

**MANAGING POST-MERGER INTEGRATION:  
A CASE STUDY OF A MERGER IN CHINESE HIGHER EDUCATION**

by

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## **CHAPTER ONE**

### **INTRODUCTION**

Higher education as a sector and institutions of higher education as organizations have been portrayed as notoriously resistant to change (Elton, 1981; Rantz, 2002; Clark, 1998), yet change has become a persistent theme in higher education in the past several decades. An increasingly turbulent environment has compelled institutions of higher education to adopt and adapt to rapid changes in their external as well as internal context. Failure to change may damage an institution's competitive edges, impede its growth, or even pose threats to its survival. Organizational change and transformation are therefore frequent occurrences in the postsecondary knowledge industry (Peterson & Dill, 1997).

This study deals with what Greenwood and Hinings (1996) describe as a form of radical change, namely, institutional merger. According to Greenwood and Hinings, radical organizational change involves a reframing of the existing orientation of the organization and requires the transformation of the organization. In higher education merger is defined as a range of arrangements whereby two or more participating higher education institutions combine to form a single new organization (Harman, 1991). Under such arrangements, at least one institution and potentially all participating institutions would relinquish autonomy and former separate legal identity. All assets, liabilities, legal obligations, and responsibilities of the merging institutions are transferred to the successor organization. As a consequence of these changes, the succeeding institution has

only one organizational structure, one governing body, and one chief executive. Merger thus defined is no doubt one form of radical organizational change in the higher education sector, the complexity of which calls for serious and careful study.

### **Rationale for the Study**

Radical organizational change and adaptation has become a central research issue in organization research since the 1990s (Greenwood & Hinings, 1996), and mergers and acquisitions (M&As) as frequent occurrences in the business sector have been studied through a variety of theoretical lens, including strategic management, economics, finance, organizational behavior, and human resource management (Larsson and Finkelstein, 1999). The topic, however, has attracted less attention from higher education researchers. The lack of interest in institutional merger among higher education scholars is rather puzzling because merger has been an important phenomenon in the development of higher education. Many present day large and prestigious universities in the United States as well as in Europe have evolved out of mergers, and over the past three decades or so, merger has become an increasingly common phenomenon across many higher education systems world wide. They have been used by national governments to achieve a variety of purposes, but particularly for major restructuring efforts to address problems of institutional fragmentation, lack of financial and academic viability, and low efficiency and quality (Harman & Meek, 2002). In countries such as Australia, Britain, the Netherlands, Norway, Sweden, and South Africa, governments have played important roles either in initiating or encouraging mergers by providing powerful incentives for merger so as to rationalize their higher education system (Fielden & Markham, 1997; Gamage, 1992; Harman & Meek, 2002; Hay & Fourie, 2002; Kyvik,

2002; Lang, 2002; Martin, 1996; Skodvin, 1999). Mergers have profoundly altered the contours and landmarks of higher education in these countries. More recently, a number of eastern European and Asian systems of higher education, such as Hungary, Vietnam, and China, have used mergers to address problems of fragmentation in their higher education and to build larger and more comprehensive universities (Feng, 2001; Harman, 2002).

For private institutions and institutions in less-centralized public systems, merger is often a voluntary institutional response to the changing external and internal contexts. Individual institutions used mergers to address financial problems and external threats, particularly those related to falling student demand and enrollment decline. For example, during the period from the late 1960s to the early 1980s, merger was one of the major means of reorganization that American institutions adopted to respond to the changing environment (Breuder, 1989). A number of conditions and tensions, such as reduction in state and federal allocation, the shrinking high school graduate pool, and concerns about the efficiency and effectiveness of higher education, led to this imperative to change. In the 1990s and 2000s mergers was still a common response strategy in higher education nationally in the US as support for education dwindled. In Arizona, Montana, New Jersey, New York, Oregon, Washington and elsewhere, merger and program elimination were a fact of life (Coffman, 1996). According to an article published on the Chronicle of Higher Education, at least 12 college mergers were completed or announced between November 2000 and June 2003 in the US (Williams, 2003). A wave of merger also hit the for-profit sector of higher education as well (Borrego, 2001).

Higher education today to a great extent is still facing many of the tensions and challenges that have given rise to mergers in both the public and private sectors in the past several decades. It is quite likely that governments and higher education institutions will continue to use merger as a means to cope with these tensions and challenges. For example, in Japan, as the population and enrolments dwindle, universities have begun to consider merger. According to an education ministry report issued in January 2003, at least 35 of Japan's 99 national universities were planning mergers within the next three years (Brender, 2003).

There is no doubt that a critical understanding of the past experience with merger is essential to the success of higher education mergers in the future. But unfortunately, in turning to the literature to learn more about mergers in higher education, I found fragmentation and a degree of incompleteness. In countries like Australia, Britain and the Netherlands, merger as a policy issue has received a great deal of scholarly attention. A number of studies provide rich information about how merger as a national policy was initiated and implemented and its actual outcomes in these countries (e.g., Fielden & Markham, 1997; Gamage, 1993; Goedegebuure, 1992; Harman, 1988; Martin, 1996; Meek, 1988). However, the majority of the literature focuses mainly on describing the reasons why institutions merged and how the transactions were negotiated. How institutions implemented the merger and how integration was achieved at organization-level were dealt with to a much lesser extent. Many researchers in higher education mergers have pointed out the lack of serious theoretical and empirical research in this area (Chambers, 1987; Eastman & Lang, 2001; Goedegebuure, 1992; Mulvey, 1993). Admittedly, the existing accounts and articles written by administrators and

scholars directly involved in higher education mergers have provided many important insights into this very complex phenomenon, yet systematic research is needed to explore the dynamics, processes and outcomes of mergers.

Fortunately mergers have been studied extensively through a variety of theoretical lens in the business literature. The questions then are whether this body of literature is relevant to the study of higher education mergers and whether the insights and conclusions from these studies are applicable to the higher education context.

Goedegebuure (1992) argues that it is true that business enterprises and higher education institutions operate in a different environment and under different conditions, but it does not necessarily follow that organizations in the two sectors have entirely different behavioral mechanisms. Moreover he notices the trend towards increased market-like and market-oriented behavior of higher education institutions in many countries and considers it too crude to dismiss the actual existence of certain markets in higher education.

Similarly Brock and Harvey (1993) argue that there are significant similarities between universities and business corporations and they propose the use of corporate strategy to the management of universities. Arguments like Goedegebuure's and that of Brock and Harvey support the use of the results of studies on mergers in the business sector to the study of higher education mergers. Therefore in developing a conceptual framework for this study I made an attempt to draw on the literature about mergers in the business sector.

Yet in the business sector as well as in higher education, both scholars and practitioners have recognized that merges and acquisitions have failed to live up to their potential (Larsson & Finkelstein, 1999). Failure rates of mergers are reported as high as

50-75 percent (e.g. Marks & Mirvis, 1998). When traditional financial and strategic perspectives have not been able to explain the failures, scholars have increasingly begun to focus on factors influencing the management of post-merger relationships as potentially critical in the success or failure of mergers and acquisitions. Post-merger integration has been identified as the key factor that not only affects the near term performance of the newly formed organization but also has further-reaching consequences for the long-term viability of the new organization (Javidan et al., 2004; Larsson & Finkelstein, 1999; Shrivastava, 1986). Indeed, poor integration has been cited as one of the leading causes of merger failures (Pablo, 1994). Thus it is unwise and costly to underestimate the importance of managing post-merger integration. In higher education mergers, problems with integration may be even more important and complex because integrating different academic cultures is generally considered to be extremely difficult (Harman, 2002). And evidence about higher education merger does show that failure to achieve integration has impeded the realization of expected outcomes in many higher education mergers (Chambers, 1987; Skodvin, 1999).

### **Purpose of the Study**

This study was intended to fill some of the gaps identified above by focusing on the integration in one unique case of merger in Chinese higher education. In China merger was the most important means the government used to restructure its higher education system in the 1990s and 2000s. According to the latest statistics published by the Ministry of Education, there were 424 mergers during the period from 1990 to March 2005 (<http://www.moe.edu.cn/edoas/website18/info11206.htm>). The peak of restructuring came after 1998. For example, in the short period from 1999 to March 2001 alone, forty

mergers were completed in which 104 colleges and universities were reorganized into 40 institutions. These mergers involved nearly all types of higher education institutions, from the most prestigious national universities like Beijing University and Qinghua University, to small local colleges at the bottom of the higher education hierarchy of the country. Many of the mergers have in part been involuntary in the sense that institutions chose to merge because of pressures caused by the changes in government policies and in some cases because of government imposition. I expected that such mergers would involve serious problems with implementation and post-merger integration. I based this on my personal experience as both a participant and observer of two mergers in Chinese higher education, and my intuition was confirmed by the literature on mergers in higher education and other industries as well (Skodvin, 1999; Rowley, 1997). The purpose of this study, therefore, is to examine the post-merger integration in a merger in Chinese higher education and to reveal the important factors that have affected the process and outcomes of integration. This study addresses a broad question:

- ◆ **How was integration implemented and managed in the merger and what were the outcomes of integration?**

In addition to answering this question, this study also goes one step further to achieve a second aim, namely, **to build an integrative framework that can be used to examine and analyze integration in higher education mergers.**

This study uses the case study method. Case study methodology allows me to analyze the external and internal context of the merger in an intensive manner, but emphasis is placed on the integration and the factors that affected its process and outcomes. Although this study deals with only one single case, it seeks to contribute to



the higher education literature in two ways: 1) the theoretical understanding generated from this case will shed some light on how to conceptualize and analyze the process of organizational change in higher education mergers, and 2) the insights and lessons from the case example holds some merit for other organizations which might become involved in similar organizational change activities in the future.

### **Overview of the Study**

This study employs the case study method to examine the context, process and outcomes of a higher education merger. Specifically, this study explores how the integration was implemented and managed. I used interviews, observation, as well as document analysis to track the activities and changes in the process. The insights and findings from this study provide a richer understanding of the different dimensions of the integration and the strategies that can be used to manage it. What emerges from this study is a revised conceptual framework that better captures post-merger integration and expands our understanding of the process.

I begin CHAPTER TWO with a brief review of what is already known about merger in higher education, identifying the inadequacies and gaps in higher education literature on this topic. In CHAPTER THREE I make an attempt to construct an preliminary conceptual framework for studying post-merger integration by drawing upon research done in the business field. The conceptual framework provides guidance in examining post-merger integration and serves as a broad map for approaching pertinent issues in the process. At the end of CHAPTER THREE I lay out main research questions and sub-questions that are used to guide the data collection for this study. CHAPTER FOUR describes in detail the methods used for the study, elaborating the rationales for

using the case study method, as well as the data collection and data analysis process.

CHAPTER FIVE and CHAPTER SIX report the findings of the study. CHAPTER FIVE presents the context for the merger and the important decisions made before the merger could be implement, setting the stage for a more focused narrative of the integration in CHAPTER SIX. CHAPTER SIX examines in detail the process and outcomes of organizational integration and human integration. Chapter SEVEN offers an interpretation of the findings. The discussions are structured according to a revised conceptual framework developed based on the findings of this study and previous research on this topic. In the concluding chapter (CHAPTER EIGHT), I summarize the findings from this study, discuss the theoretical and practical contributions of this study, and end the chapter with a brief discussion about the implications this study has for future research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In this chapter I provide a brief review of the research literature relevant to this study. The review is meant as a way of introducing the readers to the topics of merger in higher education. I first provide an evaluation of the literature on merger in general and then summarize what is already known about merger in higher education, identifying key issues and concerns in the merger process. I also discuss the inadequacies and gaps in higher education literature on this topic.

#### **Studies on Merger**

The process of a merger is a complex organizational process that creates enormous change for the organizations and individuals involved. Such a process poses serious theoretical and methodological challenges to organizational researchers. Javidan et al. (2004) conducted a survey of the articles on this topic published in the top three management journal: *the Academy of Management Journal*, *the Academy of Management Review*, and *the Strategic Management Journal*. They found out that during the period 2001-2002, fewer than 10 articles on this topic appeared on these three journals. Javidan et al. contend that merger and acquisition is by nature a multilevel, multi-stage, and multidisciplinary construct, yet researchers tend to use single-level, single-stage, and single-disciplinary approach to study the phenomenon because that is what researchers are typically trained in and because it is easier to do so. As a result, they believe that most

of the work on the topic tends to be narrowly focused and fails to capture the dynamic and complex nature of the phenomenon. Therefore, despite the bulk of literature on this topic, Javiden et al. (2004) still consider the study of merger and acquisition to be a new field of inquiry which is in need of stronger conceptual work that clarifies the theoretical dynamics involved.

The literature on merger in the business sector (and in other sectors as well, such as in the health care industry) is largely problem driven rather than theory driven (Davis, 2005). It examines this phenomenon from different theoretical perspectives, using different methodological approaches and focusing on different elements of the merger process. It is most common to view merger as a process encompassing several distinct phases as presented in Table 2.1 (see e.g.: Chambers, 1987; see e.g.: Goedegebuure & Vos, 1988; Millett, 1976).

Table 2.1: Stages in the Merger Process

Stage	Beginning event	Factors	Ending event
Pre-existing condition (1)	Anonymity	Environmental, community, economic	Initial contact
Enabling forces (2)	Initial formal contact	Sociological: inter- and intra- organizational, bargaining	Initial integration of resources
Dynamics of implementation (3)	Initial integration of resources	Managerial, psychological, individual	Full integration of resources
Stabilization (4)	Full integration of resources	Institutional, evaluative	Revised and accepted organization

(Source: adapted from Starkweather, 1981)

Table 2.1 indicates that at different stages of a merger different dynamics operate and different factors are considered to be important. For example, in Stage 1 (Pre-existing

condition) external factors play an important role in driving the decision to merge while internal factors like managerial and individual behavior play a predominant role in actually shaping and structuring the new organization in Stage 3 and 4. However, the merger process may not be such a perfectly linear process with distinct development stages as is delineated in Table 2.1. For example, some external factors (e.g. sudden changes in the environment) may disrupt integration process while some internal factors (e.g. strong resistance to a proposed merger from powerful individuals) may well undermine the initial negotiations.

In the business literature the largest proportion of the research on merger is micro-economically oriented and focuses on the question of whether or to what extent a merger has led to an increase in efficiency, profitability, market concentration or other economic and financial outcomes (e.g.: Hughes, 1989; Karier, 1993; Mueller, 1969; O'Neill, 1987; Schweiger & Walsh, 1990; Singh, 1975). However the business sector has also seen an increasing number of studies that examine mergers from the organizational behavior and human resources management perspectives (Schweiger & Walsh, 1990; Larsson & Finkelstein, 1999). Organizational research has focused primarily on the post-merger integration process (Haspeslagh & Jemison, 1991; Pablo, 1994), highlighting both culture clash (Buono et al., 1985; Nahavandi & Malekzadeh, 1993) and conflict resolution (Mirvis, 1985). Research in the human resource management literature has emphasized the psychological effects of mergers on members of the participating organizations (Astrachan, 1990; Marks, 1982). These studies are more oriented towards the process of merger and stress the conflict of interests and the power dynamics in the integration process.

Not surprisingly most studies of mergers in the non-profit sector (e.g., government, health care, higher education) fall into this category as it is generally assumed that organizations in these sectors have different decision making structure and different set of goals from business corporations (Goedegebuure, 1992). The higher education literature on mergers, however, consists of a large number of studies that lack clear theoretical orientations. These studies are largely a collection of papers and articles primarily describing the merger processes from the point of view of informed participants in these processes. According to Goedegebuure (1992), even if one uses a very broad definition of “theory-based” research, namely any reference to literature other than governmental and institutional documents on merger or related issues, or the development of hypotheses in some form or other, over 75% of the higher education literature on this topic identified by him falls within this category. Other researchers have also identified this serious inadequacy in higher education literature. (Chambers, 1987; Eastman & Lang, 2001; Goedegebuure, 1992; Mulvey, 1993). In the next section of this chapter, I try to summarize this inadequate yet informative and meaningful body of literature on higher education mergers and lay a basis for building a conceptual framework for this study.

### **Mergers in Higher Education**

The literature on mergers in higher education represents only a tiny fraction of that found in the business sector. While mergers were frequent occurrences in American higher education in the 1960s and 1970s, it is a more recent phenomenon in many other countries where higher education is more centralized (e.g., Britain in the 1970s and 1980s, Australia in the 1980s and 1990s, a number of countries East Europe, Asia and Africa in the 1990s and 2000s). During the 1960s and the early 1970s, Australian and British

governments used mergers (amalgamations) to create a binary system, establishing the colleges of advanced education and the polytechnics as a sector separated from universities. However, later in the 1980s and 1990s, the governments in these two countries again used mergers to break the binary division and to form a unified system (Fielden & Markham, 1997; Goedegebuure, 1992; Harman & Meek, 1988; Harman & Meek, 2002; Meek, 1988). Merger was also an important measure in the German experiment with the Gesamthochschulen (comprehensive universities) during the 1970s, the Swedish reform in higher education in 1977, the restructuring of the college sector in the Netherlands in the period from 1983 to 1987, the reorganization of the Norwegian college sector in 1994, the amalgamation process in the Flemish college sector in 1994, as well as the establishment of the polytechnic college sector in Finland during the period from 1991 to 1995 (Skodvin, 1999; Harman & Meek, 2002). The government in these countries promoted higher education mergers for a variety of motives (Harman & Meek, 2002), such as to increase efficiency and effectiveness, to widen access, to deal with narrow specialization and institutional fragmentation, and to ensure that higher education institutions more directly serve national and regional economic and social objectives.

In countries like Australia, Britain and the Netherlands, merger as a policy issue has received a great deal of scholarly attention. These studies provide rich information about how merger as a national policy was initiated and implemented and its actual outcomes in these countries (e.g., Fielden & Markham, 1997; Gamage, 1993; Goedegebuure, 1992; Harman & Meek, 1988; Rowley, 1997; Samels, 1994). For example, in both Austria and the Netherlands, as a result of the implementation of the government's restructuring operations, almost all of the higher education institutions in the sectors affected have

been involved in mergers in one way or another. In terms of the scope of the policy and the number of institutions involved, these initiatives have probably been the most far-reaching examples of restructuring higher education systems through mergers to be found in the western world (Maassen, 2002). Their experiences have influenced in different degrees many of the efforts by governments in other countries that used similar approaches to reform and restructure higher education in the 1990s and the early 2000s. Yet in these countries studies at the organizational level are rare and fragmented. Very few studies focused on how individual institutions involved in the merger initiatives in these countries implemented the merger and how institutions managed the integration process. As a result the higher education literature provides little insight on the management of the merger process.

In the United States where higher education is more decentralized and diversified, merger has been a more frequent occurrence among private institutions (Peters, 1977; Chambers, 1987; Kuh & Robinson, 1995). During the period from the late 1960s to the early 1980s, merger was one of the major means of reorganization that American institutions adopted to respond to the changing environment (Breuder, 1989). A number of conditions and tensions, such as reduction in state and federal allocation, the shrinking high school graduate pool, and concern about the efficiency and effectiveness, led to the imperative to change (Millett, 1976). During this period of time the American public higher education sector also saw a trend toward increasing consolidation as individual or groups of colleges and universities were restructured into larger systems, resulting in the growth in multiple-campus institutions (Millett, 1976; MacTaggart & Associates, 1996). In addition a number of mergers took place as a response to the change in federal policies



that aimed to expand the research quality of some universities and the capacity for educating scientists and engineers. Case Western Reserve and Carnegie Mellon exemplified this type of mergers.

However, the mergers taking place in the period from the 1960s to the 1980s attracted only moderate attention from higher education researchers in the United States. Some well-known studies were those done by Peters (1977), Millett (1976) and Chambers (1981, 1987). Peters (1977) conducted an exploratory investigation of 31 mergers that took place between 1963 and 1973. Advantages of merger identified in his study included: improved financial support, improved or eliminated duplicate programs, and improved student enrollment. Disadvantages cited were loss of autonomy, unsatisfactory degree of participation from faculty, and geographic separation. Millett's study (1976) involved a series of 10 case studies of merger and five college closings, examining the reasons for merger, the process employed to achieve it, and its consequences. Millett stated that of all the forces that drove the mergers, finances were the final and determining influence. Anticipation of financial distress was as much a motivational force as the actual presence of financial difficulty. Millett also found that the process of merger or the implementation of merger presents complexities not always foreseen or prepared for. Chambers' (1987) study of merger between private colleges is considered to be one of the most comprehensive studies on mergers in American higher education (Deuben, 1992). Using data from the Higher Education General Information Survey, Chambers studied private college mergers attempted since the 1970s and provided a deductive, axiomatic econometric model of the necessary conditions for

merger among private institutions. Her research showed that institutions considering mergers were most concerned about mission, risk, and institutional reputation.

The studies of Peters and Chambers largely focus on either the initiation/negotiation stage of the merger or the outcomes of the merger. Their studies provide some empirical support for determining which mergers may be negotiable, initiated or may produce desirable outcomes. Yet they tell little about the process of implementing the merger and the mediating mechanism between the starting conditions of participating organizations and the actual outcomes of the merger. Moreover, Chambers emphasizes that systematic case research is needed before generalizations can be formed and tested from her empirical studies. The same caution holds true for the limited number of other empirical studies as well.

As has been indicated earlier in this chapter, most studies on higher education mergers are not based on explicit methodologies and conceptual frameworks and many of them basically have to be considered as somewhat loose observations (Goedegebuure, 1992), yet similar themes and issues have emerged from these studies. These themes and issues are going to be presented next. Furthermore, fragmented as these studies are, they could be seen as a form of triangulation (Goedegebuure, 1992), reinforcing the value of the separate studies. This body of knowledge provides me with a good starting point for developing a general framework for understanding the merger process. In the remaining part of this chapter, I will make an attempt to synthesize the existing knowledge on mergers in higher education, revealing variables and constructs that have shaped the merger process and outcomes.

