set of good, basic management practices; and 3) be sensitive to the emotional and behavioral issues and be willing to address them.

Local government should develop a merger process that includes several phases. Phase 1 begins with the initial demand for change from someone in the position of power and authority. Once the decision has been made to merge, it should be publically announced. Local government should then immediately begin the preparation phase.

The preparation phase should include designing a new organizational structure, defining roles and responsibilities, and developing a basic plan so that IT Directors and employees can later add the necessary details. During this phase, employees' emotions will be heightened because they won't know what to expect (Duck, 2001). "... careful planning has to take place and consideration must be given to how the new system will affect the people and the organization (Carr, Hard & Trahant, 1996)."

It is important that appointed/elected officials are in alignment during this phase. The lack of alignment by the leaders and the length of this phase can have a disastrous effect on the rest of the organization.

Alignment tasks for appointed/elected officials should include: 1) being energized about the vision and strategy; 2) articulating the plan so that it can be executed; and 3) being dissatisfied with the status quo and having a genuine appreciation for change. As stated by Duck (2001), "Leaders have to be genuinely engaged or the change effort will

fail. It is impossible to fake commitment and excitement; the employees will not be fooled. Why should an employee get fired up about a change effort that the management team is ambivalent about?" As stated by Kotter (1996), "Efforts that lack a sufficiently powerful guiding coalition can make apparent progress for awhile. The organizational structure might be changed, or a reengineering effort might be launched. But sooner or later, countervailing forces will undermine the initiatives."

Effective visions should be simple, clear, and presented in real-life terms. IT Directors should actively participate on merger committees, visibly adopt any new behaviors that employees have been asked to adopt and reward employees for participation and success (Carr, Hard, & Trahan, 1996).

The next phase is implementation. Communication is critical during this phase. The employees "need to understand the thinking that went into the decisions" (Duck, 2001). It is also important that IT Directors play an active role during this phase to make sure that each step of the plan is executed properly (Carr, Hard & Trahan, 1996).

IT employees may feel many different emotions during this phase: such as, confusion, resentment, relief, excitement, and/or apathy. Employees may be unsure about their ability to function in the newly merged IT department, therefore, it is important that IT Directors help their employees understand the overall plan, help them to believe that things will work out, motivate them to participate in the plan, and then work with them to execute it properly.

The next, most critical, phase is the determination phase. This is the phase in which the merger has the best chance of failing. IT Directors and appointed/elected

officials may err and focus their attention in other areas if they believe that the other phases have been successful.

During this phase, the merger becomes a reality and the employees may begin to feel exhausted by the thought of changing their ways of operating. It is important that the focus on change be maintained and problems are addressed honestly (Duck, 2001). Face-to-face communication with employees should be maintained. Employees should understand that change never ends (Carr, Hard & Trahant, 1996).

The last phase is fruition. During this phase, the employees will begin to feel confident about the newly merged IT department. It is important that the IT Directors acknowledge the hard work of its employees. They need to highlight the benefits of the merger and all that has been learned from the merger process (Duck, 2001). “In other words, if the starting point and the trip are important, equally important is the destination. And if they know it when they get there, how can they avoid bouncing back into the old ways, or the old culture.” Employees should be asked to complete surveys and other feedback tools (Carr, Hard & Trahant, 1996).

In order to counteract the political divide between IT Directors and appointed/elected officials, IT Directors must find ways to effectively communicate with the appointed/elected officials. “Even though elected officials are primarily policymakers, they are also expected to have a good understanding of the local government’s day-to-day management. Although administrators have responsibility for

organizational management, they also play a significant part in shaping policy (ICMA, 1994).”

In order to effectively communicate with appointed/elected officials, IT Directors should do the following: 1) discuss all issues with appointed/elected officials informally before meeting; 2) summarize key points and give background briefings on important issues in order to help appointed/elected officials understand a large amount of technical information; 3) convey the same information to all appointed/elected officials; 4) make recommendations to appointed/elected officials while keeping in mind that some issues are politically sensitive which require politics to override long-term considerations; 5) alert appointed/elected officials to possible problems; and 6) avoid embarrassing appointed/elected officials in public settings.

Appointed/elected officials can aid effective communication by: 1) studying the issues before meetings; 2) discussing problems with the IT Directors before or after the meetings; 3) informing IT Directors if they are not getting the information that they need; and 4) informing the IT Director if meetings with employees are required (ICMA, 1994).

13. Conclusion

In conclusion, in order to increase the successfulness of local government IT mergers, more research must be completed on this specific type of merger. IT departments play a critical part in local government. As stated by Garson (2003), “Nearly all of American local governments of any size routinely use information technology (IT) in their operations. Indeed, local governments deploy IT for a wide array of activities covering most, if not all, of the functional areas of local government ---- literally from accounting to zoo operations.”

In order to get a clear picture of the issues facing these mergers, this research should focus on the behavioral, cultural, managerial and political aspects that will impact the merger. Due to the complexity of these types of mergers and the interaction of various groups, the above issues will have a large impact on these mergers.

It is also imperative that IT Directors adequately prepare their employees to deal with the many issues that will impact the organization during this time of change by developing and implementing a change management plan. An adequate change management plan will help the local government administration deal with the behavioral, managerial and political issues.

In addition, due to the fact that appointed/elected officials play such a major decision-making role in local government IT mergers, IT Directors and appointed/elected officials must find ways to effectively communicate with each other. The inability of these two groups to communicate can place a large barrier on the merger process.

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15. Appendices

15.1 Appendix A: Interviews with IT Directors

Unstructured Interview with the City IT Director

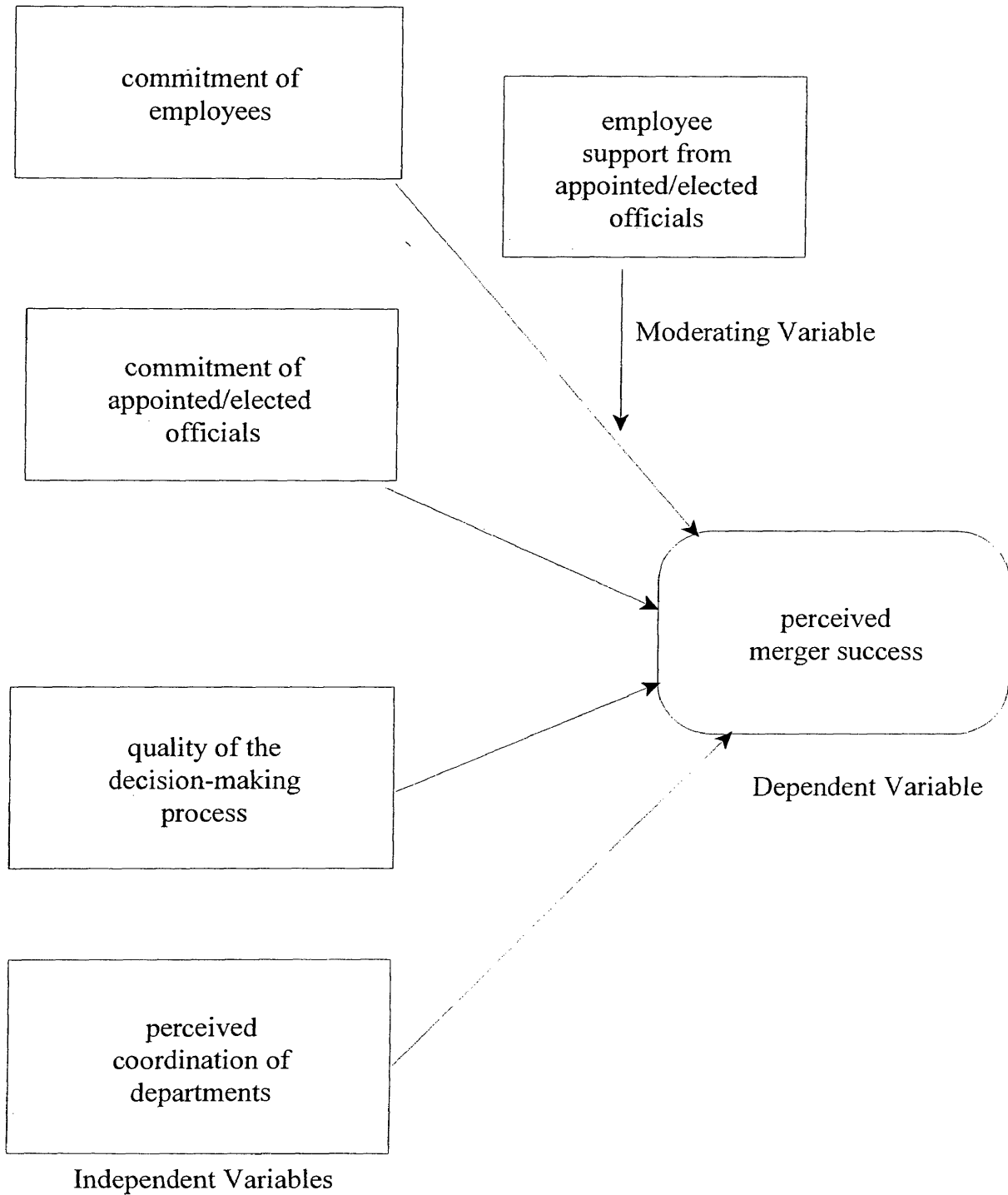
1. Tell me about your background in Information Technology. Job experience and educational experience.
2. Since you have experience working with the city and county, can you tell me how DOT.Comm came about?
3. Do you believe that the information areas of the city and county should merge?
4. What is the status of DOT.Comm?
5. What is the status of the DOT.Comm Board? I recall there being discussions about the make-up of the Board.
6. How is the morale level of your employees? I recall the discussion regarding the make-up of the Board.
7. Do you perceive any downsizing associated with the merger?
8. Has the county experienced downsizing in the past since you've been working here?
9. Do you think that downsizing would affect the workloads of your employees?
10. A major issue addressed in the past few board meetings has been about the budget problems?
11. In light of all of the issues with the merger, you are still supportive of the merger?

Structured Interview with the County IT Director

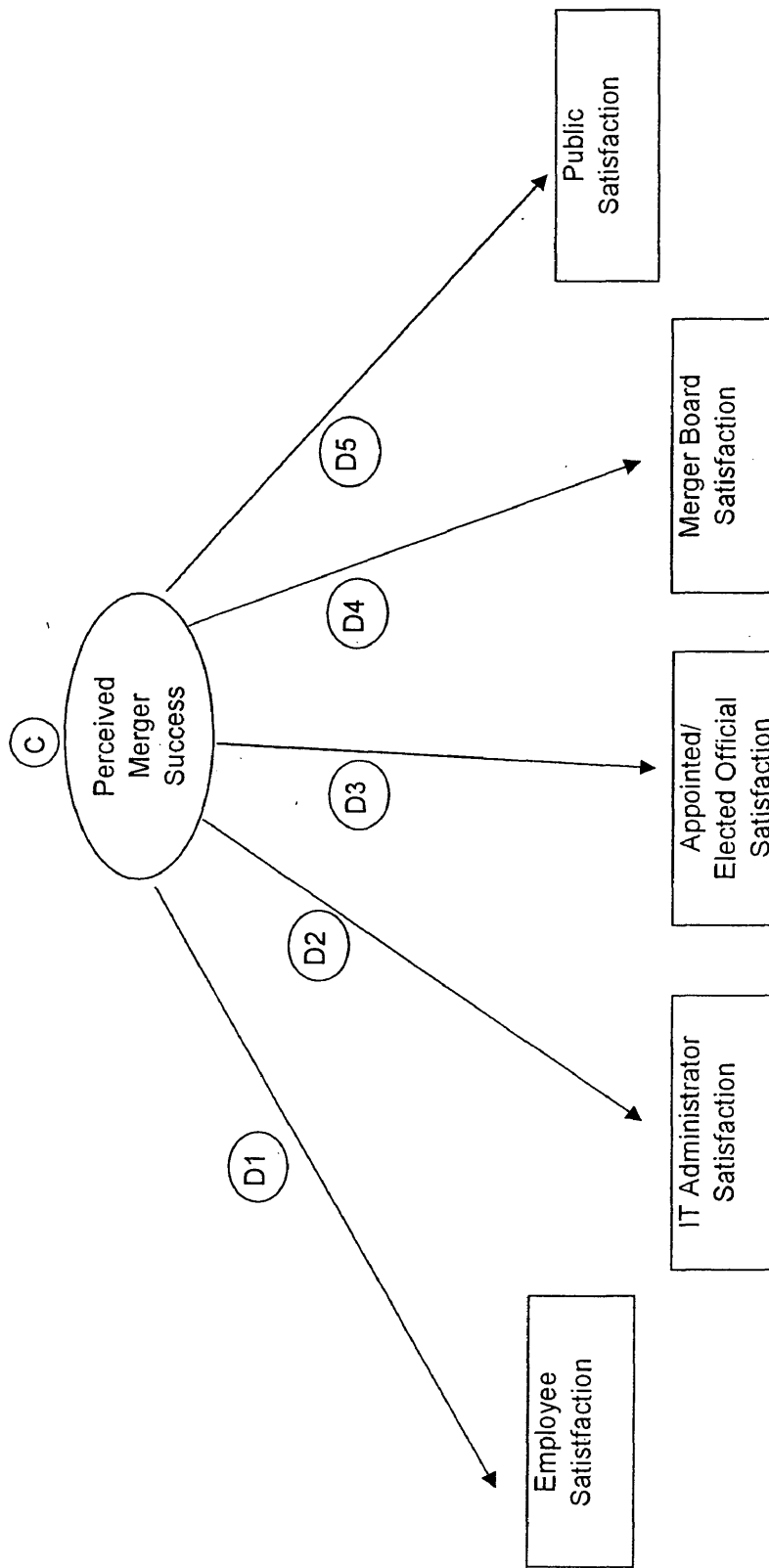
1. What is your background? Educational experience and job experience.
2. How many divisions or departments fall under the MIS Department or is it made up of one department?