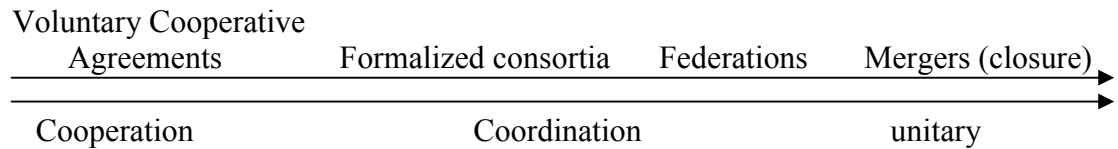
### ***Defining Merger in Higher Education***

A review of merger in higher education literature shows that the term “merger” has been used to describe a wide range of organizational arrangements, while a variety of terms are often used interchangeably to describe the same form of organizational change. For example, some researchers use the term “merger” while others refer to consolidation or amalgamation for the same phenomenon. Members of the merging institutions may also view and interpret the same event in different ways and differing interpretations may result in unnecessary and often painful misunderstandings and experience. For example a merger can be viewed as consolidation by members of one participating institution but members of the other participating institutions might view it as a take-over or an acquisition. Chambers (1987) cited the case of the merger of Western College with Miami University of Ohio in which members of the administration at one institution defined the arrangement as an affiliation while their counterparts at the other institution viewed it as an acquisition. Therefore, it is first important to have a clear understanding of the nature of merger and its organizational implications.

Chaffee and Tierney (1988) see higher education institutions as seeking equilibrium between external demands and the values and needs of the internal members. Changes in colleges and universities are often shaped by various external and internal forces. Merger, as a radical form of institutional reorganization, is often an institutional response to such forces. Higher education institutions may respond to the changing contexts in different ways. Cannon (1983) used Peterson’s organizational continuum of inter-institutional cooperation and coordination to conceptualize the different forms of organizational changes happening in American higher education (See Figure 2.1). The different

arrangements on the Continuum represent the varying degrees to which institutions of higher education engage in cooperative endeavors. It starts with co-operation among institutions, then co-ordination, and finally, a unitary structure. Cannon added “closure” to the end of the continuum as a final choice for institutions.

Figure 2.1: Organizational Continuum of Cooperation and Coordination



Merger is the most rigid form of inter-institutional arrangement on this continuum. In higher education literature the word “amalgamation” is often used interchangeably with “merger”. This study adopts Harman’s (1991) definition of higher education merger. He defines merger as a range of legal arrangements whereby two or more participating higher education institutions combine to form a single new organization with a single governing body and chief executive. According to this definition, as a result of a merger, at least one institution and potentially all merging institutions relinquish autonomy and separate legal identity. All assets, liabilities, legal obligations, and responsibilities of the merging institutions are transferred to the successor institution. As a consequence of these changes, the succeeding institution has only one organizational structure.

***Approaches to Studying Mergers in Higher Education***

With respect to mergers in higher education, as has been noted earlier, descriptive, experience-based studies dominate this area. According to Goedegebuure, these studies can be distinguished based on their different focus of study (1992): (1) macro-level studies that deal with the impetus and outcomes of merger processes within the overall

framework of national higher education policies; (2) meso-level studies that deal with merger processes at the (inter)institutional level that reflect how mergers are negotiated and how merger decisions are made; and (3) micro-level studies dealing with the impact of merger on individuals and basic units within participating institutions.

Studies dealing with mergers at the macro level use the higher education system or certain sector of the system as their unit of analysis (e.g., Goedegebuure, 1992; Goedegebuure & Meek, 1991; Harman, 1986, 1991; Kyvik, 2002; Kyvik, 2004; Mahony, 1996; Mok, 2005; ). Goedegebuure (1992), for example, compares the processes and outcomes of using merger to restructure higher education in Australia and the Netherlands in the 1980s; Kyvik (2002) discusses the process of the merger of 98 vocationally-oriented colleges into 26 state colleges in Norway in 1994; and more recently, Kyvik (2004) gives a comprehensive review and analysis of structural changes of higher education systems in Western Europe, discussing in particular the extent to which the various countries converge to a common structural model for the organization of higher education - either a binary system which is the most common model today, or a unified but hierarchical system as that in Britain. It is evident that these macro level studies focus primarily on the restructuring and development of the higher education system or sectors of the system in relation to national policies and government objectives. They are more interested in system dynamics and the process of policy making than in the merger process at the institutional level and therefore provide very little information on the actual implementation of mergers. These studies nevertheless provide valuable insights to policy makers at various levels of higher education.

The unit of analysis for the bulk of meso-level studies is institutions. These studies examine the interaction processes between institutions: how institutions approach and negotiate merger deals. The population under study and the research methods used also vary: Some study only one single or multiple cases (e.g.: Deuben, 1992; Gamage, 1992; Hatton, 2002); Others use surveys or large data bases to investigate a large number of cases (e.g.: Peters, 1977; Chambers, 1987; Mulvey, 1993; Rowley, 1997). These studies focus on the interactions between institutions or their key decision makers, exploring issues such as of motivations and objectives of merger, bargaining strategies employed by merging partners, and institutional outcomes of the merger. These studies show that policies at the institutional level are driven by a mixture of factors, including financial pressures from both within (e.g., declining enrollment) and outside of the institutions (e.g., decrease in government funding), threat or disturbance in the external environment, educational ideals of key decision makers.

There are only a limited number of micro-level studies that deal with the effects of merger on the basic units and within the institutions and members of the organizations involved (e.g., Cannon, 1983; Hay, Fourie, & Hay, 2001; Koder & McLintock, 1988). One reason for the dearth of studies at this level might be that merger generally is initiated at the top of an organization and negotiations and discussions proceed at much the same level. As a result most merger decisions appeared to be made in a top-down manner and the members of the organizations tended to view the decision making process as secretive and vague. Therefore it is not surprising that most micro-level studies of mergers do not reveal an atmosphere of joy and happiness. Instead, organizational members often react negatively to mergers and stress, and uncertainty, fear, and distrust

tend to dominate the merger process. Researchers find that that it takes at least five or so years and even ten years for the wounds to heal and the new organization to operate in a more or less normalized way (Chambers, 1983; Millet, 1976). In this sense, mergers do appear to be expensive instruments to bring about change.

### ***Factors Affecting Merger Process***

Merger is no doubt a radical means of reorganization and in most cases merger is a complex process. The tensions in the dynamics of this process also center on factors associated with change in any organization. Although each merger can be seen as a unique arrangement between the institutions involved, there seem to be some common issues and concerns that emerged in all merger processes. Some major factors identified in the literature include the motive for merger, the role of leadership, the reaction and resistance of faculty and staff, concerns about institutional identity and reputation, and difficulties in merging diverse cultures (Cannon, 1983; Chambers, 1987; Martin & Samels, 1994; Millett, 1976; Harman, 2002; Locke, 2007).

#### Impetuses

A natural explanation for merger is that the external instigators and/or participants generally think it is more advantageous than disadvantageous. The motives for merger generally fall into two categories. One is to merge for survival or retrenchment, or so-called bankruptcy-bailout merger (O'Neill & Barnett, 1980). Institutions may have to merge to avoid closure or bankruptcy. This type of merger is usually driven by the financial distress of at least one of the merger partners. In the United States, many higher education mergers taking place in the 1970s belong to this type. In the 1980s and 1990s interest in mergers was especially strong among small, private liberal-arts colleges,

particularly those in New England, the Mid-Atlantic states, and parts of the Midwest (Grassmuck, 1991). Two-year colleges and vocational schools were also part of the trend. Although controversial among alumni and students, merger was viewed by small colleges as a practical means of gaining the financial stability to afford them a future (Grassmuck, 1991). In many cases, colleges merged to stay afloat and out of bankruptcy proceedings.

Another more strategic type of merger is merging for mutual growth in which two or more institutions merge to seek opportunities for growth (Martin & Samels, 1994). This type of merger is more of a proactive nature. American higher education today has entered an age of postsecondary knowledge industry (Peterson & et al., 1997) in which higher education institutions are facing intense competition from both within the system and new suppliers of educational services. Some institutions facing serious threat to survive will take merger as a survival strategy. However, in the process of looking for new opportunities, more institutions will take merger as a growth strategy.

The main driving force behind a merger is various kinds of assumed gains. The most frequent objective is the expectation to achieve administrative, economic and academic benefits, by merging several (small) institutions into a larger unit (Fielden & Markham, 1997; Skodvin, 1999). Administratively merger is expected to achieve economies of scale with regard to the number of administrators, to lead to better management and more efficient use of administrative resources and physical facilities, resulting in a more professional and efficient administration. Academically, merger may lead to the elimination of duplicative programs, facilitate and increase academic collaboration, and diversify academic profiles by offering a wider range of academic programs and services (Skodvin, 1999).



### Effective leadership

The achievement of any successful organizational change requires skillful leaders committed to the organization's needs and the idea of change. The higher education literature also emphasizes the importance of leadership during and after a merger (Rowley; 1997). Carlson(1994) pointed out that the achievement of a merger required a new vision of higher education management and its ultimate success depended on the leadership provided by institutional leaders. For the president of an institution, merger brings unprecedented challenges to the leadership style as well as opportunities to demonstrate his or her leadership capacity. During merger implementation, the president of the new institution provides vision and direction that shape the new organization. It is critical for the chief executive to comprehend and adopt the leadership style that will be effective in completing the merger successfully. The transformational style of leadership is considered suitable for mergers (Middlehurst, 1993; Locke, 2007). Estela Bensimon (1989) defines transformational leaders as those who change organizational culture by introducing new beliefs and goals and by changing how group members define their roles. Transformational leaders in higher education mergers are able to generate an intrinsic commitment among faculty and staff to the goal of creating a new institution (Middlehurst, 1993).

Another leadership skill that is essential to a successful merger is the ability to seize opportunities. In each merger plan, numerous opportunities occur for both an institution and its chief executive officer to achieve a level of educational quality unattainable under the previous circumstances. The biggest challenge to presidents of merged institutions, however, is perhaps to resist the temptation to envision or present themselves as heroes of

the merger process. He or she should know how to delegate extensive authority to the subordinates in order to cope with the overwhelming details of a merger activity. The basis for meeting this challenge is conveyed in the statement by Pascarella and Frohman: “Leadership largely involves the growth of others.” (Pascarella & Frohman, 1989, p.126) This is not to deny the necessity for presidents to provide leadership. Rather, the leadership is fulfilled by inspiring others with a new institutional vision and empowering them to manage (Welsh, 1994).

#### The human side of merger

Merger is often characterized by a high level of complexity and uncertainty. Its impact on people involved and the psychological difficulties people might experience must be given enough consideration (Cannon, 1983; Hay et al., 2001; Wheeler, 1981). There is general agreement among the researchers that the personal, interpersonal, group and intergroup dynamics following the actual combination of two institutions are significant determinants of merger success or failure (Buono & Bowditch, 1989). In higher education mergers, serious efforts must be made to involve faculty, students, and alumni. Efforts to involve faculty, students, and alumni in decision making are not only necessary to develop a merger plan that will best address the needs of different constituencies of institutions, they also contribute to establishing wide support that is needed in the implementation of any major organizational changes.

The most troublesome part of a merger in higher education is the consolidation of academic or instructional departments (Somervill, 1983). As Millett (1976) observed in his case studies, it proved to be easier to merge boards of trustees and administrative and support staff than to merge faculty. In some cases faculty members tended to have little

enthusiasm for merger, and faculty behavior after merger tended to indicate this absence of enthusiasm. Many faculty members experienced extreme disappointment and frustrations and tended to drift away. In other cases, opposition from faculty was one of the standard reasons why college mergers failed (O'Neill, 1987). This opposition is also understandable and actually is expected to any college mergers. Mergers mean change and often lead to reductions in the number of faculty positions (Smallwood, 2001). Facing the lack of enthusiasm among faculty or strong resistance, the outcomes of merger are limited, as colleges and universities cannot be transformed into the desired shape through merger without the participation of faculty from participating institutions.

Although students are the central stakeholders of colleges and universities, they are often given insufficient consideration in the process of planning and implementing a merger (Murphy, 1994). As it is unreasonable to expect faculty of two different institutions to join together freely and happily, it is also unreasonable to expect students to accept merger without complaint or resistance. Mergers are likely to cause significant disjuncture for all the students involved, especially for the students of the weaker institution in a consolidation or acquisition merger (Breuder, 1996; Godard, 1981). Those students may experience various unpleasant sentiments such as confusion, worries about future, sense of betrayal, or even anger. These sentiments must be handled by an informed student affairs staff sensitive to students' feelings and needs (Murphy, 1994). In the merger planning process, the decision makers should actively seek student involvement in the discussions by providing effective channels for students to articulate their needs and responses to the plan. Effective communication can ease students' sense of uncertainty and helps to preempt unhealthy rumors.

Any merger attracts significant attention from all graduates. Yet alumni are one of the most overlooked resources in the merger process. Dissolution of an institution might arouse angry responses from its alumni which may result in public demonstration, letter-writing campaigns, and calls for legislative intervention (Golden, 1980; Scalse, 1994; Thorn, 1997). Even the alumni of the institutions merging for growth can feel a sense of detachment and betrayal. Therefore, it is important for the merger planners to take into consideration any possible impact of the merger on the alumni relationship.

#### The importance of culture

Pertinent to the concern about people is the merging of cultures in a merger case. Culture is a particularly important variable in a merger. Attempting to create integrated and coherent educational communities from the merging of cultures that are historically and symbolically non-complementary would be an unwise move for political leaders and higher education planners unless the implications were largely understood and taken into account (Martin and Samels, 1994). Even when institutions seem to be highly compatible and able to achieve profitable merger synergies, they often possess underlying cultural differences that can seriously threaten their integration (Buono and Bowditch, 1989).

Researchers note that attention to organizational culture is a critical factor in the merger process (Buono & Bowditch, 1989; Carleton & Lineberry, 2004; Harman, 2002; Hartog, 2004; Nahavardi & Malekzadeh, 1993). A particular cultural challenge for higher education leaders is to manage the merging of divergent campus cultures into coherent educational communities that display high levels of cultural integration and loyalty to the new institution. Where loyalties and values of academics stem from different academic traditions, integrating these harmoniously poses particular problems.

The challenge of developing a new integrated culture is a mammoth task that needs to be handled sensitively. Cultural clashes can retard or prevent organizational change (Buono, Bowditch, & Lewis, 1985; Harman, 2002; Norgard & Skodvin, 2002). It is important, therefore, to manage the cultural dimension of the newly merged institution, paying particular attention to post-merger consolidation in establishing integrated structures that heed deeply held beliefs and traditions and engaging strategies that will develop new loyalties and a sense of community. These considerations should never be underplayed. Symbolically this is a crucial process and of extreme importance to those affected by a merger. Mergers fail where there is a clash of institutional cultures, differences in educational philosophy and priorities and a lack of academic compatibility (Buono et al., 1985; Norgard & Skodvin, 2002; Schein, 1985).

However it should be noted that integration of cultures does not equal assimilation. Retaining certain aspects of different cultures is desirable and many levels of integration are possible (Quintanilla, Schatz, & Benibo, 2000). The concept of an integrated 'happy family' culture based on consensus is not a realistic nor useful way to view institutional culture. If a common culture means that people can agree on a basic framework of values, tolerate and accommodate differences, but argue over technical issues, then this is a good starting point.

### ***Merger Outcomes***

A majority of studies on higher education mergers focus on the planning processes. Both policy makers in the government and the institutions spend a lot of time and energy on providing justifications for mergers by outlining all kinds of expected outcomes. Ironically little attention has been given to evaluate and assess the actual outcomes of

mergers at the institutional level. The few empirical studies in different countries, however, show that expectations and actual outcomes do not always converge (Rowley, 1997).

#### Administrative and managerial efficiency

Many mergers have as one of its aims improving administrative efficiency by reducing the number of administrators and better use of the administrative resources. The economic logic behind this is the economies of scale. This expectation, however, is not always borne out by empirical studies. Fielden and Markhama (1997) identified a number of areas where it is commonly claimed that economies of scale could be achieved in the merger of two higher education institutions, including teaching staff, senior leadership, general clerical/central secretariat staff, academic support staff, maintenance and staffing costs of superfluous buildings, and other premise-based costs. Considering each category of staff where economies of scale are predicted, empirical evidence seems to suggest that there are no significant savings in staff costs in practice. Staff numbers are generally related to student numbers. If the total number of students from both institutions is retained by the combined institution, there is unlikely to be any change in the number of staff. Moreover it is extremely difficult to fire people in higher education institutions in many countries, which makes it almost impossible to rationalize staff number (Skodvin, 1999). The disposal of buildings or sites obviously results in capital proceeds and a reduction in running costs. But if mergers are between institutions on two distant sites the scope for property related savings is less clear. Still some small savings are possible in areas such as the cancellation of duplicated journals in libraries, better treasury

management of combined finances and some economies from costs which do not rise in proportion to student numbers.

However, considerable costs are clearly incurred as a result of a merger as the complexity of the merger process may call for more administrative resources. For example, Rowley's survey (1997) shows that the cost of staff development, which was often necessary in a merger, was underestimated in many cases. Heavy investment is often needed in order to integrate IT systems and networks in academic, library and administrative areas. In terms of premise-based cost, there are often substantial costs involved in the modification of buildings caused by the need to bring departmental staff together.

Cost efficiency is one important ground for creating larger institutions and it appears to have only some minimum justification in research done on higher education mergers (Rowley, 1997). Moreover, it is extremely difficult to measure the cost-efficiency of higher education institutions. No effective measures have been developed to assess this dimension of merger outcomes (Hatton, 2002). Therefore in most cases academic and strategic priorities are better grounds for mergers than cost saving which is difficult to achieve and hard to measure.

#### Academic outcomes

One of the intentions with mergers is to create larger and better academic institutions in terms of both teaching and research. In this respect, experiences are much more positive, especially in the long run. Rowley's (1997) survey shows that the benefits actually gained from mergers were often greater than anticipated and that the merger had in some cases led to developments of strategic significance which had not

been planned. The most significant benefit of the merger was seen to be the enhanced academic portfolio. Mergers often create broader and more multidisciplinary course programs. The new institution gives more breadth and choice to their students. There are clear indications that mergers improve the future academic position of the new institutions, especially in regard to the breadth of different educations (Skodvin, 1999).

Regarding research, the results are more uncertain. The Australian experience is often cited as a successful effort to improve research. Feeling pressured by the government's new funding formula, which incorporated research as a criterion for funding, Australian institutions felt the need to grow their research capacity through merger. As a result mergers in Australian higher education led to more and better research. In other countries, the effect of merger on research is not so obvious. For example, the Norwegian state college reform did not result in more research. A study done by Kyvik and Skodvin (1998) actually showed that the extent of research after the reform was approximately the same as it was before the reform.

It should be stressed that many of the expected outcomes can only be achieved with a certain degree of integration of all the institutions involved. However, integration of academic structure is usually accompanied by tensions and conflicts and always takes a long time. Researchers note that it may take as long as 10 years for two institutions to fully integrate into one (Cannon, 1983; Thompson, 1985; Chambers, 1987). There are some complex reasons behind this lack of academic integration and collaboration. First of all, it is notoriously difficult to integrate different academic cultures. Second, academic integration requires more investments and economic flexibility. But during the reorganization process in many cases, especially those for financial exigency, the budget



of the new institution was too tight to allow for such flexibility (e.g. Goedegebuure & Meek 1991; Harman 1988; & Skodvin 1999).

In general the literature on higher education mergers is characterized by a large degree of fragmentation and idiosyncratic approaches. There is a serious lack of theoretical and conceptual tools in higher education literature to help us examine the merger behavior of institutions. Most studies focus on the idiosyncratic factors that have led to mergers of certain institutions. Despite the fact that similarities in findings do occur, from a theoretical perspective, this leaves us with a gap, as very few studies have been undertaken from an explicit framework. A need exists to study mergers in higher education in order to build conceptual models for future study as well as to identify strategies and protocols for reaction. We need to understand better the psychological dimensions and organizational issues of constituents involved in and affected by higher education mergers. In the next chapter I made an attempt to construct an integrative theoretical framework for studying post-merger integration by drawing upon research done in the business field in which there exists by far the largest collection of research on merger activities. The literature in the business sector helps establish a base from which I develop my framework for the analysis of the case.

## **CHAPTER THREE**

### **CONCEPTUAL FRAMEWORK AND RESEARCH QUESTIONS**

In this chapter, built on the literature review conducted in Chapter Two I first construct a conceptual framework for the study by borrowing relevant concepts and constructs from the business literature. I then lay out the research questions and sub-questions that were used to guide the data collection for this study.

#### **A Conceptual Framework for Understanding Post-Merger Integration**

##### ***Why Integration***

A common assumption of strategies of growth through mergers is that once the merger is completed, its benefits will follow automatically. However, this assumption is not borne out by the evidence reviewed in higher education literature nor in the business literature. Both scholars and practitioners have recognized that merges and acquisitions have failed to live up to their potential (Larsson & Finkelstein, 1999). Failure rates of mergers in the business sector are reported as high as 50-75 percent (e.g. Marks & Mirvis, 1998), although with typically debatable scientific specification and support. Some researchers believe that higher education mergers have a higher odds of success (Rowley, 1997; Skodvin, 1999), but no consensus exists since there are no reliable measures available to evaluate the outcomes of higher education mergers. In fact even within the same institution, depending on whom you ask, people often give opposite answers to the question of whether the merger brings overall benefits.