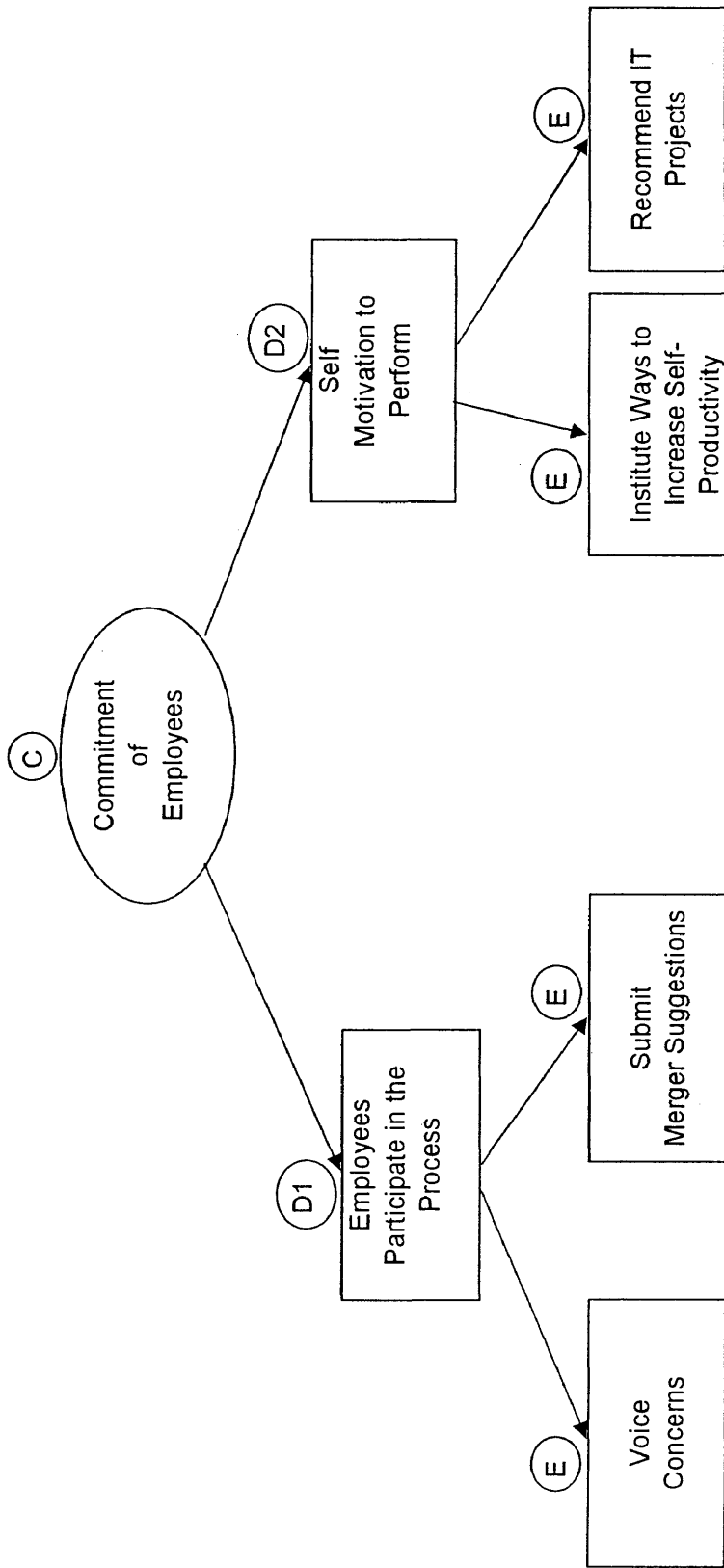
3. How many employees do you oversee?
4. What is the chain of command? Do you report to the City Council?
5. Do you support the city-county merger?
6. The County has laid over approval of their contract for a month, what is the status on the City's side?
7. I have uncovered the following issues that may impact the merger: commitment of elected officials, commitment of employees which is affected greatly by the support of the elected officials, the quality of the decision-making process and the coordination of all of the departments such as hiring a CIO, do you agree that these are some of the more important issues and/or do you have any additional issues that you think are important?
8. Not much heard has been heard from the City employees. The employees seem to be more supportive of the merger than the County. Why do you think that is?
9. Do you believe there will be any downsizing?
10. The Mayor submitted an agreement to the County. Was it as a result of meetings with employees?
12. Do you think that both IT cultures are enough alike that all the goals will be met? (cost savings, better access to information for the public and the ability to function more efficiently)
13. What date was proposed for the merged IT department to officially begin?