To a large extent earlier research on mergers generally ignored issues of post-merger management, relegating questions of implementation and integration to “black box” status. Many studies focused on merger potential and the realization or failure to realize that potential, but did not suggest a mechanism for mediating the gap between potential and post-merger performance. As traditional financial and strategic perspectives have not been able to explain the gap, scholars have increasingly begun to focus on factors influencing the management of post-merger implementation as potentially critical in the success or failure of mergers and acquisitions. This line of research suggests that the key mediating mechanism in the process is integration, which not only affects the near term performance of the newly formed organization but also has further-reaching consequences for the long-term viability of the new organization (Javidan et al., 2004; Larsson & Finkelstein, 1999; Shrivastava, 1986). Indeed, poor integration has been cited as one of the leading causes of merger failures (Pablo, 1994). Given the pervasive ramifications of this component of the merger, the importance of gaining insights into the management of post-merger integration cannot be underestimated. In higher education mergers, problems with integration may be even more important because integrating different academic cultures is generally considered to be more difficult (Harman, 2002). Evidence about higher education merger does show that failure to achieve integration has impeded the realization of expected outcomes in many higher education mergers (Chambers, 1987; Skodvin, 1999).

### ***Defining Integration***

Modern large formal organizations operate through functionally different departments that perform a narrow set of specialized tasks. Most of these organizations

therefore face problems in integrating their diverse functions and activities even without a merger. According to Shrivastava (1986), integration involves three central problems: (1) coordinating activities to achieve overall organizational goals; (2) monitoring and controlling individual departmental activities to ensure that they are performing at adequate levels of quality and output; and (3) resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent sub-goals.

These problems are vastly compounded when two independent organizations are merged. Each merging organization has its own systems, procedures, and cultures. Integrating them requires making changes and adjustments in all these elements. Merger researchers tend to conceptualize integration as taking place on several levels or dimensions (Birkinshaw, Bresman, & Hakanson, 2000; Shrivastava, 1986; Waldman, 2004). For example, Shrivastava (1986) analyzes integration as having three dimensions. They are procedural, physical, and socio-cultural integration. Procedural integration involves combining systems and procedures of the merged companies at the operating, management control, and strategic planning levels. The objective of such integration is to homogenize and standardize work procedures. Physical integration of resources and assets usually accompanies procedural integration. Managerial and socio-cultural integration involves a complex combination of issues related to the selection or transfer of leaders, changes in organizational structure, development of a consistent culture, and the increases in the commitment and motivation of personnel. Birkinshaw, Bresman, & Hakanson (2000), on the other hand, propose that merger success is a function of the two parallel processes of task integration and human integration. Task integration is defined as the identification and realization of operational synergies, measured in terms of

transferred capabilities and resource sharing. Human integration is concerned primarily with generating satisfaction, and ultimately a shared identity among the employees from the combining organizations.

In this study, I define post-merger integration as making changes and adjustment in the functional activity arrangements, organizational structures and systems, and cultures of the combining organizations so that they can function as a whole toward the accomplishment of merger strategy and other common organizational goals. Building on the conceptual split between the different dimensions of integration discussed above, I propose to examine integration as consisting of two dimensions: organizational integration (Waldman, 20004) and human integration (Birkinshaw, Bresman, & Hakanson, 2000).

#### Organizational integration

In a higher education merger, differences in organizational elements among the combining institutions are likely to be evident prior to the merger. For example, one of the institutions may be more research oriented while the other may put more emphasis on teaching and service in its reward system. Furthermore, one institution may be highly bureaucratized because of its large size, while the smaller other may be more collegial. Therefore an important aspect of a merger process is organizational integration, which can be defined as the unification of relevant organizational elements between merging organizations. This mainly includes integrating the organizational structure, systems, and organizational procedures of the participating institutions. It involves abandoning some old ways in each institution, homogenizing accounting, compensation and reward systems, eliminating contradictory rules and procedures, redeploying assets, creating new

organization structures, establishing new leadership, and reallocating authority and responsibility. The objective of organizational integration is to facilitate resource sharing and achieving the synergetic objectives of the merger.

### Human integration

Previous research has generally shown that employees react unfavorably to mergers, a result often cited to explain why many mergers are not successful (Cannon, 1983; Hay & Fourie, 2002; Hay et al., 2001; Smallwood, 2001). Research has identified such problems as “we versus they” antagonism, condescending attitudes, distrust, tension, and hostility (Astrachan, 1990; Blake & Mouton, 1985; Levison, 1970). And the situation is often worsened by constricted communication during the integration process (Marks, 1982). Moreover, culture clashes are not uncommon during the integration process as two organizations, each with established routines, attempt to reach some type of accommodation. The resulting conflicts can lead to negative feelings and be detrimental to integration. For a merger to be successful, it is of particular importance to build an atmosphere of mutual respect and trust in the merger process. This can only be achieved through effective human integration. Human integration can be defined as the mechanisms and actions taken to create positive attitudes toward the integration and the newly formed organization among employees from both sides. Effective human integration may lead to the unification of cultural elements (i.e. norms, values, and beliefs) and thus result in cultural convergence among the merging organizations. Ultimately a shared identity may emerge. Human integration is perhaps the most difficult yet the least examined post-merger integration problem (Shrivastava, 1986).

The processes of “organizational integration” and “human integration” are

conceptually distinct, yet they are not independent of one another. Aspects of human integration, such as enhanced employee satisfaction, are likely to make organizational integration much easier. The organizational integration, in turn, is likely to further the cause of employee satisfaction and a shared identity. At the same time, however, the two dimensions of the integration process do not necessarily occur to the same extent. For the merger to be successful both organizational and human integration have to be effective, though they can probably occur at different speeds.

Figure 3.1 illustrates a framework that is helpful in understanding integration and Table 3.1 delineates a mixture of constructs and variables in the framework about which empirical data were collected for this study. Elements in the framework will be discussed in more detail below. This framework offers a process explanation of a merger. According to Van de Ven and Huber (1995), a process perspective is important to understanding the dynamics of organizational adaptation and changes. Given our present rather limited understanding of integration in higher education mergers, the in-depth approach of process research is appropriate. Process models look within the organization to trace the process of a change initiative. It requires an understanding of starting conditions, processes, and outcomes. This study therefore described and analyzed the starting conditions of merging organizations and merger strategy, processes of decision making, integration design, implementation of integration, and integration outcomes.

Figure 3.1: A Conceptual Framework for Understanding Post-merger Integration in Higher Education Mergers

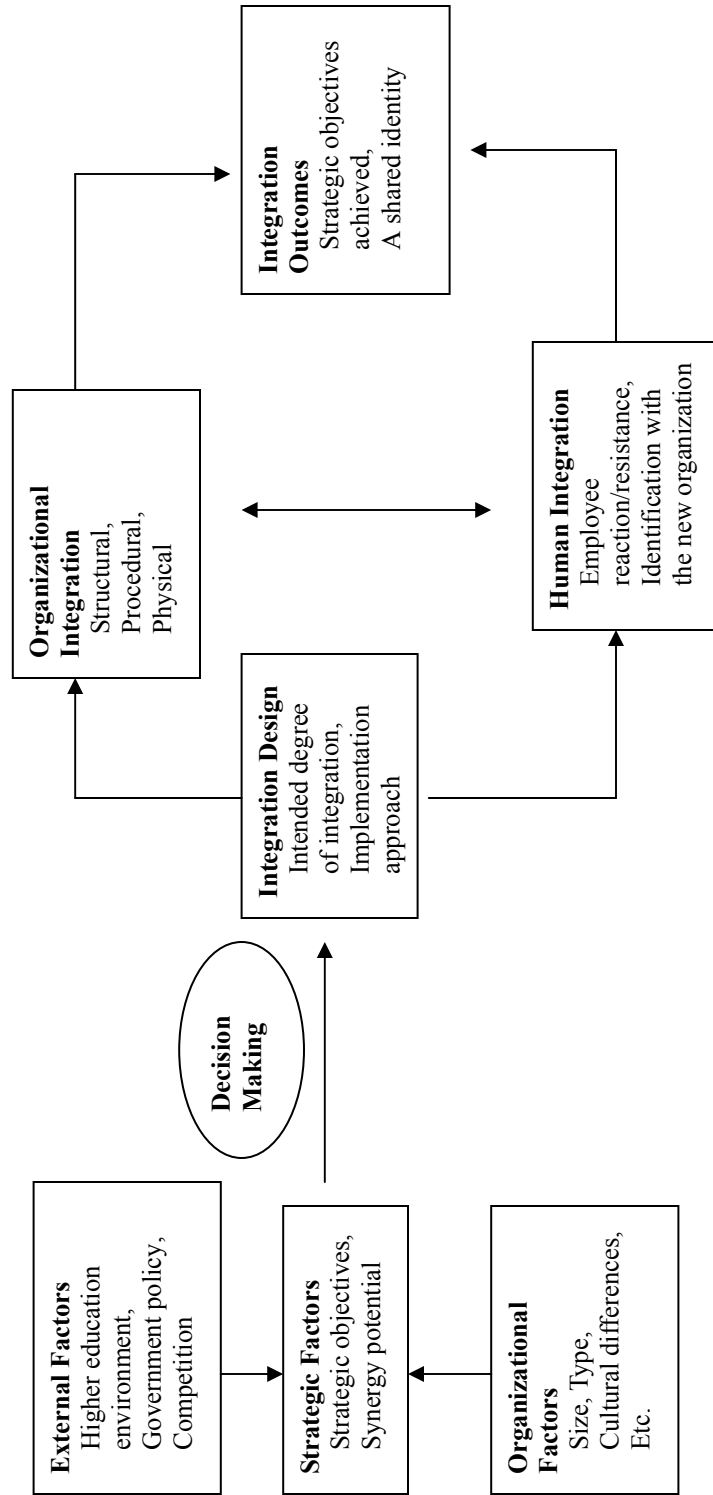




Table 3.1: Constructs and Variables in the Conceptual Framework

<b>Starting Conditions</b>	<b>Merger Strategy and Integration Design</b>	<b>Organizational Integration</b>	<b>Human Integration</b>	<b>Integration Outcomes</b>
<ul style="list-style-type: none"> <li>• Changes in Government policy</li> <li>• Changes in HE market</li> <li>• Strategic objectives</li> <li>• Synergy potential</li> <li>• Organizational characteristics (size, type, culture, etc.)</li> <li>• Initial friendliness toward each other</li> <li>• Prior connections</li> </ul>	<ul style="list-style-type: none"> <li>• How the decision to merge was made</li> <li>• Stated objectives and goals</li> <li>• Intended level of integration</li> <li>• Integration approach</li> <li>• Integration timetable</li> </ul>	<ul style="list-style-type: none"> <li>• Task specialization during integration</li> <li>• (Degree of )Changes in organization structure</li> <li>• (Degree of) Changes in procedures and rules</li> <li>• (Degree of) Changes in physical assets</li> <li>• Major issues/problems</li> <li>• Strategies used to promote integration</li> </ul>	<ul style="list-style-type: none"> <li>• Employee reaction/resistance</li> <li>• Change in personal situation</li> <li>• Changes in respect to the others</li> <li>• Changes in attitude toward merger</li> <li>• Changes in attitude toward the new organization</li> <li>• Strategies used to promote integration</li> </ul>	<ul style="list-style-type: none"> <li>• Extent to which strategic objectives were achieved</li> <li>• A shared identity</li> </ul>

### *External Factors*

The conceptual framework begins with external factors, which can be understood as the external pressures and expectations that may affect the decision to merge and merger strategy. Contemporary theorists and researchers tend to agree that complex organizations cannot be understood without attention to their interdependence on the external environment. Both institutional theory (DiMaggio & Powell, 1991; Meyer & Rowan, 1991) and resource dependence theory (Pfeffer & Salancik, 1978) assert that organizational response to external pressures is motivated by the promise of material and normative rewards such as legitimacy, support, and access to critical resources. In the Chinese context, government has been providers of all these rewards. Despite the many reform initiatives and efforts to decentralize the higher education system since the 1980s, Chinese colleges and universities today still obtain a bulk of their funding from the government. The government has played important roles in stimulating a merger wave in Chinese higher education in the last decade. In addition to direct intervention and imposing mergers on some institutions, another important means it has used is to introduce competition among institutions through policy change and encourage institutions to merge to compete for critical resources.

Despite that higher education institutions operate in a different environment from that of business enterprises, it is generally agreed that there exist certain markets in higher education. There is also a trend towards increased market-like and market-oriented behavior among higher education institutions in many countries. Chinese higher education is no exception to this trend. Therefore, my framework also involves examining the market conditions that may have an impact on merger decisions.

### ***Organizational Factors***

In addition to the factors external to organizations that influence merger strategy, the literature related to mergers suggests that organizational factors play a role in decisions regarding merger strategy and integration design, and impact the long-term performance of the combined organizations.

To fully comprehend integration, it is critical to first understand the nature of the institutions involved in the merger. Institutional conditions such as type of institution, programs offered, size, faculty characteristics, and culture on campus set a base line for understanding each campus. Particular attention should be paid to factors that may drive the need for and decision to change. The literature has identified a number of organizational factors that contribute to merger strategy and particularly post-merger integration. For example, Shrivstava (1996) considers the size of merging companies as a key influence on post-merger integration needs. The larger the size, the more diverse and intensive integration problems tend to be. The cultural differences between two organizations can also have important impact on integration. The degree of intercultural differences between the two cultures determines the required cultural changes and the associated degree of conflict. Weber (1996) concludes that mergers with similar cultures outperform mergers with disparate cultures. Furthermore, Weber argues that cultural fit is as important in decision making and the merger management process as financial and strategic factors. Moreover if the merging organizations have prior connections or experience of cooperation, integration is also likely to be easier. Geographic proximity of the combining organizations is also considered to be conducive to integration in a merger.

In this study the organizational characteristics described in the literature served as a

tentative guide during the investigation. Other organizational characteristics that had impact on the merger were also documented as they were uncovered during data collection.

### ***Strategic Factors***

Shrivastava (1986) argues that the need for integration is primarily bounded by the strategic motives and objectives of the merger. The impetuses for merger identified in higher education literature echo with what has been found in the business sector. Institutions merged in response to changes in their external and internal context. Public institutions may be forced to merge in order to obtain resources from the government. Private institutions may also merge to deal with financial exigency and to avoid bankruptcy or closure. Institutions also involved in mergers to pursue growth or to enhance its competitive capacity in a changing environment. Governments and institutions as well may expect to reduce the cost of higher education by realizing economies of scale and by improving administrative efficiency through merger. These various motives form the basis for synergy potential. There are many definitions but basically synergy is the value created by organizations working together as compared to the value the organizations would have created operating separately. The synergy potential of a merger therefore refers to the enhancement of strategic capabilities by combining two or more organizations so as to improve the competitive position of the combined organization and produce desirable results.

Strategic motives and synergy potential together determines the strategy a merger will use. Merger strategy is defined operationally as stated motives and goal of the merger described in this case study. Merger strategy in turn is expected to affect the

organizational design of the implementation process, particularly the extent of integration needed for realizing the strategy. Therefore the strategic intent underlying any merger must be understood before sense can be made of various integration designs and practices and ultimately post-merger performance (Mirvis, 1985; Pfeffer, 1972; Salter & Weinhold, 1981; Walter & Barney, 1990).

### ***Integration Design***

An important component of the framework is integration design. The integration design involves decisions concerning whether changes should be made in one or both combining organizations, and if so where, when and how they should be made. A number of different integration design ideas have been identified in the business merger literature. The various choices sit on a continuum from autonomy to absorption (Buono & Bowditch, 1989; Napier, 1989; Shrivastava, 1986; Siehl, Smith, & Omura, 1990). For example, units of either organization may be managed autonomously, fully assimilated by the other organization, blended together, required to coordinate with units with whom they have no history or contact, or even liquidated or spun-off.

Table 3.2 provides a graphic depiction of different approaches to organization design as summarized by Ellis (2004). These different conceptualizations of various integration designs are reasonably consistent. *Preservation* allows for the combining organizations to continue operating independently following the merger and preserve their own ways of doing businesses. It involves very little change in both organizations. It stands for low interdependence and high autonomy. Symbiotic merger requires both organizations to undergo some changes as efforts are made to create a combined organization that reflects the core competencies and leading practices of both

organizations. It reflects high interdependence and at the same time a high need for organizational autonomy. Occasionally the integration process involves very significant, fundamental transformations in the organizational culture and operating practices of both previous organizations. In an absorption merger, one of the merging organizations absorbs the other one directly and assimilates it into its structure and culture. Predicament represents a situation where no clear choice has been made. This approach often leads to confusion and alienation on the part of the employees. It is characterized by a high level of perceived organizational and personal uncertainty.

Table 3.2: Approaches to Integration Design

<b>Need for organizational autonomy</b>	<b>HIGH</b>	Preservation (Haspeslagh & Jemison, 1991; Ellis, 2004) Separation (Nahavardi & Malekzadeh, 1988) Preservation (Marks & Mirvis, 1998)	Symbiotic (Haspeslagh & Jemison, 1991; Ellis, 2004) Integration (Nahavardi & Malekzadeh, 1988) Best of Both/Transformation (Marks & Mirvis, 1998)
	<b>LOW</b>	Predicament (Hartog, 2004) Holding (Haspeslagh & Jemison, 1991) Deculturation (Nahavardi & Malekzadeh, 1988)	Absorption (Haspeslagh & Jemison, 1991; Ellis, 2004) Assimilation (Nahavardi & Malekzadeh, 1988) Absorption (Marks & Mirvis, 1998)
		<b>LOW</b>	<b>HIGH</b>
		<b>Need for strategic interdependence</b>	

Adapted from Ellis' table of integration approaches (2004)

### ***Decision Making***

Merger and acquisition researchers have suggested that any consideration of integration should take into account the decision-making process that leads to it

(Schweiger & Walsh, 1990). The organizational decision-making process is an important component in the framework in that it directly affects the choice merger strategy and integration designs. Efforts to explain or predict integration strategy must first focus on understanding the managerial judgments about how and to what extent the new entity should be integrated. This is evidenced in several studies that illustrate how the decision-making process affects the decision to merge, the choice of strategy, and the attention given to organizational and human resource issues both during pre-merger planning and post-merger integration (Duhaime & Schwenk, 1985; Jemison & Sitkin, 1986). These studies found out that deficiencies in the decision-making process can lead to incomplete analyses of merger partners and incomplete planning for post-merger integration. The studies imply that such deficiencies create many problems after a merger is consummate and undermine post-merger integration.

### ***Integration Outcomes***

Do mergers and acquisitions improve organization performance? In the business sector there is no consensus in the research literature. Much of the controversy stems from dependence on accounting-based measures of acquisition performance in economics in the first instance and event studies of stock returns in finance in the second (Larsson & Finkelstein, 1999). In higher education when no such measures exist, one would expect more controversies concerning the outcomes of mergers.

In this study, I am first interested specifically in the extent to which integration helps achieve the stated strategic objectives of the merger. The strategic motives for mergers may be manifold and often it is not one single motive that leads to a merger. Realistically the realization of strategic objectives depends on organizations' ability to

achieve their specific synergy goals by post-merger integration (organizational integration and human integration). Synergy realization focuses on benefits that are actually realized after the merger is completed. In a higher education merger, the benefits may include: reduced cost (efficiency), improved academic performance in learning, teaching and research, improved service to the community, and so on.

Another important outcome in the framework is to what extent integration leads to the emergence of a shared identity among employees as a result of effective organizational and human integration. Organization identity deals with the question of “who do we think we are”. A radical change initiative such as a merger often requires a fundamental change in how the members of the organization conceive of the organization. Often only by bringing about changes in the organization’s identity could a top management team successfully implement the transformations that merger requires. Gioia and Thomas’s (1996) empirical examination of a strategic change effort at a large public research university found general support for a relationship between identity and change. The same study shows that the link between identity and a desired future image projected by the top management team formed the conceptual foundation of strategic change within the university. By presenting an alternative perspective of what the organization could be, the top management team was able to bring about changes in the organization’s identity and create support for the changes desired.

In a merger a shared identity would first mean overcoming the “we” versus “they” mentality. Moreover individuals who share an identity have feelings of solidarity with the organization, accept and support the organization’s goals and values, and have a perception of shared characteristics with other organizational members. It is obvious



that a shared identity is essential to the long-term success of the newly merged organization.

The conceptual framework portrayed in Figure 3.1 provided guidance in examining post-merger integration. It served as a broad map for approaching pertinent issues that appeared on the landscape. However, the framework was not viewed as definitive. Rather it was viewed as an adaptable tool subject to revision as the study unfolded. During the course of investigation, other elements and/or relationships also arose as important to the integration process. This is not surprising in any inductive work, especially when considering the fact that this framework is largely based on the English literature on this topic and that the case studied is located in a Chinese setting.

### **Research Questions**

The overarching question this study addresses is: *How was integration implemented and managed in the merger and what were the outcomes of integration?*

Based on the framework laid out in this chapter, the following questions and sub-questions were developed to guide the data collection for this study:

- 1. *What were the external and organizational factors that drove the merger decision?***
- 2. *How were the merger strategy and the integration strategy developed?***
- 3. *How was organizational integration accomplished in the merger?***
  - (1) How changes were made in the organizational structure, systems and procedures, assets and physical equipment to unify the merging institutions?
  - (2) What were the major issues/problems encountered in the organizational integration process?
  - (3) What strategies were used to deal with these issues/problems?

***4. How was human integration accomplished in the merger?***

- (1) How did employees react to the merger and integration?
- (2) What were the major problems/issues encountered in the human integration process?
- (3) What strategies were used to deal with these issues/problems?

***5. What were the outcomes of the integration?***

- (1) To what extent did organizational integration and human integration drive the realization of the strategic objectives of the merger?
- (2) To what extent did organizational integration and human integration drive the formation of a shared identity among employees?

## CHAPTER FOUR

### METHODS

I adopted the case study method for this study. Merriam (1998) states that case study research is a method designed to gain an in-depth understanding of the situation and meaning for those involved. Case study method often uses an inductive-interpretive approach rather than the hypothetical-deductive research model (Van Maanen, 1998). This research approach emphasizes process and context of a phenomenon (Merriam, 1998). The research goal is not focused on prediction or control, correlation or causal inference, but interpretive understanding of a complex phenomenon and the real life context in which it occurs. As a methodology, case study fulfills a unique role in research (Guba & Lincoln, 1989).