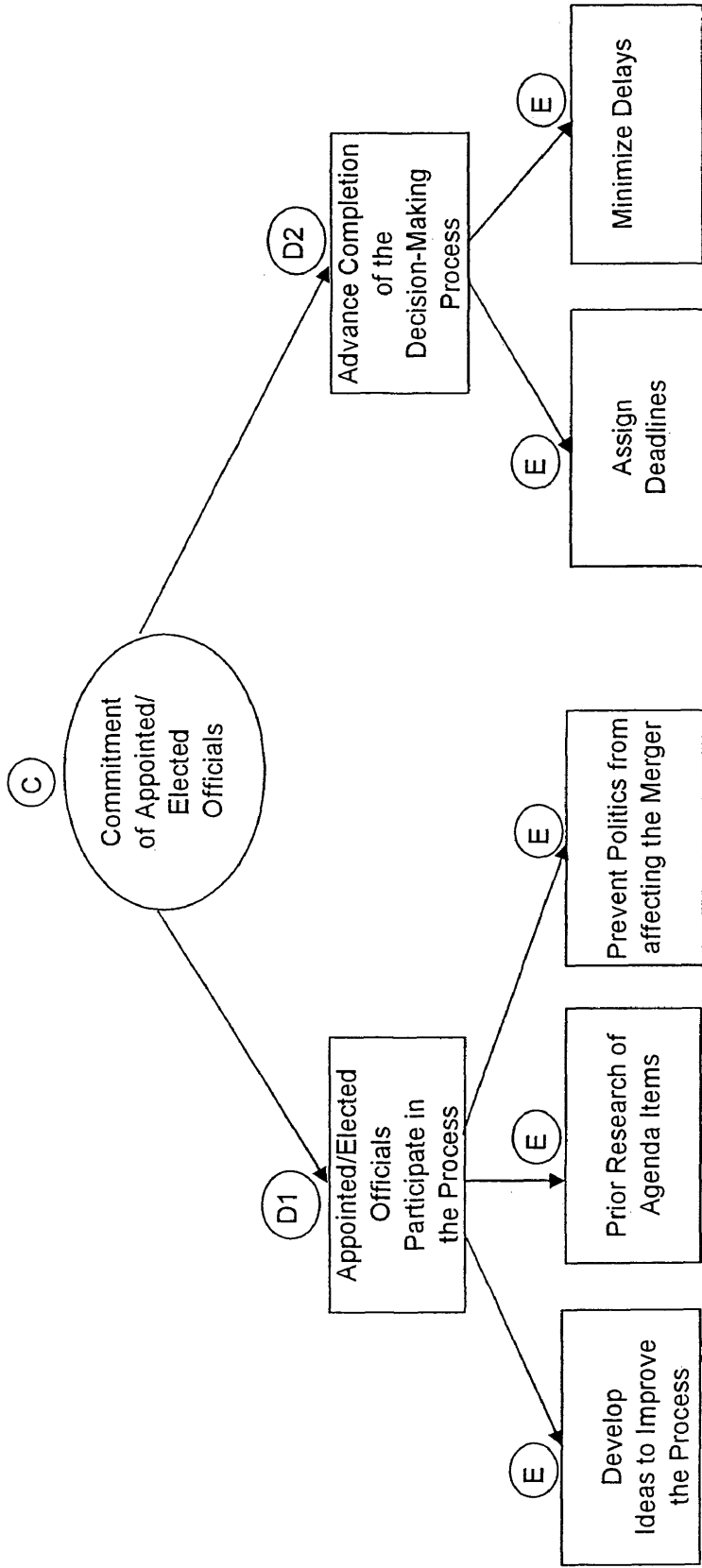
15.2 Appendix B: Schematic Diagram

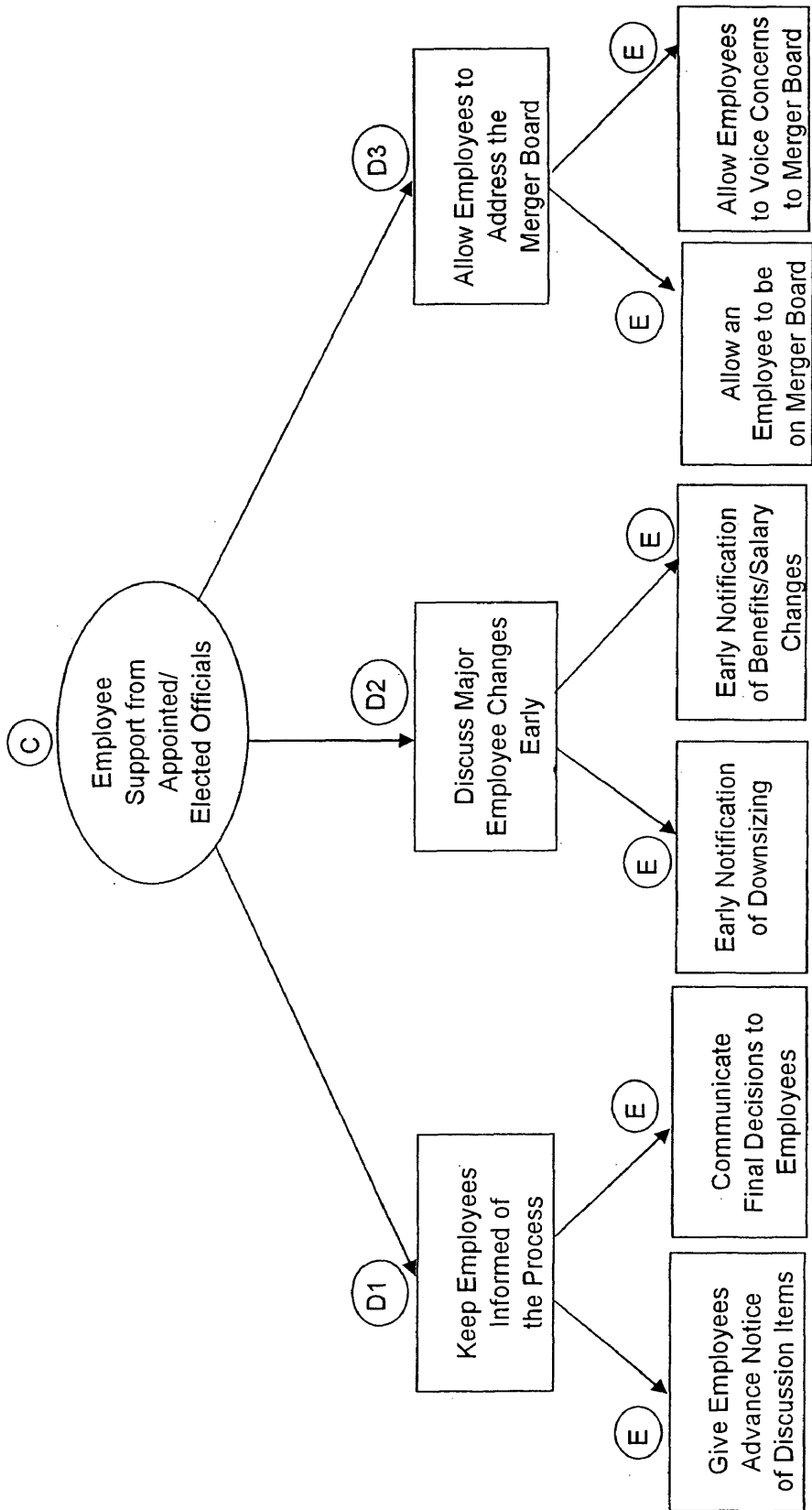


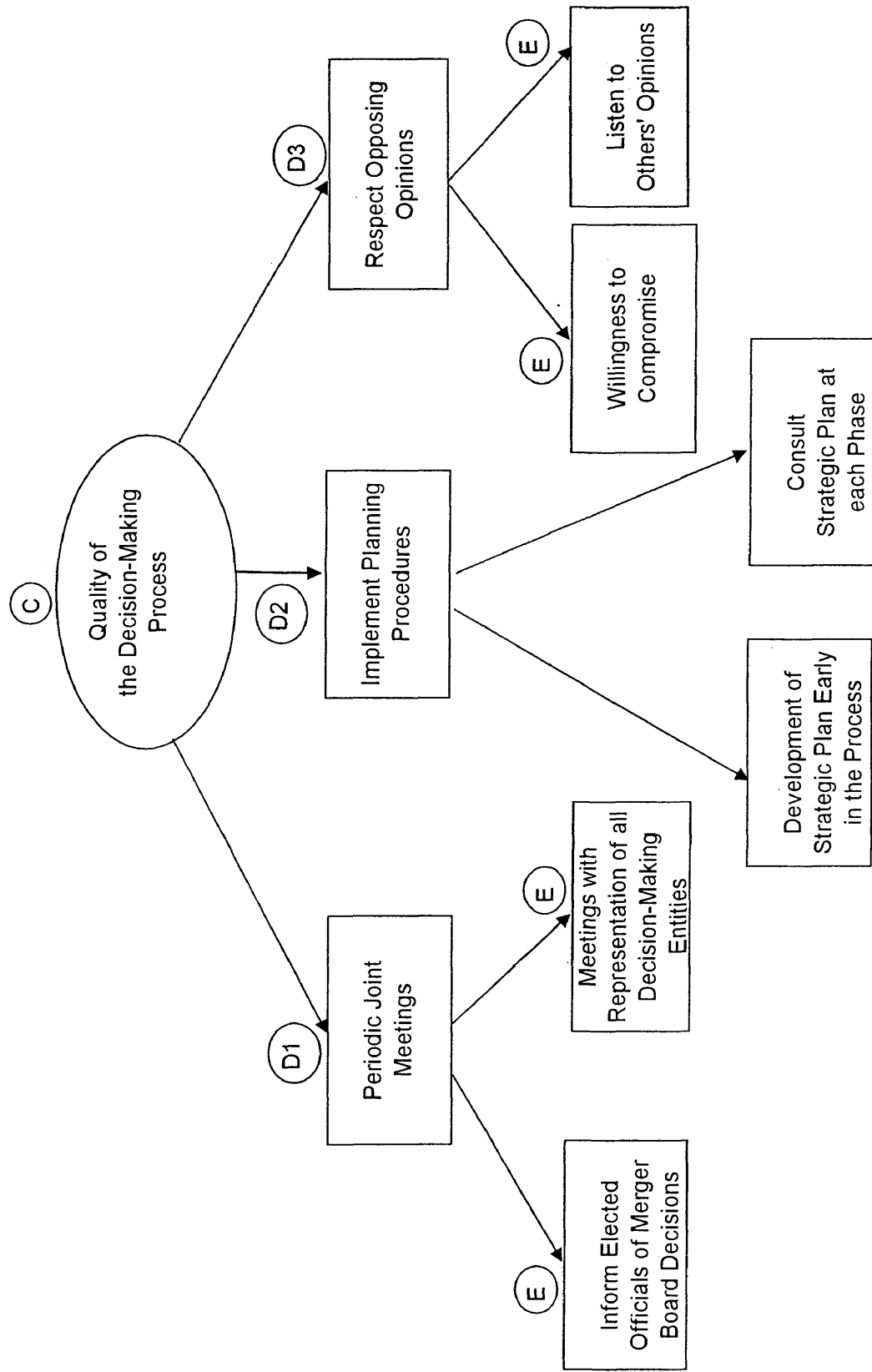
15.3 Appendix C: Operationalized Definitions