Yin (1994) suggests that case studies are favorable under three conditions: 1) the study asks “how” or “why” questions, 2) the topic under study does not require control over external events, and 3) the study focuses on contemporary events. According to Yin’s criteria, case study method seems to be a good fit for this particular study. First of all, the purpose of this study is not to test an existing theory or a preconceived hypothesis on institutional merger, but rather to seek to understand post-merger integration (*how* it has occurred). Second, merger is widespread in higher education and can be studied by an active observer without control over the change. Third, merger is definitely a contemporary topic. Finally, case study is a useful methodology to investigate and

explain the causal links in real-life situation that are too complex for survey or experimental methods, such as a higher education merger (Merriam, 1998).

In general, the case study design was chosen on the basis of the research questions and the goal of the study. This study aimed to describe, understand, and explain a complex phenomenon by carefully attending to its context. At least, it generated an archive of descriptive material and the raw material for the useful analysis of the viewpoints held by various participants, providing detailed insight into the merger and integration from the perspective of those closest to it. In other words, it captured the phenomenon as it was experienced by the informants in a given context. At best, it provided a reasonable platform for alternative interpretations by recognition of the complexity and embeddedness of merger and integration.

### **Case Selection**

The organization used for the current study is Zhejiang University, one of the largest universities in China formed through the merger of four institutions in September 1998. The four participating institutions were the former Zhejiang University, Zhejiang Medical University (referred to as Zhejiang Medical hereafter), Zhejiang Agricultural University (referred to as Zhejiang Agricultural hereafter), and Hangzhou University. Table 4.1 outlines some basic information about the four institutions prior to the merger.

I studied for three years and then worked for another three years at a Chinese university which went through two rounds of merger during the six years of my stay there. I witnessed the conflicts and difficulties in the implementation process of both mergers, which started me thinking in active ways about the struggle for implementing mergers. When I decided to take merger as a topic for research and started talking about this with

people familiar with Chinese higher education, Zhejiang University merger came up frequently during the conversions. As I learned more about the case I came to understand the importance of this merger and its peculiarities.

Table 4.1: The Four Participating Institutions

	<b>Year Founded</b>	<b>Institutional type</b>	<b>Supervising government Agency</b>	<b>Student Enrollment (Approximate)</b>
<b>Former Zhejiang University</b>	1953	Polytechnic (engineering and sciences)	Ministry of Education	13,000
<b>Zhejiang Medical</b>	1953	Specialized (Medicine)	Zhejiang Province	2,000
<b>Zhejaing Agricultural</b>	1953	Specialized (Agriculture)	Zhejiang Province	4,000
<b>Hangzhou University</b>	1958	Comprehensive (Arts, humanities, and sciences)	Zhejiang Province	8,500

Zhejiang University merger is a typical case of merger in Chinese higher education as well as a unique one (Yin, 1994). It is typical in that it exemplifies the effort of many Chinese universities to overcome fragmentation and narrow specialization and to build comprehensive universities by combining different institutions. The former Zhejiang University was a polytechnic with national and international reputations in science and engineering research. Zhejiang Medical and Zhejiang Agricultural were specialized institutions, each excelling in their own field, and Hangzhou University was primarily a comprehensive teaching university with a wide range of programs in arts, humanities and natural sciences. Merging institutions of different types to form a bigger and more comprehensive university was the dominant pattern in the merger wave in Chinese higher education in the late 1990s and early 2000s. It was not unusual for a merger to involve more than two institutions. In this sense the merger of Zhejiang University is a typical case. On the other hand, Zhejiang University merger is also unique in that it is a rare case

which the Chinese media and the public generally acclaimed as an example of success. Many believed that the acclaimed success of Zhejiang University merger convinced the government and other institutions about the feasibility and viability of using merger as a strategy to build stronger universities and thus triggered the explosion of mergers in the late 1990s and early 2000s (Ou Yang, 2000, June; Wang & Ao, 2001). This was unusual in China in that the public attitude toward merger was generally negative considering the involuntary nature of many mergers<sup>1</sup>. This uniqueness itself stimulates curiosity about and personal interest in this case.

There were also theoretical reasons for choosing Zhejiang University merger as a case to study that match my personal interest. Glaser and Strauss (1967) assert that choosing a context for a grounded theory study must be based on theoretical purpose and relevance. That is, since the goal of grounded theory is to generate theory, the researcher should choose a context that will help generate as many properties of the topic under study as possible. Although this study did not aim at grounded theory, it nevertheless attempted to reach some theoretical understandings of the topic of study. The case selected no doubt provides a rich context for understanding organizational integration. It involved more than two partners, though not unusual in the Chinese context, but a rare case in the literature. The four institutions represented a wide range of institutions in the Chinese higher education system and it was reasonable to expect that such a merger would manifest the largest combination of properties of the topic of study. The merger of Zhejiang University represents a profoundly intriguing example of organizational change

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<sup>1</sup> There are no opinion polls or research studies done to examine the public attitude toward merger in Chinese higher education. This is only my own impression based on my experience, discussions with people, and opinions expressed on many online forums.

in action. Selecting it as the case to be studied was done so as to maximize what can be learned, in the period of time available for the study. This is also consistent with Stake's (1995, 2000) criterion for selecting a case for study. Stake argues that when selecting cases the emphasis should be on learning the most about both the individual case and the phenomenon, especially when the special circumstances of a case may yield unusual insight into an issue.

Since the merger was announced in 1998, Zhejiang University has gone through a series of changes and reforms. Today it is one of the most comprehensive universities in China, with disciplines ranging from philosophy and sciences to agriculture and management, and a student population second only to one university in China. It has now 24 schools, 81 departments, more than 40,000 students, and a staff of about 8,400. The creation of Zhejiang University is in a sense an epitome of the development of Chinese higher education in the past several years, which also makes it a valuable case to study.

### **Gaining Access**

One of the important considerations when I was developing this study was how best to gain entry into the site and establish a sense of trust with informants there. The topic of merger is a rather sensitive one, and interviewees can be understandably wary of revealing personal or organizational perspectives on the issue, particularly when the researcher is an outsider or a stranger whose agenda is not known. I was aware of the pitfalls involved in getting organizational participants to open up the details of their experiences. I tried to enlist the support of various insiders – often personal contacts- to help vouch for my research and provide an introduction to key informants.

After I obtained the permission from the institution to do the study, Mr. Jianmin Gu

Director of the Institute of Higher Education at Zhejiang University agreed to be my onsite coordinator and helped me contact the potential informants and make arrangement for the interviews. Mr. Gu, however, was not present at any of the interviews. He and some of the informants also helped me gain access to the archival records and provided me with some internal documents of the university.

### **Data Collection**

In this study I utilized multiple avenues for information gathering such as interviews, observations, written and electronic documents. Multiple sources of information were sought and used because no single source of information is adequate to provide a comprehensive perspective on such a complex phenomenon as university merger. Using multiple sources of information also allowed me to triangulate the data collected to enhance their validity and credibility so that stronger assertions about the merger process could be built on these data. I relied on interviews as the main source of data. Observations and documentation data served as important supplementary sources for understanding discrepancies among informants and gaining additional perspectives on key events.

### ***Interviews and Informants***

Interviews were the primary method of data collection in this study. When studying organizational changes in higher education, it is necessary to obtain the many views of the change through the experience of those people involved in that change. This is even important in studying merger since it involves people that originally come from different organizations. In this particular case, people originally came from four institutions and it is critical to listen to different voices and obtain different perspectives.



The purpose of the interviews was to have members of the four institutions reflect on the merger process and report in detail their attitudes, feelings, and opinions concerning the merger. An interview protocol was developed for this purpose.

Initially I conducted three pilot interviews, one with a retired former vice president of one of the participating institutions, and one with an associate dean and a department chair respectively. These pilot interviews were helpful in providing an early opportunity to learn about the issues that were important in the merger and how members of the organization talked about these matters in their own language. They also helped me identify logistical and content-oriented refinements to the interview protocol. Based on lessons learned from the pilot interviews, I developed a more comprehensive and focused interview protocol to guide the subsequent investigation (see Appendix).

Most interviews were semi-structured. In this study I refer to those whom I interviewed as informants. Given the design of the study, my goal in conducting these interviews was not to gain a representative statistic sample of opinions of people involved in the merger process. Instead, the purpose of the interviews was to expand my understanding, capture and generalize emerging themes and patterns so as to reach some theoretical understanding about merger in general. Therefore purposive sampling (Creswell, 1998) was used to select informants for the initial round of interviews. Purposive sampling is a strategy to select the most information-rich participants. Past research and my research questions suggest that sampling should begin with top managers who play an important role in the strategic aspects of the change process (Daft & Weick, 1984). In my study, following preliminary investigation 21 individuals were identified as potential informants for the initial phase of the interview. My onsite

coordinator first contacted potential informants and introduced me and my project. I then made follow-up calls and eventually 16 of them agreed to be interviewed. This purposive sample mainly included top-level administrators, academic deans, senior faculty members from all participating institutions as well as the newly formed institution. As active participants in the changes associated with the merger, these individuals represented key informants who had important insight into the process, as well as unique access to knowledge of organizational structures, strategies, and actions. In addition, because of their roles as leaders within their organization, they were in a good position to recommend additional informants within the organization.

A snowball sampling method was also used to generate another pool of informants, in which I asked the informants from the initial sample to refer to me any other participants who they thought would provide the most information. I interviewed 12 informants through this way. To some extent this process allowed the data collected from prior informants to guide the selection of future informants and the information sought from them.

All interviews were conducted in Chinese, tape recorded with the consent of the participants. The interviews were later transcribed and translated into English. Each interview took about 60 to 90 minutes. In addition to formal interviews, I also took every opportunity to conduct informal conversations with any available informants that were related to the organization. These conversations took place in a natural manner without any prior planning or preparation. But in every such informal conversation, I would reveal to the informant who I was and what my project was about. I did not record these conversations nor took any notes during the conversations since I did not have formal

informed consent. Instead I would take notes after each of these conversations and write a memo reflecting on the contents of the conversation. The information collected from these informal conversations also served as supplementary source of data. Sometimes it revealed some perspectives that had eluded the formal interviews. Most informants from the formal interviews were those with more power and more voice in the merger process, whereas informants with whom I talked informally were generally less powerful and less articulated in the organization. Some of these conversations therefore turned out to reveal some information gaps so that I was able to pursue these gaps in subsequent data collection activities.

### ***Documentation***

In addition to the interviews, I also collected documents and archival data pertinent to the institutions and the merger. I was provided with a user name and password to the university's internal web network. Thus I had access to all the online documents and archival data that were open to the employees of the university. The data which I used for this study include archival records, press releases, scripts of speeches, strategy and policy statements, short term plans (by academic terms) and progress report, campus newspapers, and annual reports. The documents are either in written form or in electronic form. I primarily used documents and archival data to build and develop insight into the context and/or storyline of the merger process. I found these documents useful as I attempted to understand various issues the institutions were dealing with and in gaining a sense of the historical and cultural foundations for the organization's decisions and actions around the merger. They also proved helpful in my interviews as a tool to engage informants. When there were discrepancies among informants, I would, where

appropriate, also turn to the documents and archival data to try to look for additional evidence for confirmation or verification.

### ***Observations and Other Ethnographic Materials***

The ideal form of a longitudinal field study, namely daily participant observation, was not feasible given the retrospective nature of this study and the time and resource constraints. However, I lived on one of the campuses during my entire field trip. In the meantime, I commuted frequently between the five campuses of the university to conduct interviews and other data collection activities. This experience offered me the obvious benefit of proximity to the organizational life and the opportunity to engage in direct observation of organizational actions, member routines, and social interactions. When possible, I took field notes during the observation and, in the process, captured not only those items of relevance to the research questions, but also noted cultural and structural aspects of the organization to aid in understanding the organizational context.

During my field trip, I was also able to witness one important event on campus, that is, the three-day communist party congress attended by delegates who represented each unit within the university.<sup>2</sup> This was the first such congress conference since the merger. An important theme of the conference was to examine the progress of the merger and the university over the past six years and to set the future direction for the university. I was able to obtain a copy of the official report of the congress and also had the opportunities to meet with some representatives and talk with them about what was discussed at the congress meetings.

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<sup>2</sup> In the Chinese context the party congress is supposed to be the highest decision making body of an organization and elects the party's leadership bodies and responsible for making policy decisions for the party (and for the organization as well since the party leads the organization) and deciding the party's general direction.

In addition my online access to the internal network of the university also allowed me to observe the discussions on the many online forums of the university. The search engines of some of the forums allowed the retrieving of past discussions taking place as early as before the merger. Data from these sources provided additional and interesting perspectives on the process of the merger and on how organizational members perceived the process. However, I did not vigorously analyze these data because of some factual irregularities and discrepancies that suggested questionable validity.

### **Data Management**

As the data for this study were collected from various sources through interviews, observations, and documents, it was a serious challenge for me to make sense of such a tremendous amount of data. Attention to data management was therefore very important under these circumstances. I used Nvivo to organize and analyze all the data in English, including translated interview transcripts, memos and notes. However, I decided that it would not be practical to translate the large amount of documents (all in Chinese) into English. I therefore used an Excel worksheet to sort and track the documents but left them in their original language. As a result this portion of the data were either analyzed using a word processor (in the case of electronic documents) or by hand (in the case of printed materials).

### **Data Analysis**

The interpretative approach to qualitative study assumes that organizational reality is largely socially constructed and interpretative research in its purest form typically tries to avoid the imposition of prior meanings, frameworks, or constructs on the understanding and actions of participants (Berger & Luckman, 1967). This study,

however, takes a more realistic and structured stance by using a conceptual framework developed from previous studies and related literature. As Yin pointed out, “this role of theory development, prior to the conduct of any data collection is one point of difference between case studies and related methods such as ethnography” (1994: 27). As the merger under study was an extremely complex process, using a broad conceptual framework for understanding the merger made my perceptual lenses and prior interests explicit. The framework set boundaries to the topic of interest, enabling me to conduct a more focused investigation. It also provided a useful conceptual framework for initially identifying patterns and organizing observations for further analysis.

However, the use of a pre-developed framework might preclude me from capturing other important aspects of the merger process and thus missing potential insights valuable to our understanding of this process, especially when the framework was developed from previous studies conducted in the West, where social and cultural norms differ a lot from those in the case under study. To mitigate such concerns I tried to remain open and not to presume to know that was going on in the research setting, and moved cautiously from data to abstract ideas while doing data analysis. My analyses of the participants’ interpretations and actions were based on a solid data collection and a rigorous data analysis process.

In qualitative studies, data analysis is usually done in conjunction with data collection. It is "a complex process that involves moving back and forth between concrete bits of data and abstract concepts, between inductive and deductive reasoning, between description and interpretation" (Merriam, 1998, p. 178). In this study, coding and rudimentary analysis were conducted simultaneously with data collection. This approach

assisted me in determining the sampling and content foci of future data collection efforts.

My data analysis followed three stages of development which largely corresponded to the three levels of data analysis developed by researchers on grounded theory (Glaser & Strauss, 1967; Strauss, 1987; Strauss & Corbin, 1990). The first stage was what Strauss (1987) describes as open coding which involved identifying, naming, and describing phenomena found in the data and grouping them into categories. I conducted open coding by reading a transcript or document, generating codes for major events and issues that were discussed. At the same time I also wrote general comments and memos about the language and perspectives used by the informants. The conceptual framework developed prior to data collection (reference CHAPTER THREE, Figure 3.1 *A Conceptual Framework for Understanding Post-merger Integration in Higher Education Mergers* and Table 3.1 *Constructs and Variables in the Conceptual Framework*) provided a rough outline for developing a more fine-grained, grounded coding scheme based on informants' own language and terms. At the same time I tried to be open to the data and to emerging concepts and constructs. I repeatedly reviewed, coded, and studied data from transcripts and documents, searching for relationship among the codes and assembling them together into categories or collections of concepts that seemed to pertain to the same phenomena (Strauss & Corbin, 1990). The node explorer of the Nvivo program was very helpful in this respect because it allows users to organize nodes into trees that make the relationship between nodes evident. Placing related codes into appropriate subcategories, the context and conceptualizations began to take shape.

As this process of open coding continued, I also began the process of axial coding (Strauss, 1987), searching for relationships among the categories which had emerged

from open coding. At this stage of data analysis I re-read data both in complete transcripts/documents and in categorized chunks as well, over and over again. This process allowed me to code for patterns, such as themes, causal or other relationships. I then examined coded transcript or documents to ensure that all codes accurately reflected the themes developed during the analysis. The axial coding generated an understanding of the central issues in the data in terms of the conditions which gave rise to them, the context in which they were embedded, and action/interaction strategies by which they were handled or managed, and the consequences of those strategies.

In the last stage of data analysis, I focused on searching for theoretical relationships among the themes and integrating them into one analytical framework. In this stage of data analysis I first tried to produce a coherent story line which was a descriptive narrative about the central phenomenon under study. I then proceeded to try to tell the story analytically, moving from a description of the story line to a conceptualization of the story line (Punch, 2005), which resulted in a condensed, abstract and integrated conceptual framework.

It should be noted that the three-stage data analysis was not a linear process, but instead a recursive analytic procedure (Locke, 1996). I continued this iterative process until I felt that I had a solid grasp of the data and that the emerging framework was grounded in actual data collected.

It should also be noted that in this study I used the computer software (Nvivo) as just one tool in my analysis armory, as it only helped me to do part of the work of analysis. Nevertheless I found it a useful way to gather data together and then play with it. Particularly organizing and re-ordering the hierarchy of codes and linking memos to the



data in Nvivo were very useful for conceptual development. I also used a word processor to analyze documentary materials and even analyzed some documents by hand. For theorizing, and abstracting meaning from the coding I found hand-drawn diagrams and tables (Miles and Huberman, 1994) a very useful tool. For crystallizing my ideas about the final analysis I return to writing with my word processor to explore my thinking. Therefore I did not feel constrained by Nvivo, only helped.

### **Concerns about Validity**

One important concern about case study is its validity, which deals with the question of how research findings match reality (Merriam, 1998). Maxwell (1992) describes five types of validity: descriptive validity, interpretive validity, theoretical validity, generalizability and evaluative validity. Descriptive validity is about whether the accounts about physical objects, behaviors, events or situations are accurate or not. Interpretive validity is concerned with whether the researcher can accurately interpret the meanings of these objects, behaviors, or events from the perspective of the participants. Theoretical validity is about whether the concepts and categories and the relationship between concepts are a valid account of the phenomenon being studied. Generalizability refers to the extent to which the findings of the study can be applied to the general population. Evaluative validity involves the legitimacy of the researcher's application of an evaluative framework to the object of study. This type of validity is not considered to be as central to qualitative studies as the first three types of validity (Maxwell, 1992).

A major strength of the case study method, as opposed to other methods, is the opportunity to use many different sources of evidence. Yin (1994) suggested using multiple sources of evidence as the way to ensure construct validity. This study used a

combination of data collection methods, including interviews, document analysis and observations. The using of multiple data sources allowed evidence from two or more sources to converge on the same set of facts or findings. For example, interview materials were supplemented, where appropriate, by documentary materials. Multiple data sources provided additional check on the descriptive, interpretive validity of the findings, making them more accurate and convincing. The other strategy to enhance validity used in this study was member check. Throughout the process of this study, I maintained active contact with the informants. If needed or requested, I sent data and tentative interpretations back to informants and asked them if the data were accurate and the results plausible.

### ***Generalizability***

The issue of generalization has appeared in the literature on qualitative studies with regularity. The case study method, the single case design in particular, has been criticized as lacking generalizability -- it is difficult to extend conclusions drawn from case studies to a broader context because they are made from a limited number of cases or even a single case. Yin (1994) refutes such criticism by presenting a well constructed explanation of the difference between analytic generalization and statistical generalization. He argues that case studies should focus on analytic generalization in which previously developed theory is used as a template against which to compare the empirical results of the case study. Stake (1995) argues for a more intuitive, empirically-grounded, "naturalistic" generalization for case study. He expects that the data generated by case studies would often resonate experientially with a broad cross section of readers, thereby facilitating a greater understanding of the phenomenon.

As a case study, this research does not purport to be representative of higher education mergers. The case studied is unique, but many of the themes and issues resemble those faced by other universities both in China and abroad. Therefore the findings from this case study can be used to understand phenomenon beyond the immediate case. Moreover, one of the aims of this study is to develop a more systematic framework of merger and integration, revealing substantive questions to guide further research and theoretical issues about the phenomenon that can be further explored. In this sense, even a single case study can be the basis of generalizing. The resulting framework helps relate theory to the literature and aids generalization. It may later be tested through replication or additional studies.

### **Limitations of the Study**

One of the limitations of this study is caused by the mortality effect, namely, the loss of individuals from a group, thereby making it no longer representative (Krathwohl, 1997). As this study covers a period of about seven years, some of the key participants of the merger process were not available for interview because they had left the institution as a result of the reorganization of the merged institution.

The long reference period (1998 – 2005) constitutes the second limitation of this study. The long recall period might influence the accuracy of some data the informant provided. Moreover, since the merger was announced in 1998, the informants' perception and evaluation of the situation at the time of the merger might be more of retrospective sense-making. The process of self-reflection required by interview participants could be psychologically demanding, which may have limited the participants' willingness to explore their own experiences. More specifically, because these transformations occurred

over a seven-year period, recollections may have been fuzzy, causing informants to selectively report only the most positive or negative experiences. It may very well be that informants were so focused on the present that recalling past reactions and perceptions may have been particularly challenging (Weick, 1995). To mitigate these issues, I attempted to supplement interview data, where appropriate, through the use of less obtrusive data collection efforts, including the collection and analysis of key documentation and the direct observation of social interactions and organizational processes.