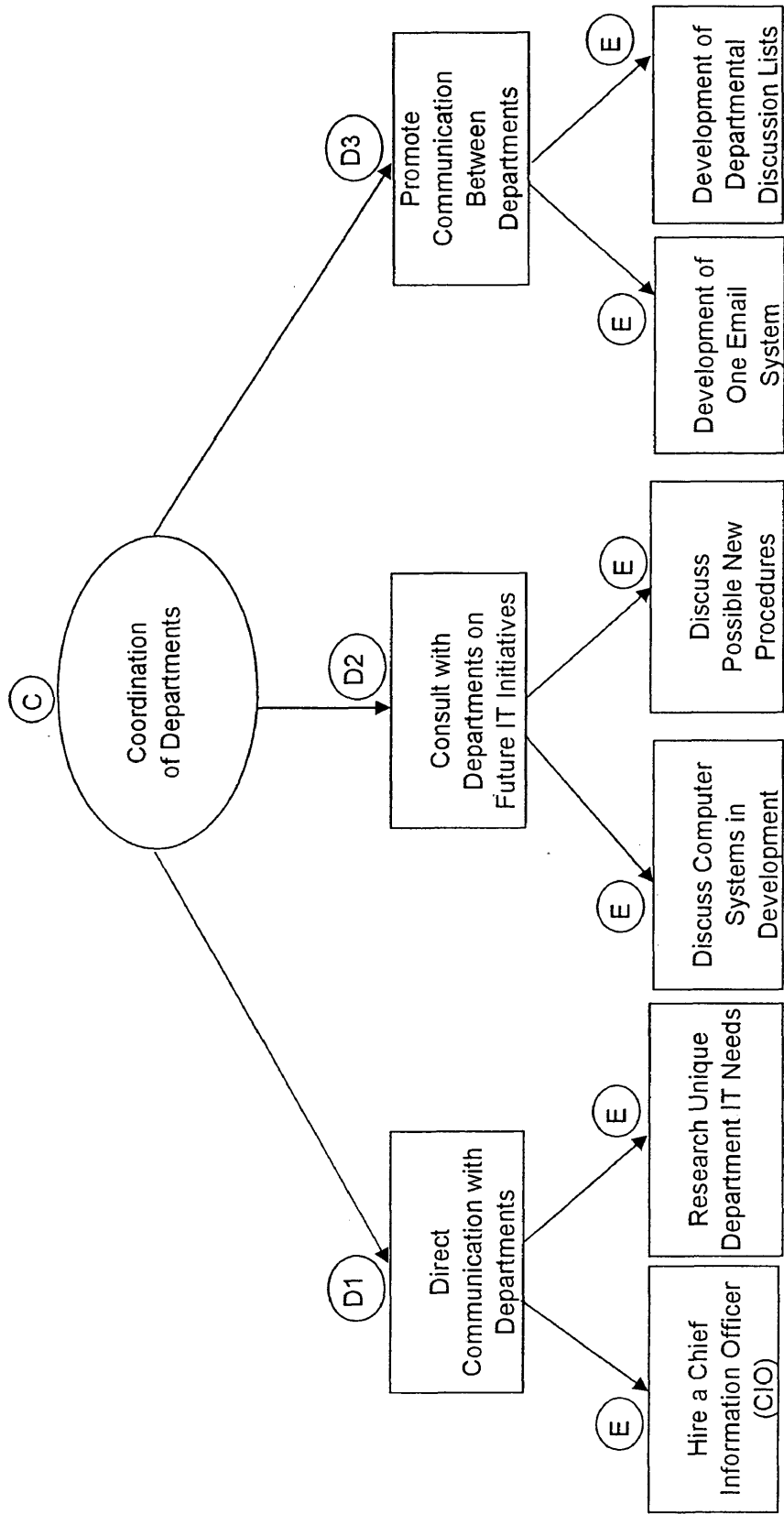












15.4 Appendix D: Questionnaire

Masters Thesis
IRB #: 069-03-EX

April 14, 2003

Dear Participant,

I am a student at the University of Nebraska at Omaha studying issues related to merging Information Technology (IT) departments within local government. The data obtained from this questionnaire will be used as part of a Masters thesis project. A sufficient number of responses were not received during the first mailing, therefore, a second distribution is required.

The information you provide in this questionnaire will help me to better understand the important factors that affect local government when IT Departments merge. For example, the IT Department within the city may merge with the IT Department within the county in order to increase effectiveness and efficiency.

Very little research exists on IT mergers within local government. Due to this lack of information and to the fact that local government mergers typically have a high failure rate, your responses will hopefully provide answers that will improve the successfulness of any future local government IT mergers.

Your responses will be kept strictly confidential. Only members of my thesis committee will have access to the information you give. The questionnaire should take no more than 15 minutes to complete. A self-addressed, stamped envelope has been provided for your convenience in returning this questionnaire. Please return the questionnaire in the envelope provided by
April 25, 2003.

If you have any questions, please feel free to contact me using the email address listed below. Thank you for your time and cooperation. I greatly appreciate your help in this research endeavor.

Sincerely,

Angela Patton
Graduate Student

Pamela Specht, PhD
Professor of MIS and Graduate Program Chairman

College of Information Science and Technology
University of Nebraska at Omaha

SECTION ONE: ABOUT YOURSELF

1) Job Title: _____

Please circle the number representing the most appropriate response for you for each of the following items:

2) Number of Years Worked in the Organization

1. Less than 1
2. 1 - 5
3. 6 - 10
4. 11 - 20
5. Over 20

3) How many IT employees do you supervise?

1. None
2. 1 - 4
3. 5 - 9
4. 10 and over

4) Have you personally experienced a local government IT merger?

1. Yes
2. No

Using the scale provided (Strongly Disagree to Strongly Agree), please indicate the extent to which you agree with the following statements. Circle the number which corresponds to your level of agreement for each statement. Please consider the people directly involved or affected by the merger when answering these questions.

SECTION TWO: MERGER PROCESS

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
5) I believe Employees should be satisfied with the merger process.	1	2	3	4	5
6) I believe IT Administrators should be satisfied with the merger process.	1	2	3	4	5

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
7) I believe Appointed/Elected Officials should be satisfied with the merger process.	1	2	3	4	5
8) I believe that the Merger Board should be satisfied with the merger process.	1	2	3	4	5
9) I believe that the public (constituents) should be satisfied with the merger process.	1	2	3	4	5

SECTION THREE: EMPLOYEES INVOLVED IN THE MERGER PROCESS

10) Employees should voice their concerns about the merger.	1	2	3	4	5
11) Employees should recommend new IT projects for the newly merged IT department.	1	2	3	4	5
12) Employees should submit suggestions about the merger.	1	2	3	4	5
13) Employees should support the merger process by maintaining their productivity.	1	2	3	4	5

SECTION FOUR: APPOINTED/ELECTED OFFICIALS INVOLVED IN THE MERGER PROCESS

14) Appointed/Elected Officials should develop ideas that will improve the merger process.	1	2	3	4	5
15) Appointed/Elected Officials should not delay major decisions past an agreed upon deadline.	1	2	3	4	5

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
16) Appointed/Elected Officials should do everything possible to prevent politics from affecting the merger.	1	2	3	4	5
17) Appointed/Elected Officials should advance the merger process along in a timely manner.	1	2	3	4	5

SECTION FIVE: EMPLOYEE INTERACTION WITH ALL DECISION-MAKERS INVOLVED IN THE MERGER PROCESS

18) Employees should be given advance notice of all major topics to be discussed by the Merger Board during open meetings.	1	2	3	4	5
19) Employee(s) should be allowed as member(s) of the Merger Board.	1	2	3	4	5
20) Individual employees should be given an opportunity to voice their concerns directly to the Merger Board.	1	2	3	4	5
21) Early in the merger process, the Merger Board should establish procedures for addressing questions relating to any benefit and salary changes.	1	2	3	4	5

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
SECTION SIX: THE DECISION-MAKING PROCESS					
22) Periodic joint meetings about the merger should be held that include the Merger Board and all Appointed/Elected Officials.	1	2	3	4	5
23) Before the merger commences or early in the merger process, a strategic plan should be developed that addresses merger goals and objectives.	1	2	3	4	5
24) All merger decision-makers should be willing to make compromises.	1	2	3	4	5
25) All merger decision-makers should be willing to consider other opinions about the merger process.	1	2	3	4	5
SECTION SEVEN: COORDINATION OF DEPARTMENTS SUPPORTED BY THE NEWLY MERGED IT DEPARTMENT					
26) It is important to hire a CIO/Administrator to head the newly merged IT department.	1	2	3	4	5
27) It is important to develop one email system to be used by all departments supported by the newly merged IT Department.	1	2	3	4	5

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
28) It is important to share information regarding any new computer systems in development with all departments supported by the newly merged IT Department.	1	2	3	4	5
29) The IT administration should be aware of the unique IT needs of each department supported by the newly merged IT Department.	1	2	3	4	5

SECTION EIGHT: COMMENTS

30) The questions in this survey may have not allowed you to comment on some things that you may have wanted to say about the factors that impact a successful IT merger. Please make any additional comments in the space below.

I sincerely appreciate your time and cooperation. Please make sure that you have not skipped any questions, and then mail the questionnaire in the envelope provided by March 21, 2003.

15.5 Appendix E: IRB Approval Letter



NEBRASKA'S HEALTH SCIENCE CENTER
A Partner with Nebraska Health System

Institutional Review Board (IRB)
Office of Regulatory Affairs (ORA)

February 27, 2003

Angela Patton
Info. Systems & Quant. Analysis
UNO - VIA COURIER

IRB#: 069-03-EX

TITLE OF PROTOCOL: A Study of the Factors Related to Successful Consolidation of Information Technology Units in Local Government

Dear Ms. Patton:

The IRB has reviewed your Exemption Form for the above-titled research project. According to the information provided, this project is exempt under 45 CFR 46:101b, category 2 and 4. You are therefore authorized to begin the research.

It is understood this project will be conducted in full accordance with all applicable sections of the IRB Guidelines. It is also understood that the IRB will be immediately notified of any proposed changes that may affect the exempt status of your research project.

Please be advised that the IRB has a maximum protocol approval period of three years from the original date of approval and release. If this study continues beyond the three year approval period, the project must be resubmitted in order to maintain an active approval status.

Sincerely,

A handwritten signature in black ink that reads "Ernest Prentice, PhD / MSK".

Ernest D. Prentice, Ph.D.
Co-Chair, IRB

EDP/gdk

15.6 Appendix F: Comments of IT Directors

Question #5: employee satisfaction

You want them to like what they do, who ultimately signs their paycheck shouldn't be a big issue.

Question #7: appointed/elected officials satisfaction

They have to be or they won't vote for it.

Question #9: public satisfaction

It all depends on who thinks their ox has been gored if the process resulted in a merger that was approved by all the entities move on with making it work.

Question #10: employee voice concerns

But they should also express the positive aspect of what a merger could mean to them.

Question #12: employee submit suggestions

For a limited duration accept input and move on.

Question #13: employees should maintain productivity

They should maintain their productivity in spite of their position on a merger.

Question #14: appointed/elected officials should develop ideas

They should provide basic framework then let the techs do their job.

Question #16: appointed/elected officials should prevent politics

Good luck!

Question #17: appointed/elected officials should advance the merger

If they agreed to the concept they need to keep it moving. Amazingly how 1 or 2 people can gum up a process.

Question #18: give employees advance notice of major topics

Under Michigan's Open Mtgs. Act the agenda must be posted 18 hours minimum before the mtg.

Question #20: employees should voice concerns to the Board.

But it should be structured and not just become a gripe session for why some single component or the whole merger should not happen.

Question #22: joint meetings

Only to update them on the progress and to get general input and to help drive the merger to closure. Not for the technical aspects of the merger.

Question #26: hire a CIO

Promote from within. Must have strong leadership with knowledge.

Question #28: share information about new computer systems

Perhaps a general way but the police record retention system has no impact on the Parks Cemetery software and vice versus.

Question #29: IT administration should be aware of unique departmental needs

The problem is they all think their unique so an education process has to happen showing commonalities versus distinctions.

Question #30: Comments:

Early in the process you should get "buy-in" from as many EO's, appointees and staff as possible, by stressing the benefits for each group and allaying fears.

There must be an organization/board put in place with at least 1 vote (or equal #'s) for each governmental entity included in the merger to ensure that there is agreement on the projects being worked on. If not, this organization will fail. Without full cooperation and a strong savvy CIO, this will fail in most cases. There must be an appreciation for the savings or/and enhanced productivity gains for political entities to be willing to give up direct control over the long haul.

Key Success Factors:

- Do not focus primarily on \$ savings
- Communicate up and down the chain of command
- Spend ample time listening to the concerns of the departments merging
- Move along at a manageable pace to give merged organizations a chance to absorb and adapt
- Recognize that some activities/processes are better off distributed
- Tackle the funding issues up front

Disappointingly you did not address the issue of why a merger or consolidation of services would be considered let alone moved on to a merger. It usually stems from elected officials having heart failure over how much technology costs for something they can't usually see. A police officer, a fire rig, parks are all tangible visual items they can agree to fund. You also have or two in each crowd that believes they know about technology because they dabble in it themselves. A little knowledge can and is

dangerous. I spend an inordinant amount of time explaining to our elected officials that a govt entity has much stronger needs than the cheap laptop and software they are able to buy for their home or worksetting so they are always trying to figure out how to not spend technology dollars but still provide the community with tech services. They also waste tech resources by allowing departments to be lured into software and hardware purchases with (no) technical background to determine if it will truly work. So unless along with the merger they give strong oversight and authority to the IT Dept to say yes or no to deptl requests. A merger won't save any money long term.

There is going to be a difference in how some of the above questions are answered based upon whether or not the entire entities (city/county) including all departments merge, or if only the IT Depts merge. If the former, all systems in all depts. Of both City and County will be supported and managed out of one budget, one human resources application, etc. If the latter, then both City and County systems, which may be different, will have to be supported. These two possibilities make some of the answers change, depending on which scenario is being put forth.

Government is political by its nature, and therefore would expect it to be a major factor in any merger. It is the political interests of the merged governments that can create unresolved obstacles.