The third potential limitation in this study involves the biases I may have brought with me to the field experience and to data analysis. My previous experiences with merger or even my training at an American university may have introduced bias into this study and have some effect on the questions I asked and my interpretation of the data. Therefore the findings from this study might be viewed with caution. However, I firmly believe that no social science research occurs without some researcher bias and that it is up to the reader to decide how credible or plausible the findings and their implications are for the domain of interest. The researcher can take steps to help establish the credibility of the findings, and I believe I have done that in this study. To overcome and reduce my personal biases, I followed Lincoln and Guba's (1985) suggestions for building trustworthiness into my study, including implementing the key steps of clearly delineating the context in which the findings emerge and ensuring that the emerging data and model make sense to those living the case, my informants.

Lastly, as with any qualitative research project, there were several respects in which I could have been misled by my informants (Van Maanen, 1979). For example,

during interviews, the participants may have chosen not to reveal topics of a sensitive nature, thus influencing my understanding of their experiences. It is also possible that my interpretive focus might have precluded me from capturing other important aspects of the merger process and thus missing potential insights valuable to our understanding of organizational change.

### **Methodological Challenges for Doing Research in the Chinese Setting**

In the final section of this chapter, I discuss some methodological challenges I encountered in conducting this project that are related to doing research in China. Though none of these challenges were insuperable, failure to give them due attention might seriously affect the validity of the study.

First, most of the informants in this study had little experience with empirical research of this type. Some of them had a relatively high level of suspicion or apprehension toward the researcher and the research in the beginning (who is this person and how her research will affect me?). Such suspicion, if unaddressed, would cause serious barriers to data collection. I tried to elicit understanding and cooperation from my informants through two ways: 1) seeking in advance the permission from the university and endorsement of influential persons who provided their support for my research, and 2) communicating my intentions clearly to the informants and assuring them that there was no hidden agenda.

Furthermore, merger was a rather sensitive topic within the organization. Owing to the often strong commitment of individuals to the collective in Chinese culture, it is likely that some of the informants would refrain from speaking their true inner thoughts and feelings that were inconsistent with the interest of the collective. They would hesitate

to speak “against” the organization, especially if it would make the organization “lose face”. To mitigate this problem, I tried to win the trust of the informants by first having some insider of the organization whom they trust introduce me to them. During each interview, before starting the formal interview I would also spend some time chatting with the informant, answering his or her questions about me and my research. In this way I was able to establish good rapport with most of the informants. However I also indicated to them that I was aware of the sensitivity of the topic and would understand if they were unwilling to dip into certain areas.

Thirdly, Chinese culture is considered to be a high context culture in which people’s meaning is often deeply embedded in what they are saying (Hall, 1976). According to Nisbett (2003) Western researchers have been trained to think very much in terms of “objects”, and focus in great detail on the way those objects behave, while Chinese (and other Confucian-based cultures) give much greater importance to the context in which those objects exist. In this study the more holistic way of thinking was evident on the part of the informants. Their answers to my questions often appeared indirect, abstract, and even sometimes seemed irrelevant. Eckhardt (2004) recommends the use of multiple data collection methods during the research in China as one resolution to such problems. In this study, in addition to interviews, I used document analysis and field observation to collect data. The multiple sources of data on one hand led to a richer understanding of the context and provided opportunities for gathering wider perspectives. On the other hand they could supplement and confirm each other. Another approach I adopted to avoid errors and simplifications in analyzing and interpreting data was to conduct member check to get the participants in the study themselves to provide feedback on the findings.

This approach is especially relevant in a culture such as China where there are many difficulties in getting respondents to voice their own opinions more directly. Lastly, in reporting the findings of the study and writing up the analysis, I took great care to ground my findings in the context from which they were drawn. I hope this could help the readers to have a wider perspective and make their own judgment about the validity and credibility of these findings.

Finally, all the interviews were conducted in Chinese and almost all documentary sources used for this study were written in the Chinese language. The interviews were transcribed and then translated into English and the quotes in this writing are all translated from Chinese. Converting Chinese grammar, vocabulary, and literary style into good English, however, not only requires high proficiency in both languages and good translation skills, but also involves much judgment. I have tried to be faithful to the original texts especially when directly quoting the informants. Yet I have also attempted to avoid the rather unpleasant English that often results from literal translation of Chinese through paraphrasial translation. By doing that I hope I have not compromised the quality of data collected and used in this study.

## **CHAPTER FIVE**

### **FINDINGS (I): SETTING THE STAGE**

The overall purposes of this study were to explore the process of a merger, to reveal important elements and issues in integration, and to identify factors that facilitated and/or impeded post-merger integration. In this and the next chapter, I integrate findings from multiple data sources, including interviews, document analyses, and observations, providing an account of why and how the merger actually took place and how the integration was accomplished. This chapter specifically examines the general context for the merger and the decisions made in pre-merger planning, setting the stage for a more focused analysis of post-merger integration in Chapter Six.

#### **Introduction**

On September 15, 1998 four universities located in the city of Hangzhou formally announced to merge. The four institutions were Zhejiang University, Hangzhou University, Zhejiang Agricultural University, and Zhejiang Medical University. They were considered four of the best higher education institutions in Zhejiang Province. The newly formed institution was named Zhejiang University, adopting the name of one of the four merger partners.<sup>3</sup> The announcement caused a great stir in the higher education sector of the country. It was considered by many as a hallmark event that triggered a

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<sup>3</sup> In this dissertation, the “Zhejiang University” prior to the merger is referred to as the former Zhejiang University. Thus the newly merged university is referred to as Zhejiang University and sometimes specified as the new Zhejiang University.



merger wave in Chinese higher education in the late 1990s and early 2000s and would have far-reaching impact on higher education in China (Li, 2003).

The newly formed Zhejiang University would become the largest university in China at the time. However, for those who were concerned about the future of this new university the sheer size of the university was not necessarily a comforting guarantee for success: they were worried that the merger would turn out to be disappointing or even a disaster. Such concerns and anxieties were not unfounded. The outcomes of previous mergers in China's higher education sector had not been very encouraging. The most well-known example was the merger between the former Sichuan University and Chengdu University of Science and Technology in 1994, which was considered a big failure because the newly formed Sichuan University continued to be a mess even four years after the merger was announced. Would the new Zhejiang University go along the same path? That was the question that many employees of the four institutions as well as observers from the outside had in mind when the merger was first announced. Even the most passionate advocates of the merger were aware of the uncertainties and turmoil the new university would have to face. Then, why was the merger initiated in the first place? Like most change and transformation initiatives in higher education, this merger could only be understood based on a sufficient understanding of the external context in which it was embedded.

## **The External Context**

### ***Changes in the Environment***

Before the 1980s China's higher education was highly centralized and followed the rigid Soviet model characterized by narrow specialization and central control over

almost every aspect of higher education. Since the late 1970s China has launched economic reforms which were aimed at creating a market economy through reforming the state-owned enterprises and the implementation of the open-door policy. These endeavors have changed the Chinese economic system and made China the fastest growing economy over the past two decades (Parker & Wong, 2003). The economic reforms also challenged the system of higher education by demanding that higher education be more responsive to the needs of the new market economy, calling for a more competitive and adaptive labor force, which made it imperative for the universities to broaden the specializations of students to increase their flexibility in the labor market.

In addition, higher education, like other public policy areas, has been increasingly affected by the globalization processes. On the one hand, the state (government) began to emphasize the global competitiveness of Chinese universities in order to increase the global competence of its citizens and the overall competitiveness of the country. Universities were under tremendous pressures from the government to restructure/reinvent themselves so that they would be comparable to and even be able to compete with their international counterparts. On the other hand, academic exchanges with the outside world not only exposed Chinese scholars and students to new practices and disciplines but also paved the way for the internationalization of higher education in China (Huang, 2003; Yang, 2002). While Chinese universities recognized their distances from the great universities in the world, they also aspired to be the best. The World Class University initiative in which a number of universities were selected to receive generous funding from the government to help them transform into the world's best within a relatively short period of time (one or two decades), for example, reflected the

convergence of the government's desire for world-class standing and Chinese universities' aspiration to academic excellence.

In the new context of market economy and globalization, it was evident that the old model of higher education characterized by over-centralization and stringent control was no longer appropriate. Beginning from the mid-1980s, comprehensive reforms were launched to restructure and reinvent higher education in China. The objectives of the reforms were described as follows (Ministry of Education of China (MOE), 1993):

- diversification of the sources of funding for institutions of higher education;
- decentralization of the administrative structure and expansion of university autonomy; and
- reconstruction of universities for efficiency, effectiveness, and reasonable expansion.

The central reform strategy was decentralization. The central government gradually devolved responsibility and power to provincial government, local authorities and institutions, giving the latter far more discretion to decide matters related to curriculum, enrollment, appointing professors, administration, and international exchanges (Mok, 2001). The central government body, State Education Commission (renamed Ministry of Education in 1998) still assumed overall leadership, providing policy guidance and direction, but no longer directly controlled and managed every aspect of higher education.

Decentralization also involved the transformation of funding and financial management of institutions. While the state still provided the bulk of funds for higher education institutions, other sources of funding were also opened, including tuition and

fee charges, donation and fund-raising, consultation and research contracts, and school-operated enterprises. At the same time the state gradually forsook its monopoly over the provision of higher education, allowing private and other social forces to open and run higher education, thus fostering the rapid growth of private higher education (Yan, 2001). Independent of state subsidy, private institutions in China are relatively free to design their own programs, which are generally more career-oriented and more responsive to emerging market needs.

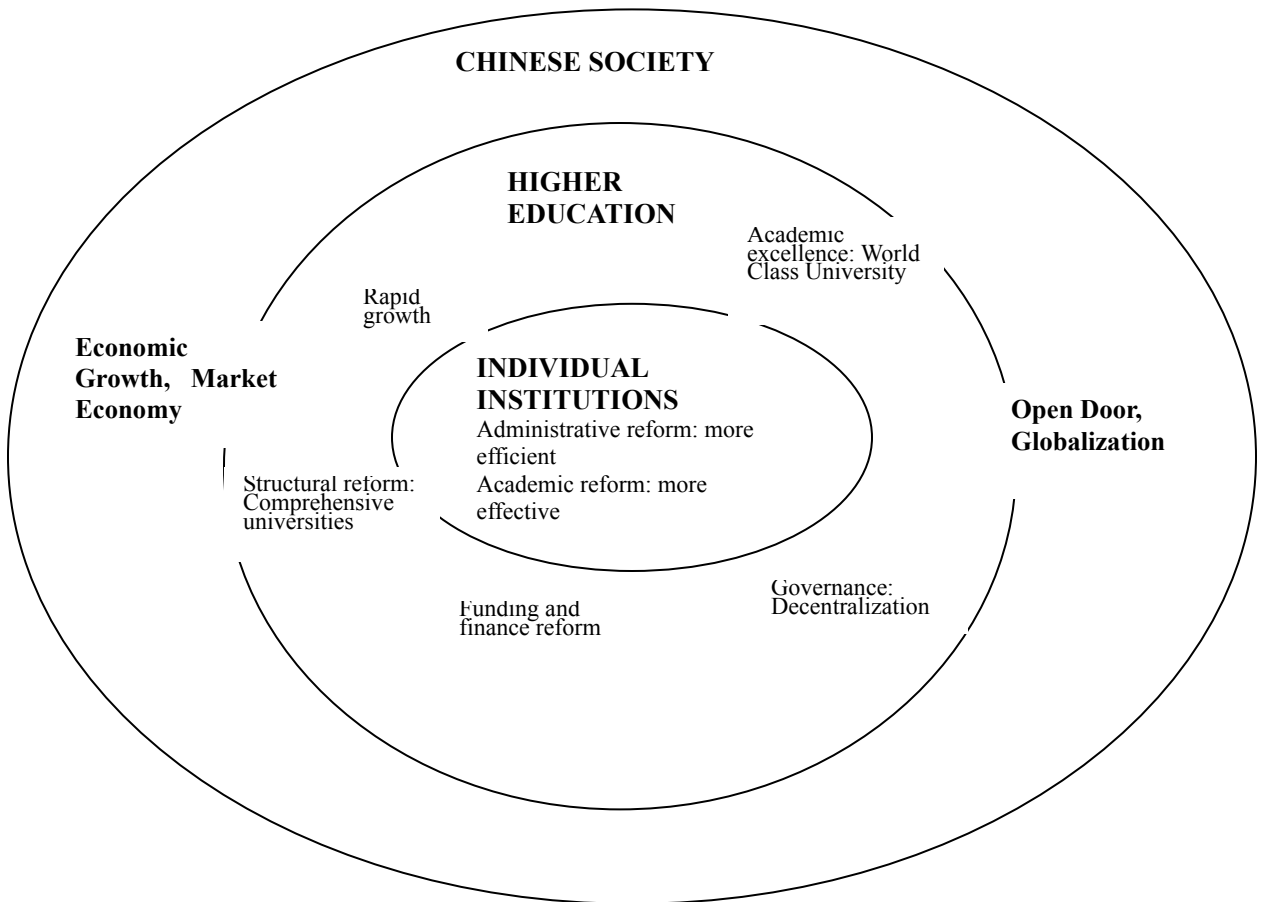
In the 1980s and 1990s China's higher education saw considerable growth. Different types of institutions evolved and higher education enrollment expanded rapidly<sup>4</sup>. At the same time nearly all higher education institutions were seeking to expand their academic offerings and trying to be more comprehensive. However, the expansion took place without paying sufficient attention to the cost-effectiveness and economies of scale. Higher education was characterized by low average enrollment, low student-staff ratio, and high unit cost (Min, 1991). This mode of expansion put serious financial constraints on higher education. Moreover, Chinese higher education in the 1990s still retained many characteristics of the Soviet system. Particularly, college curriculum was still divided along narrow specializations. It was generally recognized that students prepared by such a narrow curriculum lacked flexibility and would have difficulty meeting the needs of the changing world. The Chinese government was therefore eager to find ways to make higher education more efficient and effective. Figure 5.1 captures these changes in

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<sup>4</sup> The enrollment saw steady growth in the 1980s and most of the 1990s. However, beginning from the late 1990s, the expansion accelerated at an unprecedented pace. During the period from 1998 to 2004, the enrollment of new regular undergraduate students on average grew by about 26.9% annually, increasing from 1.08 million in 1998 to 4.47 million in 2004. As a result the total enrollment of regular undergraduate students in Chinese higher education increased from 3.41 millions in 1998 to 13.33 million in 2004. The enrollment of adult students also increased from 2.82 million to 4.20 million during the same period. For more detailed discussions, see Wan, 2007.

Chinese higher education and its general environment in the 1980s and 1990s. It was within this context that the government began to consider using merger as a major strategy to restructure the higher education system.

Figure 5.1: Higher Education in China and Its Context in the 1990s



### ***Institutional Responses***

Merger has been a popular restructuring strategy for promoting efficiency, effectiveness, economy and competition in the higher education sector world wide (for example in Britain, Australia, the Netherlands, Norway, South Africa, Hungary, Japan, Taiwan). The maximization of economies of scale was used as the most important

rationale by policy makers for promoting mergers (Eastman and Lang, 2001; Rowley, 1997; Skodvin, 1999). It was assumed that merging institutions into a larger unit would yield qualitatively stronger academic institutions, better management and use of administrative resources. The policy makers in China's higher education obviously went along with this line of thinking. The government wanted to use merger as a means to reorganize the higher education system in order to increase its overall cost-efficiency as well as to achieve academic excellence. However, in the context of market economy and decentralization, Chinese universities had far more autonomy than they used to have in making such critical decisions as whether to merge or not, and higher education institutions in general are very cautious about making such dramatic moves. Even in China's political environment, it was difficult for the government to impose such decisions on institutions. That explains why merger were only sporadic occurrences and commanded only local attention before 1998.

However, in the late 1990s the Chinese government accelerated the use of the policy leverage it had to promote higher education mergers. Individual institutions had to respond to the changes in government policies. A number of policy initiatives in particular led to a merger wave in higher education in the late 1990s and early 2000s.

The first such initiative was Project 211, the purpose of which was to select 100 universities and a number of academic fields in which the government would augment its financial support in order to help them achieve academic excellence. The Project effectively introduced competition among higher education institutions. Many universities and colleges deliberated the possibility of merger in order to be included in the list of the favored 100.

The reform in the national government structure in 1998 led to another round of reorganization in Chinese higher education. In that year, many central ministries were shut down, and the rest were reorganized. Ministries were no longer entitled to manage their own higher education institutions. The colleges and universities which had originally been administered by these ministries faced two arrangements: either being transferred to the governance of the Ministry of Education (MOE), or to be transferred to the provincial or local government. Every institution preferred the first arrangement and tried all means to enhance that possibility. It was understood that an institution must at least have a reasonably large scale in order to be attractive to MOE. An effective means toward that end was to merge with other institutions.

The third policy that had significant implications for mergers was the government's determination to build world class universities on the models of research universities in the West. In a speech made on the 100th anniversary celebration of Beijing University in May 1998, Chinese President Jiang Zeming articulated this idea and it was soon embodied in national policies. Project 985 was thus started in which a small number of universities would be selected to receive generous special government grants for quality improvement. Obviously all the leading universities in China wanted to secure a seat in the project. From the point of view of the government, merging several complimentary institutions to form a new and comprehensive university gathered the strengths of different universities and at the same time avoided unnecessary duplication and therefore seemed to be a more cost-effective way to reach the world class university objective.

Higher education institutions had to respond to these changes in government policy, either to survive or to grow. Given the context of Chinese higher education in the 1990s,

the more comprehensive institutions had a better change to protect and to increase their flows of funds than the relatively vulnerable specialized institutions. Many smaller institutions therefore chose to merge with other institutions to enhance their chance of survival. Larger institutions also joined the merger process to diversify and to cover as many subject fields as possible, trying to bring in more resources from the government. For the top universities, the world class initiative provided a golden opportunity to seek extra funding from the government to help them achieve academic excellence.

The merger investigated in this case study took place in 1998 and was considered to be the one that opened the door to a merger wave that swept across the whole higher education sector. It involved four institutions that differed in size, programs offered, academic orientation, and reputation prior to the merger. For each of the four institutions, mergers were means to many possible ends – ends shaped by its environment and the system in which the institutions were embedded. However, to understand why the four institutions reached the decision to merger, one must also look inside the institutions, analyzing and understanding how various internal organizational factors interacted with factors external to organizations to influence the merger decision.

## **The Internal Context**

### ***Historical Background***

To understand and explain why the four institutions pursued the merger, it is probably best to start with the historical connections among the institutions. The four institutions involved in the merger are often referred to as having the same root or origin because they all, to different degrees, originated from the original Zhejiang University. The latter could be dated back to Qiushi (seeking truth) Academy founded in 1897, which



was one of the earliest higher learning institutions in China built upon a Western model. Like most Chinese higher education institutions in the early 20<sup>th</sup> century that suffered from constant disruptions because of foreign invasions and domestic revolts, Qiushi Academy also experienced several disruptions and was shut down in June 1914. In 1927, on the original location of Qiushi Academy, the republican government founded No. 3 National Sun Yat-sen University and renamed it National Zhejiang University the year after.

On April 1936 Mr. Zhu Kezhen, a Harvard educated Ph.D and internationally known geologist became President of National Zhejiang University. He served on the position for 13 years (1936 - 1949). During his tenure as president, the country suffered from eight years of anti-Japanese war (1937-1945) and four years of civil war (1945-1949). Zhejiang University, however, saw important development in this period and established itself as one of the best universities in the country. Zhu's visionary leadership was essential for this unusual success. He stressed the importance of research on basic theories as well as the application of research. He emphasized the importance of scholarship and professors to the university and promoted faculty governance at the university. Because of such policies and Zhu's reputation in the academic world, the university was able to attract many well-known scholars.