- Organized labor needs to be involved along with employee
- Sr. Administrative support must be strong
- Not an easy process
- Upgrade legacy systems ASAP

Merger of City and County IT organizations is a relatively rare phenomenon. You might also want to consider mergers of IT organizations within a gov't entity, e.g., Departmental IT orgs with a centralized IT org or merging entities like Water & Sewer or Airport IT org. together with the general gov't. You know this is really all about politics!

My experience in joint powers agreements between separate political jurisdictions is that the parties involved will end up in violent agreement about the idea to share as long as it is their way. When it comes to implementation arguments and fights start over who manages it, who pays for what, etc. The result is in most cases the creation of oversight committees, focus groups, etc, which adds a layer of bureaucracy that significantly slows down decisions and adds expense.

The City of is currently looking at merging its Fire Department with the County's. This process has shown that even though perform the same functions, they clearly have different cultures. As such, the merge may be difficult. The same applies to any I.T.

merger. Not only will you have potentially different cultures, but also different technology infrastructures, pay scales, and others. I would view any I.T. merger as being problematic.

While I agree w/ most of the statements presented. I do not think they are entirely realistic. So I "agree" or "strongly agree" in a perfect world ---- time constraints and limited resources prohibit the application of these "ideal" circumstances in a real world merger.

A successful IT merger occurs best when it is combined with an outsourcing effort simultaneously.

This subject comes up often.

-Each Gov't needs to think about "giving up" control of a service org. that can and should respond to their needs quickly. It becomes a sore point down the road.

-“New group” changes are too high, I can get it done cheaper somewhere else. If Dept. heads are elected they want it their own way, I don't want to do it that way.

-We might be gov't, City/County have similar tasks, but the org. structure is completely different, priorities are different and Elected people seem to think it has to be their way.

-Our experiences was two units of gov't sharing resources. I spent 40% of my time justifying changes , cost, etc. The other agency went away, thank goodness.

In the U.S. Army, a Section Eight discharge is due to mental incapacity. This section may be appropriately named for anyone who would attempt the merger of two IT departments as described in your thesis. This type of merger would be extremely difficult. I spent most of my years in private business and have been amazed at the territorialism that exists in government entities. I would suspect that the reason for the high rate of failure that you noted is due primarily to this one factor.

In our case, you have two separate elected bodies that represent the City and the Council. It is often difficult to get these bodies to agree among themselves, much less with each other. For example, (and I realize I digress, but I think it will help understand the situation), when I first came to work for the City, the City Council held a number of citizen forums that were supposed to allow citizens to voice their concerns and their priorities for the Council. There were five forums, one for each Council District, but all Council members were present for each forum. Without exception, the number one concern of the citizens was the local School District. After hearing this over and over, the Council determined that the School District was governed by a different elected board and therefore, was not their concern. If I had that many of my constituents voicing it as their number one concern, I think I would realize it was affecting the City and its image and I would make it my business to find ways to help.

Our City Council and County Commissioners Court rarely agree on anything, including how much each should pay for joint operations. Additionally, there are a number of small incorporated cities within the County. The City currently runs the County Health Department, for which the County pays less per capita than any of the cities in the County pay. The City also runs the County Library system. The county represent 60% of the usage, but only pays 17% of the cost. The law enforcement agencies of each city and the County cannot communicate because they each have their own radio system! There have been people from the City trying to get a unified communications system since before I came to work here in 1997 and they have just now agreed on a consultant to come in and do a study.

If is for these reasons that I checked strongly disagree to Question 22. Once the decision is made to merge, you would want to keep the elected officials out of the process as much as possible. Let the professionals handle it.

I have another example which may help with why so many of these mergers fail. I am a Certified Public Accountant and was working as a Financial Analyst when I first came to the City. The City Manager had decided to outsource the City's IT function. That decision was made in February. By the time a vendor had been selected, there were only six IT employees left out of a staff of fourteen. Everyone who could find a job had left, even though they were guaranteed employment by the contract with the vendor chosen. No one wanted to change. In the end, the City Manager left and it was decided not to outsource. The point is that many people who choose government service do not like change. They want things the way they have always been.

Another difficulty in a merger is that the entities are almost certainly on different platforms. The City was on a legacy system until 1992. The County was on a legacy system until just the last couple of years (I am not sure of the date). Combining legacy systems would be very difficult. As anyone who has been through a conversion can tell you, they are very traumatic. Our current Finance Director swears she will retire before she goes through another one. Although technology is working towards cross-platform communication (as one of my technical people says "data is data"), it is still a difficult conversion. You would have to combine more than just IT. You would almost certainly have to agree on one financial system, one platform, one email, etc. before you would see much benefit from a merger. Each of these decisions would be difficult and could cause problems for the merger.

When I took over the IT Department in 1998, there were no standards in the City. There were four word processing applications and six spreadsheet applications in use in the different departments. Most of the computers were clones. No one knew how many computers the City had or where they were. We established and began enforcing standards. Of course, we met resistance from certain departments because ". . . that is not what we have always used . . ." It was only because we had a lot of early success that we were able to do the job we have done. Trying to establish standards across different entities could easily become a nightmare.

Your question 26 is an intriguing one. There are pros and cons to both. In my opinion, the merger would have a better chance of surviving with an outsider brought in to head the newly formed department, but that person would have to be a master at communications and be well-respected in the field to increase the chances of success. I hope these comments help. I feel that I have digressed, but I feel it is important that you understand the difference in how government entities work for you to have an understanding of why these projects fail.

- The questions "Why merge" and "What's in it for me/us" need to be addressed.
- A business case and communications plan need to be developed.
- A consultant would probably help.

If unions are involved, union leaders should be involved in the process.

Turf issues make mergers nearly impossible politically. Small cities fear loss of control and priorities to larger cities or the county. All fear loss of control to the state. There are very good historical reasons for this belief.

Who will the merged department report to? Depending on reporting relationships the new department may have to separate government boards it reports to. Who will set the priorities?

Employee buy-in is important and is best achieved through effective administrative and merger leadership. Elected officials are important in strategic planning and concept support, but should not be involved in operation and execution. Ultimate benefactors: taxpayers. Gain efficiencies and effectiveness. Sum of the parts, greater than the whole.

In 1997, we, the City, was planning a merger with the County. Everything was complete except for final signatures. The City IS department got together and created an alternate plan that was accepted which stopped the merger. We have been successful ever since.