In July 1937 the Chinese anti-Japanese war turned into a general war and in November of that year Zhejiang University had to move westward because the Japanese army landed 70 miles from Hangzhou City. After crossing six provinces and making three stops on the way, the university eventually settled down in three towns in the remote interior province of Guizhou in February 1940. Most of the students and faculty

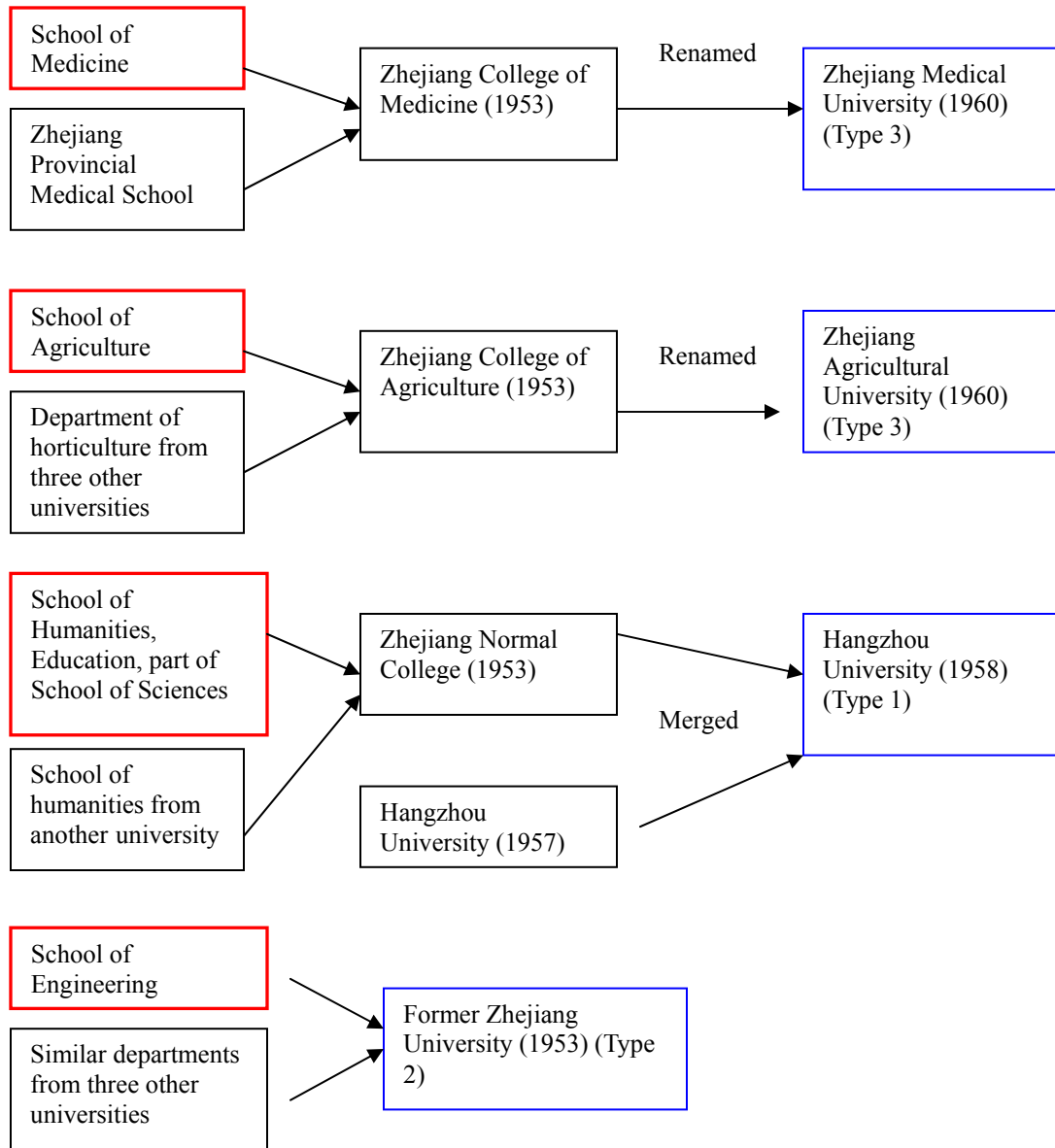
members made the 1600-mile-trek by foot. The university continued to operate there for seven years. During the same period, many universities in the occupied areas had to close and as one of the few that kept running, Zhejiang University was able to attract a large number of the best scholars in the country. The university survived bombing raids, food shortages, hyperinflation, and political pressures from left and right to create an atmosphere of free enquiry, a vibrant cultural life, and original scholarship that was nothing short of astonishing. In 1944 when Dr. Joseph Needham, a British biochemist best known as a pre-eminent authority on the history of Chinese science, visited Zhejiang University, he was so impressed by the learning and research conducted by faculty members under such circumstances that in one of his speeches he called the university “the Cambridge in the East” (Xu & Zhang, 2001). The Japanese surrendered in August 1945 and in the fall of 1946 the whole university moved back to Hangzhou City. However, the prior seven years are considered to be the most important period in the history of the university.

By 1949 when People’s Republic of China was founded, Zhejiang University had become one of the top universities in the country, with seven schools, 10 research institutes, one research center, and 1600 full time students. However, in 1952 the Chinese government began a series of efforts to redefine and reorganize higher education in the country. For political and ideological reasons, the Soviet model was adopted. During the 1952-1953 academic year, a comprehensive reorganization of higher education institutions nationwide was carried out. The reorganization dismantled the old structure of the higher education system and reorganized colleges and universities into four major types of institutions: 1) comprehensive universities focusing on pure arts and

sciences; 2) polytechnic colleges and universities with a wide range of fields of applied sciences; 3) colleges with specialties in one field, such as engineering, agriculture, medicine, political science, law, foreign languages, physical education; 4) institutions for the training of teachers. Separate research institutes were established under the Academy of Science and various central ministries. As a result of the reorganization, the original Zhejiang University was divided and reorganized into four separate institutions. Figure 5.2 depicts the major reorganization processes taking place at the original Zhejiang University (The red bolded boxes are units of the original Zhejiang University and the blue boxed are the four institutions prior to the merger in 1998).

Thus the four institutions that were involved in the merger in 1998 could all be dated back to a common origin, namely, the original Zhejiang University. Having pre-merger connections between potential merger partners has been identified as a favorable organizational condition for merger in the literature (Skodvin, 1999). In the case under study, as will be shown later, the champions for the merger used the common roots of the four institutions to advocate and win support for the merger decision. The common root also played an important role in the integration in both winning employees' support to the merger and promoting their identification with the new university, which will be examined in detail later in this study. The common root, however, was not a major reason why the four institutions made the decision to merge in the late 1990s. Instead a look at the organizational characteristics of the four institutions and the general institutional context they were faced with prior to the merger reveals why the institutions saw merger as a viable path.

Figure 5.2 Reorganization of the Original Zhejiang University in 1952 and 1953



\* In this dissertation, the “Zhejiang University” before the reorganization in the 1950s is referred to as the original Zhejiang University, the “Zhejiang University” from the 1950s to 1998 (prior to the merger) is referred to as the former Zhejiang University, and the “Zhejiang University” after the merger in 1998 is referred to as the new Zhejiang University.

**Organizational Conditions**

Table 5.1 depicts the profiles of each institution prior to the merger. The last two rows of table provide some quotes from the informants interviewed for this study, which

reveal how informants from each of the four institutions described their own institutions and how they compared the four institutions. Among the four institutions, only the former Zhejiang University was considered a national university directly under Ministry of Education; the other three were regional institutions administrated by Zhejiang Province. While the informants for this study generally agreed on the differences in the size, programs offered, and academic orientation of the four institutions, their perceptions of the academic status and reputation of their own institution did not always converge with the perceptions of the informants from the other three institutions. For example, the informants from Zhejiang Medical University were very proud of their academic strength and thought highly of their reputation, while some informants from the former Zhejiang University did not seem to think so, describing Zhejiang Medical University as ranking rather low among medical institutions (e.g., see the last quote in Table 5.1). Such discrepancies in perceptions among the informants might affect their views about who benefited/suffered most from the merger.

Table 5.1: Profiles of the Four Participating Institutions Prior to the Merger

	<b>Zhejiang University</b>	<b>Hangzhou University</b>	<b>Zhejiang Medical University</b>	<b>Zhejiang Agricultural University</b>
<b>Type of institution</b>	Mainly a polytechnic, expanding to other areas such as sciences, management, and social sciences; ranking* among the top 10 universities overall and top 3 in its level of government research support, enjoying national and international reputations for its engineering programs, having a graduate school, and many research centers and institutes;	A comprehensive university; Ranking arguably among the top 30 overall and top 3 among regional universities; Enjoying national reputation for some of its science and humanities programs;	Specialized in medical education, having 5 affiliated teaching hospitals, ranking arguably among top 10 among medical universities;	Specialized in agriculture yet have been trying to expand itself to be more comprehensive, ranking among top 3 among agricultural institutions;
<b>Supervising Agency</b>	Ministry of Education	Zhejiang Province	Zhejiang Province	Zhejiang Province
<b>Academic Offerings</b>	A wide range of programs in engineering, basic sciences, moderate number of programs in management, small number of programs in humanities and social sciences;	A wide range of programs in humanities, basic sciences, economics, law, business administration and a small number of engineering programs;	Offering programs in basic and clinical medicine, pharmacy, nursing and public health;	Offering a wide range of programs in agricultural sciences and engineering; also offering programs in agricultural economics and management;
<b>Campus area</b>	A main campus of 280 acres and a branch campus of about 100 acres;	160 acres	67 acres	244 acres, with 320 acres of farming land for experiment use.
<b>Students</b>	About 13000 students**, one fourth are graduate students; Both undergraduate and graduate programs are highly selective.	About 8500 students, about one seventh are graduate students. Some programs are very selective	About 2000 students. Programs are highly selective.	About 4000 students, about 8% are graduate students.
<b>Academic Orientation: Teaching, Research, and Service</b>	Stress both, but scholarly productivity is the key to promotion, prestige, and salary increases; Pressure for research and publication is therefore high.	Teaching oriented. But research is becoming increasingly important.	Most faculty members are mainly involved in teaching and clinical practice. Research is become increasingly important.	Stressing teaching, but research is very strong compared with peer institutions; Having a very strong service component by providing technological assistance to rural

<p><b>Informant description</b></p>	<p>“The former Zhejiang University were well known in the country, especially its engineering programs. It was basically a combination of engineering and science programs.”</p> <p>“more of a polytechnic and there were few contents in arts and humanities here.”</p>	<p>“had strong programs in arts and sciences”;</p> <p>“one of the top regional universities.”</p> <p>“a key university of Zhejiang Province but not a key national university”</p> <p>“My overall impression was that Hangzhou University had a very solid foundation in arts and a wide range of academic offerings.”</p>	<p>“strong in our field.”</p> <p>“highly specialized”</p> <p>“the only thing outside yet relevant to medicine was public health management.”</p>	<p>development</p> <p>“I should say it had very good programs and solid foundation in agricultural sciences. Of course our strength is in agriculture.”</p> <p>“In terms of campus culture, I think we were more practical and down-to-earth.”</p> <p>“We were very strong in our own field, ranking third among agricultural institutions and even second by some indicators.”</p>
<p><b>Comparison made by informants when asked about their impression of the four institutions prior to the merger</b></p>	<p>“The four institutions were close in terms of their level of development and the quality of faculty in each institution was very good.” (Informant is from the Zhejiang Medical University.)</p> <p>“The four institutions prior to the merger were four of the best universities in Zhejiang Province. In terms of academic reputation, each had its own characteristics and focus. ... comparatively speaking, the former Zhejiang University was stronger in terms of academic status and reputation.” (Informant is from the former Zhejiang University.)</p> <p>The four institutions before the merger were all good universities and the original Zhejiang University was one of the best universities in the country. ... The other three universities also had their own strengths and uniqueness.” (Informant is from Hangzhou University.)</p> <p>“Zhejiang Agricultural University did not rank very high among agricultural institutions. There were a number of other institutions before it. ... There are even more better medical universities. Zhejiang Medical University therefore had a relatively lower ranking.” (Informant is from the former Zhejiang University.)</p> <p>“The four former institutions had the same root, all originating from the original Zhejiang University in the 1950s. Now they’ve come together again. However, the four universities differed a lot before the merger. ... It’s fair to say that each of the four institutions had formed its own characteristics over the years.” (Informant is from Hangzhou University.)</p> <p>“Before the merger, Zhejiang University’s engineering ranked two or three in the country; Zhejiang Medical University ranked rather low among medical institutions; Nor could Hangzhou University’s arts programs compete with other national universities. I think it was No. 12 or 13.” (Informant is from the former Zhejiang University.)</p>			

\* Before the late 1990s, there was not a well recognized ranking system in China except some done by Ministry of Education, which were often confusing and

inconsistent. The rankings in this table therefore give only a general impression of how the institutions stood in the ladder of China's higher education prior to the merger based on the descriptions of the informants and the documents consulted in this study. However, beginning from 1999 some non-government organizations have been publishing more comprehensive rankings of the China's colleges and universities and a couple of the rankings have gradually obtained recognition from students, parents, and even higher education institutions (although unwillingly). The best known of them are the one developed by Wu Shulian and his colleagues at Chinese Institute of Management Science and the one published by Netbig.com.

\*\*All the enrollment numbers in the table are about full-time students.



Like most Chinese colleges and universities, all the four pre-merger institutions had been trying to expand their academic offerings since the 1980s. The former Zhejiang University, which became virtually an engineering institution as a result of the restructuring in the 1950s, was no longer content with its reputation of being a top “engineering school”. Craving for international reputation, it began to add programs in natural science, humanities and other newly developed disciplines such as computer science and management since the 1980s. Hangzhou University, which was largely a regional teaching university that offered programs in arts, humanities, and sciences, wished to achieve national and international recognition. It also added programs in computer, management, bioengineering, electrical engineering and other fields of applied sciences.

Zhejiang Agricultural University and Zhejiang Medical University, despite being specialized institutions, also sought ways to expand their academic offerings. Specialized institutions in China had been faced with a collective identity crisis in the 1990s as the old Soviet model of narrow specialization was challenged. They were losing their attraction to students because of their lack of diversity in their academic offerings and in the educational experience they provided. In addition, specialized institutions were in a disadvantaged position in competing for government funding given the general trend of favoring comprehensiveness in higher education in the 1990s. Agricultural institutions suffered the most: as college choice became more market-oriented, agriculture institutions had a hard time attracting good students because students and their parents did not see promising careers in agriculture. Although still focusing on agriculture, Zhejiang Agricultural added programs in newly developed disciplines such as computer

science, life sciences and management in the hope of attracting more students. Zhejiang Medical University, on the other hand, opened its own pharmacy school and nursing school in the 1980s and later added programs in public health. With the reform of medical education in China<sup>5</sup>, Zhejiang Medical University also began to seek cooperation with the other universities in both teaching and research. For example, the basic sciences courses offered were rather limited at Zhejiang Medical University in terms of both quality and quantity. Therefore, starting from the late 1980s, Zhejiang Medical University and the former Zhejiang University developed a cooperative agreement so that students enrolling in the seven-year medical program could spend their first two years in the former Zhejiang University where a far wider range of courses in basic sciences were offered.

All the four institutions were trying to expand their academic offerings since the 1980s, although for different purposes. This was consistent with the general trend of striving for “comprehensiveness” in Chinese higher education in the 1980s and 1990s. However after over one decade of development, most of these newly added programs remained marginal in all four universities. Such a mode of expansion proved to be too expensive for institutions, putting serious strain on their limited resources. This became a bottleneck on their way to expand and grow. The leaders of the four institutions acknowledged that such a mode of expansion would not work in the long term. They had to look for a more sustainable model of development that could support the institutions’

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<sup>5</sup> Medical education in China used to be very different from that in the United States. Students were admitted to medical schools directly after graduating from high school and started practicing after four years or five years of medical education. Realizing the inadequacy of such an education, medical schools in China have been reforming their programs and curriculum since the late 1980s. As a result, most medical education programs are now 7 years or 8 years, with students receiving general education in the first two or three years and medical education in the later years of their program.

ambition of achieving national and international fame in the foreseeable future.

As Table 5.1 shows, the programs offered by the four institutions were largely complimentary to each other except for a few duplicate programs in some newly developed disciplines. Complementariness in academic offerings has been identified as one important feature conducive to merger success in studies on higher education mergers in other countries (Goedegebuure, 1992; Skodvin, 1999). Also if the four institutions merged, the newly formed institution would become the largest university in China in terms of student population and the scope and range of academic offerings. Chinese higher education system is known to be driven by status and reputation and characterized by a process of cumulative advantages in which institutions with high status and with good reputation are rewarded with more resources. Under such a system, the enlarged capacity would mean more attention and funding from the government. Taking these factors into consideration, merger came to the view of the four institutions as at least a viable solution to the predicaments they were faced in their effort to expand and grow.

### ***Champions for the Merger***

The idea of merging the four institutions was first proposed as early as the late 1970s by Mr. Liu Dan who was a former Party Secretary<sup>6</sup> of the former Zhejiang University and served as Honorary President until his death in 1989. In 1979 Liu and six professors

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<sup>6</sup> In Chinese universities, Party Secretary and President are two top executive positions. Before the 1980, Party Secretary was one rank higher than President and had the highest authority in universities. Starting from the 1980s, however, universities in China began to implement a governance system in which the president assumes full responsibility under the leadership of party committee. Under such a system, theoretically the party secretary, as head of the party committee, still has the highest authority. In practice, however, each institution struggles to strike a balance between Party Secretary and President. In some institutions, these are two parallel positions with separate responsibilities but equal status. In other institutions, either the president or the party secretary serves as the core of leadership. In some institutions, the two positions were assumed by the same individual. In worst cases, the president and the party secretary of a university would be bogged down in power struggles.

from his university paid a visit to the United States. The purpose of the trip was to examine American higher education and look for lessons and ideas that could be applied at home. From this trip Liu and his delegation concluded that the rapid development of science and technology in the US was partly due to the rapid development of its higher education and that American universities, especially comprehensive universities<sup>7</sup>, had played a critical role in this process. They realized that even universities such as Massachusetts Institute of Technology and California Institute of Technology, the names of which suggested they were polytechnic colleges focusing on engineering education, had strong programs in sciences, economics and management in addition to its engineering programs. Therefore Liu and his colleagues believed that the future of higher education lay in comprehensive universities. After they returned from the trip, the delegation drafted a report in which they noted that comprehensive universities were the best venue for training high quality talents and proposed that such a model be established in China. They did not mention Zhejiang University by name, but instead suggested the government restore some of the original comprehensive universities that were dismantled by the reorganization in the 1950s. Their proposal was submitted to the provincial government and later presented to the National Congress. But it did not attract enough attention from the central government. However their proposal and enthusiasm for building comprehensive universities were shared by the leaders of four of the best universities in Zhejiang Province at the time, which were the same four institutions that

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<sup>7</sup> The term “comprehensive university” is used differently in China from how it is generally used in the United States. In the United States, comprehensive universities are primarily designated as bachelor’s and master’s degree granting institutions (in the language of the Carnegie Commission, “master’s-granting” universities). In China, comprehensive universities are generally large universities that offer programs in a wide range of fields and disciplines, including at least art and humanities, social sciences, natural sciences, engineering, and etc. They emphasize undergraduate as well as graduate education, granting bachelor’s, master’s, and doctoral degrees.

later participated in the merger investigated in this study. The presidents of the four institutions themselves negotiated a cooperation and collaboration agreement but somehow took no substantial action in executing the agreement. The proposal was therefore set aside and Liu never gave up the idea of merger and continued advocating it until he passed away in 1989.

A number of university leaders after Liu in the four institutions also supported a merger and worked hard to advance the idea. Ms. Zheng Su, who was President of Zhejiang Medical University for twelve years (1984-1996), was an active advocate of the merger after Liu. Ms. Zheng herself graduated from the medical school of the original Zhejiang University and from her own experience she believed in the advantages of comprehensive universities over specialized institutions.

When I was a student in the medical school of the original Zhejiang University, my classmates and I could take courses in the School of Sciences. For example I myself took four courses in chemistry from the School of Sciences and the physics courses I took were taught by members of the British Royal Academy like Mr. Ding Xubao and Mr. Ding Xuxian. I took courses from many such well known professors, who imparted to us not only knowledge of the field, but also ways of thinking. But my students at the former Zhejiang Medical University did not have such opportunities.

For example, Ms. Zheng believed in the importance of a good foundation in basic sciences for the learning and research of medical students. However, when she was President of Zhejiang Medical University, she could not afford to provide good basic science courses because it was very difficult to recruit people with Ph.D degrees in these fields to come and teach in a medical school. Ms. Zheng also believed that comprehensive universities provided an interdisciplinary environment that was beneficial to student learning and development. Students in such an environment learned to examine problems from different perspectives. She believed that the foremost objective of college

education was to train good quality students and comprehensive universities were much better in this respect than specialized institutions. Again she used an example from her own experience to illustrate her point:

When I was in college, we medical students shared dormitories with engineering students. As a result nearly all medical students knew how to write the characters engineers used to make blueprint. Nobody taught us how to do it. We learned that simply by looking at how our roommates did it. Nowadays if you want to learn it, you have to take a special course. Such is just a trivial example of how students can benefit from a multi-disciplinary environment. Comprehensive universities can provide much more than that.

Lu Yongxiang, who was President of the former Zhejiang University from 1988 to 1995 and established the university as a leading institution in the country, was also a champion for the merger. He left the former Zhejiang University in 1995 and became President of the Chinese Academy of Science, the most prestigious and powerful position in China's academic world. Lu played an important role in preparing for the merger, including advocating for the merger and selecting leaders for the newly merged university.

Some other important champions for the merger included Mr. Zhu Zuxiang, who was President of Zhejiang Agricultural University from 1980 to 1983 and President Emeritus from 1984 to 1996, Mr. Chen Li, President of Hangzhou University from 1979 to 1983 and President Emeritus from 1984-1998. Both received their doctoral education overseas. Mr. Zhu Zuxiang was a graduate of the original Zhejiang University and earned his Ph.D from Michigan State University. He taught in the original Zhejiang University for about 10 years and later in Zhejiang Agricultural University until his death in 1996. Mr. Chen Li earned his Ph.D in psychology from the University of London and taught in the original Zhejiang University from 1939 to 1952 and later in the newly formed Hangzhou

University until his death in 2004. Both Chen and Zhu were top scholars in their own field and were well respected both in and outside their institutions. Because of the education they received overseas, both were supporters of comprehensive universities and were enthusiastic about the idea of a merger.

Table 5.2: Champions for the Merger

<b>Champions</b>	<b>Title</b>	<b>Institutional Affiliation</b>
Mr. Liu Dan	Party Secretary and Vice President (1952-1966; 1978-1983) Honorary President (1982-1989)	Former Zhejiang University
Mr. Lu Yongxiang	President (1988-1995)	Former Zhejiang University
Mr. Zheng Su	President (1984-1996)	Zhejiang Medical University
Mr. Zhu Zuxiang	President (1980-1983) Honorary President (1984-1996)	Zhejiang Agricultural University
Mr. Chen Li	President (1979-1983) Honorary President (1983-1998)	Hangzhou University

Table 5.2 lists the major champions for the merger and their relationship with the four institutions. These champions for the merger were all prominent figures in the higher education sector and well respected leaders or former leaders in their own institutions. Ms. Zheng, being the youngest among them, was the “liaison” among them and coordinated the advocacy effort. With their effort, they were able to win support for the merger from both inside and outside of the four institutions. Particularly they won the support from some prominent alumni of the original Zhejiang Universities, many of whom were top scholars and very influential in the higher education sector. For example, four scholars who used to teach in the original Zhejiang University in the 1930s and 1940, Mr. Su Bingqing (math), Mr. Wang Ganchang(nuclear physics), Mr. Bei Shizhang (biology), Mr. Tan Jiazhen (genetics), all among the most well known scholars in their own field, even wrote to the nation’s President, expressing their support for the merger.

Most of the champions for the merger (except for Ms. Zheng Shu) were former or retired leaders of the four institutions. The personal influence and connections of these merger champions certainly helped in winning support for the merger. More importantly their political skills were one key factor in the advocating process in that they knew very well how to approach this issue in China's political environment and where to obtain support. As has been mentioned earlier, the general environment of higher education in China was in favor of more comprehensive universities in the 1990s and the government's determination to restructure the higher education sector was becoming increasingly strong. Yet even in the Chinese system, it would be politically unwise and extremely difficult for the government to impose such an important decision as a merger on institutions without strong support from influential individuals within the institutions. In fact, two other important merger initiatives of the central government aborted because of strong opposition from some powerful groups in the participating institutions. In the current case, the enthusiasm these important individuals within the four institutions had for a merger resonated perfectly with the government's agenda. This was critical for winning approval from the central government for the merger. These champions were not only influential but also very powerful individuals. They not only supported the idea of a merger, but more importantly mobilized all possible forces to enact the idea. It is fair to say that the merger would not be possible without their support and effort. For ordinary employees of the four institutions, the actions of these champions in a sense helped validate the merger.

## **Pre-Merger Planning**

### ***Making the Decision to Merge***



In March 1996, one vice president of the former Zhejiang University, Mr. Wang Qidong, who was also vice chairman of the Zhejiang Provincial Congress, and Mr. Zhu Zuxiang, a former President of Zhejiang Agricultural University, both congressional representatives of Zhejiang Province, submitted a bill to the national congress proposing a merger of the four institutions. The proposal was well timed. Vice Premier Li Lanqing, who was in charge of China's education from 1993 to 2003, had been the key figure in the central government promoting restructuring higher education. Now that a merger was proposed voluntarily from the institutions, Li saw this as a good opportunity to exemplify his reform initiative and therefore attached much importance to this case. Mr. He Dongchang, who was Deputy Director of the State Education Committee (Ministry of Education after 1998), was asked to coordinate and plan for the merger.

As three of the institutions were administered by Zhejiang Province, the merger had to win approval and support from the provincial government. If the four institutions merged, the new university would be administered by the Ministry of Education, which would be considered a good thing for the university. However, some officials in the provincial government viewed this as a loss on the part of Zhejiang Province since the provincial government would lose control over three of its best universities. In fact according to the Party Secretary of the new Zhejiang University, the opposition from the provincial government was the major reason why previous proposals to merge the four institutions failed to attract attention. However, this time the position of the central government, particularly that of Vice Premier Li Lanqing, was strong. In September 1997 when Li Lanqing was elected to the Standing Committee of the Political Bureau<sup>8</sup>,

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<sup>8</sup> The Politburo Standing Committee of the Communist Party of China is a committee whose membership varies between 5 and 9 and includes the top leadership of the Communist Party of China.

his influence in the government was even enhanced. When the central government was determined to make the merger happen, the provincial government had to concede. In the end, the provincial government and the Ministry of Education reached an agreement to co-sponsor the new university and excise dual leadership on it<sup>9</sup>. Thus the idea of merging the four institutions evolved from a wish, made by a small number of influential individuals, to a government approved and sponsored initiative.

Table 5.3: Presidents of the Four Former Institutions

Institution	President	Tenure of Presidency
Former Zhejiang University	Lu Yongxiang	Feb. 1988 – Apr. 1995
	Pan Yunhe	Apr. 1995 – Sept. 1998
Hangzhou University	Shen Shanhong	Jan. 1986- June.1996
	Zheng Xiaoming	Jun. 1996 – Sept. 1998
Zhejiang Medical University	Zheng Shu	Jan. 1996 – Nov. 1996
	Chen Zhaodian	Nov. 1996 – Sept. 1998
Zhejiang Agricultural University	Xia Yingwu	Mar. 1993 – Dec. 1997
	Cheng Jia'an	Dec. 1997-Sept. 1998.

Table 5.3 lists the presidents of the four institutions around the time of the merger. It shows that the incumbent presidents of three of the four universities took the position after the proposal of the merger had been submitted (March 1996) and had won support from influential figures in the government. Once the central government had set its eyes on the merger, there was indeed little room left for disagreement on the part of institutional leaders even if they were against it. Moreover, since university presidents and party secretaries in China are appointed by the government, they are expected to support decisions made by the government. Therefore in China's political environment it is rare for an incumbent president to speak against a government decision. The former

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<sup>9</sup> This arrangement was called “Joint construction” (Gongjian). Under this arrangement, the provincial government and Ministry of Education would exercise a dual leadership over the institution. While the central government still provides the bulk of funding for the institution, the provincial government will provide extra funding in the amount that is agreed by negotiation between the central government and the provincial government.

or retired leaders, however, feel freer to speak out their mind because there is less stake involved. In fact even when the incumbent leaders were supportive of the decision they were very cautious in expressing their attitude in public. President Pan Yunhe of the former Zhejiang University, for example, was a supporter of the merger but he told me that he would never publicly acknowledge his support until the formal announcement of the merger was made.

This [attitude toward the merger] is a very delicate issue then. Now I can say I am a supporter of the merger from the very beginning. But I would never make such statement in public at that time. Why? Since my university was the largest one and was considered the most “powerful” one among the four institutions, I am not in a good position to advocate the merge because my promoting it could be viewed as an attempt of my university to swallow up the other three smaller institutions. Most likely I myself would be depicted as a power addict.

The impact of the incumbent institutional leaders on the decision to merge was therefore very limited under the Chinese circumstances. Instead former institutional leaders were very open in expressing their support of the merger and advocating the merger.

The majority of faculty and staff in the four institutions viewed the decision to merge as an administrative order and a government mandate from above. Premier Li was held primarily responsible for it. As one informant describes it,

My impression is that numerous meetings were held at different levels. The State Council and Ministry of Education organized discussions among the university level leaders, including some former leaders, senior professors, and well-known scholars of the four institutions, seeking their feedbacks and comments on the merger. I heard that there were some voices of opposition at these meetings. But in China, what count most is the leader’s opinion. This may also be true in this case. The leaders in the central government viewed this from a long term and strategic perspective.

Clearly this informant, who was at the time an administrator at the school level, was not involved in the decision making process and had only a rough idea about how that

decision was made. Most faculty and staff members of the four institutions were aware that a number of the former leaders and prominent scholars supported the merger. But they knew little about the details and told different stories about who these champions were and how they advocated the merger. Yet they were right in recognizing that the central government had the final say in making the decision to merge.

The formal announcement of the merger was made on April 30, 1998 at a planning meeting held in the auditorium of the provincial government. The Minister of Education herself announced the news. At the meeting it was announced that Mr. Zhang Junsheng would be the Chair of the Planning Committee and Mr. Pan Yunhe to be the Vice Chair, which implied that the former would be Party Secretary and the latter President of the new university. From April to August 1998, Zhang and the planning committee were mainly involved in preparing for the merger, which formally started at the beginning of the new school year in September 1998.

### *The New Leaders*

Mr. Zhang Junsheng, who was appointed as Chair of the Planning Committee and later Party Secretary of the new Zhejiang University, was described by a number of informants as the “Chief Architect” of the merger. Zhang himself graduated from the former Zhejiang University in 1958. He then taught in the university from 1958 to 1983 during which he also took up various administrative duties. In 1983, he left the university and became Deputy Secretary of the Hangzhou Municipal Party Committee, where he began his political career. In 1985, Zhang was assigned to work in the New China News Agency (NCNA)<sup>10</sup> and from 1987 to 1998 served as NCNA’s Deputy Director and

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<sup>10</sup> New China News Agency (NCNA) is also called Xinhua News Agency. It is the official press agency of

spokesman, preparing for and organizing Hong Kong's return to China. Zhang was an adept politician as well as an experienced diplomat. During his tenure in Hong Kong, he was well-known for the vast amount of work he did to resolve and rationalize the diverse and complex social and political situations facing Hong Kong's return to China.

Zhang's experience and connections with the former Zhejiang University, local and provincial government as well as the central government made him an ideal candidate for leading the proposed merger of the four institutions in Hangzhou City. He was first told about the merger in September 1997 and was asked whether he would be interested in leading the merger. According to Zhang himself, he was interested in the offer for three reasons. First, from his own experience, he had come to believe firmly in the strategy of revitalizing the country through the advancement of science, technology and education. His educational philosophy therefore hinged on the role of colleges and universities in training and nurturing generations of such talent. He believed that an outstanding university that best served the purpose should be comprehensive, research-oriented and innovative in nature, and he saw the merger as a great opportunity for building such a university. The love Zhang had for his alma mater constituted the second reason why he was willing to take the position. He considered the merger a great opportunity for his alma mater to develop and he felt enormous pride in leading the process. The third reason was his respect for Mr. Liu Dan, whom Zhang had known and respected his college days in the 1950s. As was mentioned earlier, Liu was the earliest

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the government of the People's Republic of China and the biggest center for collecting information and press conferences in the PRC. NCNA is an institution of the State Council. It is considered by foreign critics to be an instrument of state-sponsored propaganda. Reporters Without Borders has called it "the world's biggest propaganda agency" ([http://www.rsf.org/article.php3?id\\_article=15172](http://www.rsf.org/article.php3?id_article=15172)), although its worldwide press freedom index ranking has improved in the past years. NCNA's branch in Hong Kong was not just a press office. Until 1997 when Hong Kong was transferred back to Chinese sovereignty, it served as the de facto embassy of the PRC in the territory.

and foremost champion for the merger and advocated the merger until his death in 1989. In fact Zhang was told that merging the four institutions was the deathbed wish of Liu. Zhang was very impressed and moved by Liu's devotion to the merger and was therefore willing to help fulfill his last wish.

Zhang was well aware of the challenges ahead. Although the four institutions shared the same root and origin, they had been separated for 46 years and had grown strong on their own. Zhang expected that the older generation of faculty members who were emotionally attached to the original Zhejiang University would probably be happy to see the merger. However he did not expect the younger generation of faculty and staff to have the same degree of support. Being a seasoned politician, Zhang anticipated the merger to be an extremely difficult process because of the possible conflicts of interests involved. However, he was determined to overcome any difficulties that he would encounter to make the merger work. He returned from Hong Kong on April 27, 1998 and started his new job right away the next day.

Now that the new party secretary was someone from the outside and from above, it was only natural for somebody from the inside to take the presidency. Therefore few felt surprised that Mr. Pan Yunhe, who was President of the former Zhejiang University prior to the merger, was appointed as President of the new Zhejiang University. Being the incumbent president of the strongest institution among the four former institutions, Pan was considered a good fit for the presidency.

President Pan happened to be 10 years younger than Party Secretary Zhang and was also a graduate of the former Zhejiang University. He was an established computer scientist and had been serving as President of the former Zhejiang University since 1995.

With Pan's experience in university administration and Zhang's experience in the government and the social connections he had outside the academia, faculty and staff saw them as a perfect team. Many felt that the university was lucky to have had the right persons to lead the merger process.

### *Setting a Vision*

The immediate task of the new leaders was to envision a future for the new university. Party Secretary Zhang gave a speech on the first planning meeting, which he ended by quoting two lines from a well-known poem by the great Chinese poet Du Fu (AD 712-770): "One day I (too) will mount the highest peak, where in one glance all other mountains dwindle."<sup>11</sup> The two lines told the goal Zhang had for the new university: to be on top. Zhang stressed that the purpose of the merger was not to create a BIGGER university, but to create a BETTER and GREAT university. It happened that five days after the planning meeting, Chinese President Jiang Zeming made his famous speech in Beijing University in which he urged the government and higher education institutions work together to build a number of world class universities in the 21st century in China. This sent a clear and timely signal to leaders of the new Zhejiang University. Achieving world class status was thus formally established as the vision for the new university: The new Zhejiang University would aim to become a world class university in 15 to 20 years.

The vision of becoming a world class university determined the stated strategic objectives of the merger: the merger was to create "an innovative comprehensive research university". To be "comprehensive" was the most obvious objective: the new university

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<sup>11</sup> The original Chinese lines read as, "会当凌绝顶，一览众山小".

formed through the merger would become a “comprehensive” university in its true sense, offering the most comprehensive range of programs. Being “innovative” was an important value the university emphasized. On one hand, it referred to the university’s emphasis on creativity as an important educational outcome for its students. On the other hand, the university as a whole attached much importance to innovations, particularly innovative research. The most emphasis, however, was on being a “research” university. For historical reasons, almost all Chinese universities were teaching oriented before the 1990s<sup>12</sup>. Even universities with the most extensive research could not compare with research universities in Western countries in terms of the extent and scale of research activities. Emphasis on research could be said to be the core value of the new Zhejiang University. Among the four participating institutions, only in the former Zhejiang University had research been raised to a predominant position in its performance review system. The other three institutions had been promoting research but had yet to elevate it to a central status. Therefore a top priority for the new university was to have research embedded in the process, products, and culture of the new university.

To fulfill that goal, the university would first need to improve the quality of its faculty. Building a world-class faculty would be accomplished through two channels. One was to improve the quality of the current faculty, and the other was to attract new high-quality scholars. The first would involve a natural selection process: those who saw themselves unfit for the new mission of the university would probably leave or be forced to leave.

Secondly the university would need to enhance its graduate education. At the

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<sup>12</sup> The structure of Chinese higher education largely followed the Soviet model since the 1950s. Under such an arrangement, universities were mainly involved in teaching and only a limited amount of research. Most research was done by a separate set of research institutes.



time of the merger, the four institutions enrolled a total of 34000 students; only about 5000 of them were graduate students. The graduate and undergraduate ratio was therefore about 1: 5.29. Although research universities differ in their graduate/undergraduate ratio, a ratio of 1:5.29 is lower than that in most American Universities.<sup>13</sup> Such a ratio was also very low compared with research universities in other countries. The new university aimed to achieve by 2007 a graduate and undergraduate ration of 1.5:2.5, with 15000 graduate students and 25000 undergraduate students.<sup>14</sup> The goal might seem too ambitious to western observers, but by 2001 the university had managed to raise the ratio to 1:2.59. With such a pace the target of 1.5:2.5 did not seem to be unattainable at all.

### ***Developing an Integration Strategy***

With the strategic objectives of the merger well defined and a clear vision for the new university, the focus of post-merger integration was to integrate the participating organizations in a way that helped achieve these objectives and realize the vision. But before implementing integration it was important to develop an overarching integration strategy that determined what changes should be made and how they should be achieved.

In the merger of Zhejiang University, the integration strategy was depicted as “substantive integration”<sup>15</sup>. This strategy defined both the intended degree of integration and the approach to the integration. On one hand, it suggested that the integration would involve significant fundamental transformations so that the four institutions would be

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<sup>13</sup> For example, at the University of Michigan, the full-time equivalent undergraduate enrollment for Fall 2006 is about 25000 and graduate and professional enrollment is 13200. The graduate/undergraduate ratio is about 1:2, while in University of California at Berkeley, the undergraduate enrollment for Fall 2005 is about 23800 and that of graduate and professional is about 10000. Its graduate/undergraduate ratio is also close to 1:2.

<sup>14</sup> See Pan Yunhe, opening speech on 2001 Educational Conference of Zhejiang University, “Promoting first class quality education at Zhejiang University”, Oct. 15, 2001.

<sup>15</sup> The original Chinese phrase is “实质性融合”.

fully integrated into one real entity. More specifically, it would involve the full integration of five important aspects of the university life: people, money, assets, teaching, and research. On the other hand, this strategy required that the integration begin immediately after the merger was announced and proceed at a fast pace. In the words of some informants, the integration would be “real and quick”. There would be no room for hesitation and delay.

An important reason why the leaders of the new university decided to start the integration early and quickly was the lessons they learned from previous mergers in Chinese higher education. In fact one of the first things that Secretary Zhang did after assuming the leadership position was to visit some of the universities that had gone through mergers previously. Particularly they learned from the experience of Sichuan University, where the integration strategy was a typical example of the predicament as described by Hartog (2004), a situation where no clear choice is made about integration strategy. This approach often leads to confusion and alienation on the part of the employees. It is characterized by a high level of perceived organizational and personal uncertainty. In the case of Sichuan University real integration did not begin until four years after the merger and the hesitation and delay proved to be costly.<sup>16</sup>

The strategy of substantive integration sent out a clear message to the university community, revealing the attitude of leaders toward the integration and their determination to have it implemented as planned. Faculty and staff certainly received the message, as is indicated in the following quotes:

Such a policy was uncompromising and smashed many of the wishful

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<sup>16</sup> For a detailed discussion of the case, please see Wan, Y. & Peterson (accepted for Publication). A Case Study of a Merger in Chinese Higher Education: The Motives, Processes, and Outcomes. *International Journal of Educational Development*.

thinkings that the merger might be only a nominal one. With a partial integration strategy, it was likely that the old inter-institutional boundaries would persist and each side would then strive for their own interests. But if everybody realized that there was no way back, they had to put that down and join the new organization. They had no other choice.

I am very satisfied with the university's integration strategy. They made it clear from the very beginning that this was going to be a real and substantive integration. Partial integration or gradual integration was dismissed at the start.

I remember that the merger proceeded very rapidly. The decision to merge was made in March, 1998. Substantive merger started in less than half a year. Four legal entities become one, that's real. The other factors, like teaching, research, and finance, all have to act fast. Both the government and the university learned some lessons from the previous higher education mergers and made the strategy of substantive integration from the very beginning. I think this is a good strategy once the decision is made. If each institution continued to follow its old ways and developed on its own without substantive integration, it was likely that the development of the university would be delayed considerably.

Some described the strategy as similar to "shock therapy", policies designed to reform the post-socialist economies of Eastern Europe and the former Soviet Union. The analogue seemed relevant in light of the sudden and radical changes brought by such a strategy and the shock they caused. The decision makers of Zhejiang University were aware of possible turmoil such a strategy would entail. While being uncompromising on the need of quick and real integration, they tried to maintain a subtle balance between change and stability. As Secretary Zhang explains it,

It is important to deal with the relationship between stability and reforms and development. This is also crucial to a merger as it is to our country. We should take care that no big clashes would break out to threaten the stability of the university, thus impeding the reforms and development of the institutions. Therefore the pace and intensity of reforms should be well managed. People need time to adjust to any reform initiative. We shouldn't rush to implement a proposal just because we thought it was a good plan. If circumstances are not ripe for a change, we might as well just set it aside for the time being. The intensity of reform and the pace of

development both need to be well controlled.

Maintaining such a balance was no doubt a difficult task which required political wisdom and experience on the part of university leaders. As is shown in the quote above, the university leaders were obviously confident about their ability to maintain the balance and keep everything under control.

### **Summary**

This chapter starts with an examination of the context in which the merger happened. It reveals that the merger was an institutional response to the changes in the external environment of higher education, especially the changes in government policies in the 1990s. Various organizational factors also interacted with the external factors to drive the merger decision, including the development predicament of individual institutions, their historical connections, the will and effort of powerful champions for the merger within the four institutions. This chapter also examines how the leaders of the new organization set out to prepare for the merger and the important tasks they accomplished during the pre-merger planning stage. One such task was setting a vision for the new university. The leaders of the new organization envisioned the future of the new university as a world class university. The strategic objectives of the merger were thus defined as to build an innovative comprehensive research university. Another important task in this stage was developing an integration strategy, namely, to what extent and how the four former institutions would be combined into one new organization. With substantive integration defined as the overall integration and clearly communicated to the university community, the stage was set for the integration.

## **CHAPTER SIX**

### **FINDINGS (II): POST-MERGER INTEGRATION**

The four former institutions stopped existing as legal entities from the moment when the merger was formally announced, replaced by a new organization. However, the new organization would remain to be a mere name on paper until proper integration was achieved to bring the former institutions together into a real entity. Post-merger integration is the major mechanism between the starting conditions of participating organizations and the actual outcomes of the merger, and is also the focus of this study and this chapter in particular. This chapter analyzes in detail how this process unfolded and what its outcomes were in this merger. Post-merger integration was no doubt a complex and arduous process, especially when it involved four participating institutions. Any attempt to capture the process risks over-generalization or over-simplification. But for sake of clarity, I describe the process as if it happened on two distinctive dimensions, namely organizational integration and human integration.

#### **Organizational Integration**

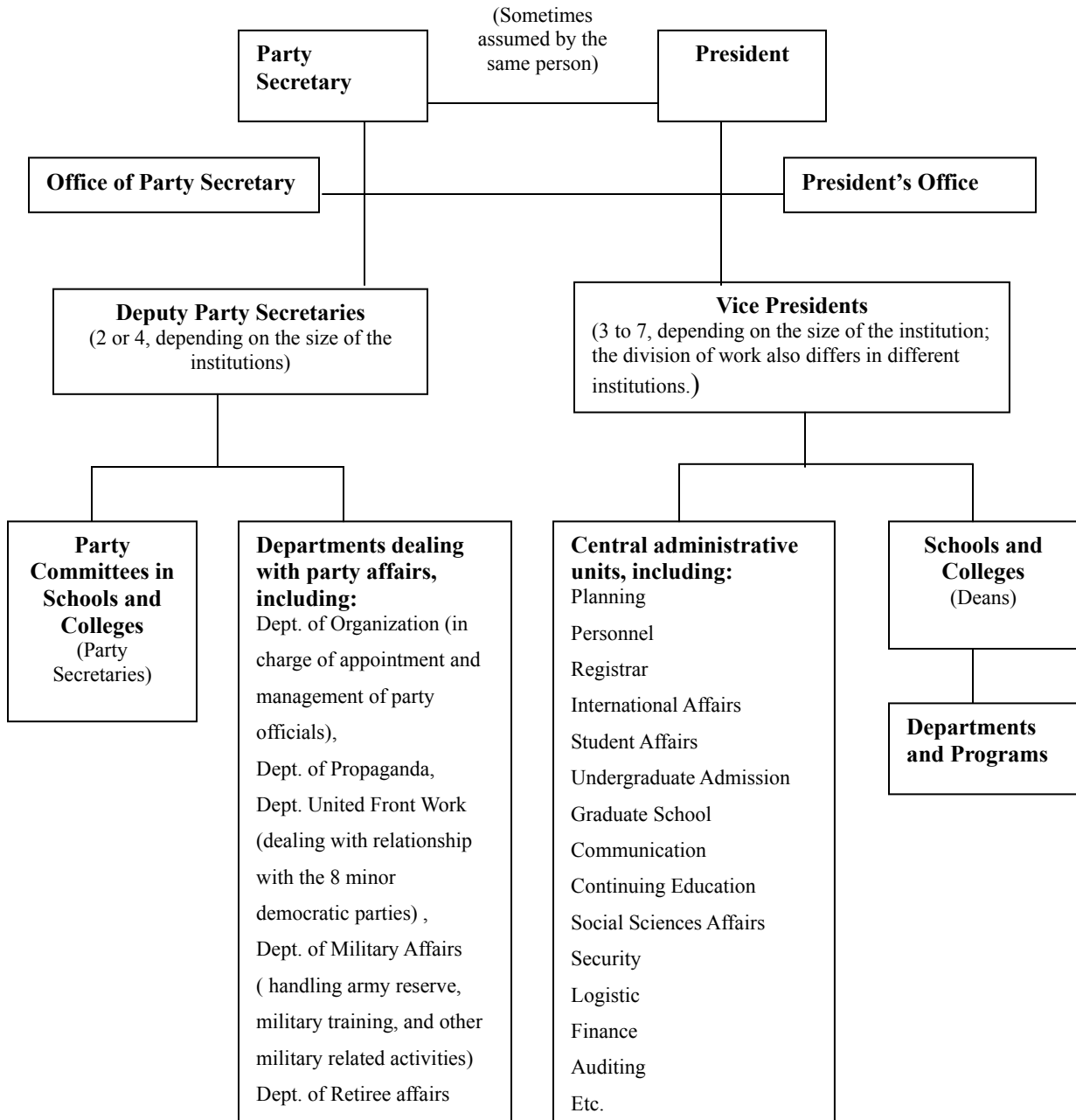
Organization integration in this study is defined as the unification of relevant organizational elements between merging organizations. This mainly includes integrating the organizational structure, systems and procedures, assets and other resources of the participating institutions.

## ***Structural Integration***

### Administrative restructuring

Structural integration in the newly merged Zhejiang University started with the reorganization of its administrative system. The four pre-merger institutions were largely similar in their administrative structures as most higher education institutions in China typically follow one general organizational pattern, as is shown in Figure 6.1. The administrative reorganization process was therefore quite straight-forward. The main reorganization task involved integrating four units into one at every level of the administration.

Figure 6.1: Structure of Central Administration in Chinese Universities



The leaders at the highest two levels (party secretary, deputy secretaries, president, and vice presidents) were appointed by the government and the appointment decisions were made before the announcement of the merger. Table 6.1 lists the leaders appointed

for the first term after the merger. Before the merger, there were 38 university level leaders in the four pre-merger institutions. Only 12 of them took university level leadership positions in the new university. Some retired from leadership positions because of age, some became leaders in schools and colleges of the university; others took leadership positions in other higher education institutions. These transfers and adjustments were completed with the help of Ministry of Education and the provincial government. The different colors in Table 6.1 represent different institutional affiliations prior to the merger. With the exception of the new Party Secretary, all the other university level leaders came from the four pre-merger institutions, five from the former Zhejiang University, three from Hangzhou University, two from Zhejaing Medical University, and two from Zhejiang Agricultural University, indicating a certain degree of balance.

Although it is not known why and how those appointments were made because of the secret nature of appointing officials in China, such a balance is understandable and is a rather common practice in higher education mergers. For one thing, it was necessary to include leaders from all former institutions in the decision-making process so that the decisions made would be based on a thorough and comprehensive understanding of all four institutions. For another, the existence of such a balance was an important signal to employees of the four institutions, assuring them that they were properly represented in the decision-making process of the new organization. As one of the informant views it,

At the beginning of the merger, you would often hear people talking about the composition of the university leadership. People were interested in questions like who comes from where, how many are from our side, and what does that imply.

Such a balance strategy was also obvious in the reorganization of mid-level administrative units.



We were very prudent in appointing department heads. To each such position we would appoint the one that was considered by everybody as the best candidate for that position, and at the same time took into account the balance between campuses.

In the beginning there might be some kind of balance strategy in place. For example, in appointing directors, we could consider having directors from all four institutions. But now after this many years we no longer make such balance.

Table 6.1: Leaders of Zhejiang University as of April 1999

<b>Title</b>	<b>Name</b>	<b>Pre-merge Title</b>	<b>Pre-merger Affiliation</b>
Party Secretary	Zhang, Junsheng	Deputy Director,	Xinhua News Agency Hong Kong Branch
President	Pan, Yunhe	President and Party Secretary	former Zhejiang University
Vice President	Huang, Shumeng	Vice President and Party Secretary	Zhejiang Medical University
Vice President	Lai, Maode	Vice President	Zhejiang Medical University
Vice President	Ni, Mingjiang	Vice President	former Zhejiang University
Vice President	Bu, Fanxiao	Vice President	former Zhejiang University
Vice President	Feng, Pei'en	Vice President	former Zhejiang university
Vice President	Hu, Jianmiao	Vice President	Hangzhou University
Vice President	Cheng, Jia'an	President	Zhejiang Agricultural University
Deputy Party Secretary	Tong, Shaosu	Party Secretary and Vice President	Zhejiang Agricultural University
Deputy Party Secretary	Chen, Zichen	Deputy Party Secretary	former Zhejiang University
Deputy Party Secretary	Zheng, Zaohuan	Party Secretary	Hangzhou University
Deputy Party Secretary	Pang, Xuequan	Deputy Secretary	Hangzhou University

Unifying and integrating administrative departments was one of the top priorities for the first half year after the merger. Generally speaking there are two approaches to the management of multiple campuses. One is to manage by campuses (horizontal) with each campus having its own administrative system which functions independently. The other is to manage by functions (vertical), having one centralized system for each functional area of the university administration. Many Chinese higher education mergers that involved multiple institutions adopted the first approach, allowing the pre-merger institutions to operate separately at least for the first couple of years after the merger.

Zhejiang University chose the second approach: there was to be central control on each function of the university, regardless of geographical location. For example, all the personnel affairs were taken care of by one single personnel department; the finance departments of the four institutions were also combined into one, which was in charge of all the financial operations and cost and expenditure calculation; all the assets were put together and the resources were combined and allocated by a central system. For those units that had frequent interaction with students and faculty members, for example, student service and personnel affairs, a branch office was set up on each campus.

The reorganization of administrative departments was implemented group by group, following a carefully structured plan. It started with the key functional units. In early November of 1998, the new department of finance, department of personnel and registrar's office formally began to operate. By February 1999 the rest of the administrative units had all finished reorganization. Most central administrative units moved into the university administration building. The whole process took about only half a year.

The administrative restructuring also involved redeploying people in these administrative units. A rough count resulted in a total of about 1200 administrators in the central administrative units of the four institutions prior to the merger (excluding the administrators in schools and departments). The new university would only need about 800 of them, which meant that one third of the administrators would have to be repositioned. Unlike business enterprises, the university could not just lay off people and ask them to leave. It had to provide them with other employment opportunities. A number of special policies and measures were adopted to deal with this problem.

First, those who were hired with only a bachelor's or lower degree in recent years were urged to go study for a higher degree and during their study they would still be treated as employees of the university and continue enjoying all the benefits. They would be given preferential treatment if they chose to apply for admission to the graduate school of Zhejiang University. For example, they could start taking graduate level courses and earn credit even before being formally tested and admitted to the graduate school. Quite a number of young employees took the offer to pursue a higher degree.

Second, careful job analyses were done by the university so that redundant positions could be eliminated. Some responsibilities were shed from the administration and transferred elsewhere. For example a new enterprise was founded to take charge of some logistics services such as student boarding and dining—the new enterprise would still be part of the university but would be run like a business and enjoy financial independence.

Third, generous severance packages were offered to employees that were going to retire in the following three years. If they would like to continue working, they could still do their old job, but only as temporary employees. They would not be counted as regular full time employees but they would continue to enjoy their old salaries and benefits.

The merger offered some unique opportunities for the university to make desirable changes in its administration. For example the university took the opportunity to make “adjustment” about those who had performed badly and had received too many negative reviews<sup>17</sup>. But again the level of their original salaries and benefits remained

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<sup>17</sup> These people were removed from their former position and transferred to a position of a lower level. Therefore they were in fact demoted. However, the university used the word “adjustment” to refer to the

unchanged. Age was also a factor to consider when making appointments. Those who reached certain age limit would not be appointed to key positions, but they could continue working in the same department until retirement.

These measures helped to reduce the number of administrators in the central administration to the targeted 800. Yet the “downsizing” process in general was difficult. As one deputy director of the personnel department describes it,

We had a hard time to meet the 800 target and at the same time won acceptance or understanding from those who were affected. People found it hard to accept this but a certain degree of understanding was reached. The biggest barrier we encountered was about the rearrangement of mid-level administrators. As a result of the merger, many of them had to step down from their original positions and were in fact demoted although they might have done nothing wrong. It was natural that some of them felt hard to accept this. We on one hand promised to keep his old pay level. On the other hand, we did a lot of explanation and persuasion with people involved.

But for some employees, especially for those young and capable individuals, the merger offered unique opportunities. They benefited from the adjustment of the age structure in which being young was considered an advantage. Also the newly formed university, which was one of the top universities in the countries, offered far more opportunities in terms of career development than any of the four pre-merger institutions. One director from the graduate school who worked at Zhejiang Medical University prior to the merger told me about such changes from his own experience,

I have learned a lot and become more open minded since the merger. I positioned myself differently and saw beyond my old horizon. I wouldn't even think of being part of a world-class university when I was in Zhejiang Medical University.

Overall the administrative restructuring after the merger progressed as planned and

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position change, emphasizing that the adjustment was more due to the need of administrative restructuring than to their bad performance.

the results were also largely positive. I did the field work for this study in late 2005 and early 2006. At that time the university was going through another round of administrative change. Normally, university administration changed every four years. But the administration immediately after the merger lasted for seven years (1999-2005). At the time of my field work, the second post-merger term of new university level leaders had just taken their positions and the reshuffling of mid-level administrators was well under progress. This time there was no balance strategy. Few people cared to notice which of the four pre-merger institutions each candidate was from. Nor did people discuss how many of the newly appointed were from each of the four former institutions. As one informant says,

The goal for the reshuffling is quite straightforward: to completely dismantle the old setup and start all over. The balance strategy we had in place at the beginning of the merger was a compromise we had to make at that time. But this time we have no such considerations. The principle is to have the best candidate take the position, regardless of his or her previous affiliation or position.

In this round of administrative reshuffling, the directorship of all departments was appointed except in a few newly formed departments, where the directors were selected through open competitions. All the deputy director positions, however, were up for grab through open competitions. Any employee of the university could apply for it as long as they met the qualification requirement. The candidates went through a process of an interview open to the public, committee review and voting. The winning candidate would then be subjected to a period of investigation and observation and the final appointment would be announced to the public. This open competition caused quite a stir among employees of the university. It also put some pressure on the incumbents as well the newly appointed. Some incumbents had to step down because of negative feedback. At

the same time, quite a few really excellent candidates, who would never get a chance under the old appointment system, were able to obtain the promotion they deserved. Such a selection process was rather unusual and was considered radical in Chinese higher education. The leaders of the new Zhejiang University, nevertheless, felt that time was ripe for such radical changes.

#### Academic restructuring

While the new university and its leaders were occupied with the administrative restructuring, preparations were also made to design a new academic structure. Academic restructuring involved reorganizing all the academic programs of the four institutions into schools and colleges: Duplicate programs were to be combined into one program, and programs would be organized into schools or colleges.

The university leaders were aware that the reorganization of academic program would be far more difficult and complicated than the administrative restructuring. As the previous sections reveal, the decision to merge was made through a top-down process. The administrative structuring was also implemented according to a plan made by the university administration with little participation from faculty and staff in the decision making process. The reorganization of academic programs, however, could never be accomplished without participation from the faculty. From September 1998 to June 1999, the university openly sought feedback and comments from all over the campus. Faculty members could either write to the administration or participate in the different discussion sessions organized by the university to express their opinions. For example, many faculty members in the department of mathematics advocated for a separate math school. They invited some of the best known scholars in math in China to help with their advocacy by

asking them to write to the administration, suggesting the founding of a separate school of mathematics. Likewise the faculty in the department of physics also advocated for a separate school of physics.

As was expected, a lot of proposals were made as to how to organize schools and colleges. Some proposed to adopt the seven-school structure of the original Zhejiang University in the 1940s, namely having a school for arts and humanities, sciences, engineering, agriculture, business, medicine each. Another proposal favored smaller schools and suggested creating 47 schools, for example, having a separate school of mathematics and a school of physics. There were numerous models in between. The Higher Education Institute of the former Zhejiang University was asked to do a study on academic structures in research universities worldwide and they proposed a model similar to that in many American research universities. Then in the summer break of 1999, the university had a two day closed-door meeting in which all university leaders, deans, department chairs, and senior faculty members participated. The university leaders were determined to reach an agreement at this meeting. Some basic eligibility criteria for a school or college were set in advance: for example, the size of the faculty should be about 100; there should be at least two Level 2 doctoral programs in one school<sup>18</sup>. But even with these criteria, discussions were fierce and tensions were intense at the meeting. As Party Secretary Zhang describes,

We couldn't just throw a plan on table and ask people to take it.

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<sup>18</sup> According to the academic classification scheme in Chinese higher education adopted since 1997, there are 12 broad academic categories (philosophy, economics, law, education, literature, history, science, engineering, agriculture, medicine, military education, and management). Within each category there are a number of Level 1 programs: for example, in the science category, there are 12 Level 1 programs such as math, physics, chemistry. Each Level 1 program will have a number of Level 2 programs under it: for example, a Level 1 math program can have 5 Level 2 programs such as basic mathematics, computing mathematics.

President Pan and I did a lot of preparations before the two-day meeting. We had private talks with department chairs and deans and did a lot of explanation and persuasion. Even after all these preparations we were faced with so many oppositions and different opinions at the meeting. President Pan and I didn't get a minute's break in those two days. We were aware that it was impossible to have a plan that pleased everybody. But we were determined to reach a decision by the end of the meeting. I told everybody at the meeting that we wouldn't end the meeting until a final plan was worked out.

After many rounds of heated debate and hard negotiation, at the end of the meeting it was decided that the university was going to have 20 schools and colleges (See table 6.2. The last four colleges in the table were formed later in the merger). The final model that was accepted by all parties took a middle-of-the-road approach - the schools were not huge and inclusive, nor were they small and dispersed, reflecting the compromises in the negotiation process.

Table 6.2: Schools and Colleges at the New Zhejiang University

<ul style="list-style-type: none"> <li>• College of Humanities</li> <li>• Law School</li> <li>• College of Economics</li> <li>• College of Management</li> <li>• College of Education</li> <li>• College of Science</li> <li>• School of International Studies</li> <li>• College of Life Science</li> <li>• College of Agriculture and Biotechnology</li> <li>• College of Biosystem Engineering and Food Science</li> <li>• College of Environmental and Resource Sciences</li> <li>• College of Animal Sciences</li> <li>• School of Medicine</li> <li>• College of Pharmaceutical Sciences</li> <li>• College of Biomedical Engineering and Instrument Science</li> </ul>	<ul style="list-style-type: none"> <li>• College of Material Science and Chemical Engineering</li> <li>• College of Electrical Engineering</li> <li>• College of Mechanical and Energy Engineering</li> <li>• College of Information Science and Engineering</li> <li>• College of Civil Engineering and Architecture</li> <li>• <i>College of Computer Science and Software Technology (2002)</i></li> <li>• <i>College of Public Administration (2005)</i></li> <li>• <i>College of Media and International Culture (2005)</i></li> <li>• <i>School of Aeronautics and Astronautics (2007)</i></li> </ul>
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The university took a very interesting approach in appointing deans of schools and colleges. All deans were either prominent or well respected scholars in their fields or some very influential public intellectuals. Some of them were legendary figures in their own field. However, many of these deans served only a nominal role and did not participate much in the daily administration of the schools and colleges. For example, the newly formed College of Humanities hired as its dean Mr. Louis Zha (known in the Chinese-speaking world as Jin Yong), one of the most influential modern Chinese-language novelists. Cha's fiction has a widespread following in Chinese-speaking areas, including Mainland China, Hong Kong, Taiwan, and Southeast Asia. His novels and short fiction earned him a reputation as one of the finest wuxia ("martial arts and chivalry") writer ever. He is the best-selling Chinese author alive; over 300 million copies of his works have been sold worldwide (over 1 billion if one includes bootleg copies). The decision to appoint Cha the Dean of Humanities was highly controversial because Cha had not served in any academic role before. But the act did attract a lot of media and public attention and was considered a good public relation event for the new Zhejiang University. President Pan explained to me why they took such an approach. For one thing, the new university wanted to take advantage of the reputation of these deans and the respect they had in their fields in advancing the newly formed schools and colleges. For example, they had been instrumental in helping to attract the best scholars in their field to join the new university. For another, because of their prestige and the respect they had among faculty members, they served as a core in their school to unify faculty members from all the four pre-merger institutions.

When the new school year started in September 1999, the new plan for organizing

schools and colleges was announced and the top priority for the new year was therefore the integration at the school level. Integration within schools and colleges varied in difficulty and paces. In some schools and colleges the process was relatively easy. For example, the three departments in the College of Mechanical and Energy Engineering all came from the former Zhejiang University, which made the integration much easier both logistically and emotionally. The same was true with the College of Agriculture and Biotechnology, with its five departments all coming from Zhejiang Agricultural University. But many schools and colleges were formed through combining units from two or more of the pre-merger institutions. The integration process was much more challenging in terms of both structural integration and human integration in these schools and colleges. The College of Science, for example, consisted of units from all four pre-merger institutions. Moreover, the new department of math, the physics department, and the chemistry department in the college were each formed through a combination of the corresponding units in all the four former institutions. The integration in these schools and colleges certainly would require more time and effort, which the university leaders were well aware of, as is revealed by the quote below from Secretary Zhang:

We knew that it would take time to get these units integrated. Rome was not built in a day. You could not just ask people to get together and be nice to each other. It's impossible. But we made the message clear that the restructuring plan was final and uncompromising. The schools and colleges had to make it work by themselves. For example, people in the history department had fought long and hard and eventually managed to be separated from the College of Humanities of the former Hangzhou University. But after the merger, it was decided that the history department would return to the College of Humanities of the new University. Faculty members in the department of course felt rather unpleasant and awkward about this. But they knew there was no way this could be reversed. They had to make it work.

Schools and colleges took different approaches to reorganization and enjoyed

considerable autonomy as to how to organize different departments and programs. They were encouraged to be creative and innovative based on their own situations. The College of International Studies, for example, took a rather unconventional approach in its reorganization. The College was comprised of the foreign language department of all the four former institutions. The faculty body consisted of two groups: one group of faculty members taught students majoring in English and a number of other foreign languages; the other group were mainly language instructors who taught foreign languages (mainly English) courses to all the first and second year undergraduate students (non language majors). Since foreign language is a compulsory subject for all college students in China, the number of the latter group was much larger than the first group. Faculty members in this group were largely teaching oriented. After the merger, to respond to the university's emphasis on research, the college reorganized all faculty members into 12 research institutes and faculty members chose to join different research institutes according to their research interests. With such a structure all the old departmental and institutional boundaries were broken. One institute might have people who came from all of the four former institutions who shared similar research interests. Thus faculty members now interacted more with people who originally came from different campuses. Since teaching undergraduate English continued to be an important function of the college, a new teaching division was established to coordinate English teaching on all four campuses. According to the Executive Associate Dean of the College,

Through this structure, people are really integrated. We also want to promote research activities among the faculty, or even force them to do some research. Generally speaking, those who teach undergraduate English pay less attention to research, but not all of them are like this. Some of them are actually quite good at research. But overall because of their heavy teaching load, they do not pay enough attention to

research. We expect that organizing them into different research institutes would urge them to improve in this respect. Each institute has its own research focus. Now since you are in one of them, you have to do research in this particular area. When faculty members were in their former departments, their inclination for research was not strong. We've tried to change that. Also having research institutes brings advantages when we apply for research grants or organize research projects.

Heavy teaching loads and weak research are rather common phenomena in the English department of nearly all colleges and universities. For institutions that aspire to be research universities, how to promote research among faculty members in these departments without affecting English teaching has always been a dilemma. The approach of the College of International Studies at Zhejiang University sounds rather creative and illuminating.

Faculty members were affected by the academic restructuring process to different degrees. For some, the impact was minimum and teaching and research were done as usual. But a majority of faculty members had to make adjustments of some sort and many found it difficult to adapt to the new arrangement. The emotional and psychological path they went through will be discussed in detail later in this chapter.

### ***Procedural Integration***

Procedural integration involved combing procedures and systems of the four merged institutions, which was an important dimension of integration. New procedures and policies were to help achieve the strategic objectives of the merger and reflect the university's commitment to its new vision, that is, to become an innovative comprehensive research university. As the university put much emphasis on substantive integration from the beginning, procedures and policies must be unified so that the new university could operate under "ONE" system.

The unification process therefore started immediately after the merger was announced. The university required that any policy or procedure should be made based on a thorough review of relevant policies in all four former institutions. In some areas the integration progressed fairly smoothly because the four institutions had similar policies and procedures prior to the merger. But in many more areas there were big differences among the four pre-merger institutions and it was more difficult to reach an agreement that satisfied all. However, the university stressed more on having a unified policy as soon as possible more than having a perfect policy in the first place. President Pan used an analogy to describe the importance of a unified pace.

Imagine we are at a noisy meeting where everybody is talking to each other. How can you make everybody quiet down? One effective way is to have a group of people, let's say, 10 people to clap their hands at the same speed. Then the 11th person will join them, then 12, 13... more and more people will join the clapping and soon the clapping will overwhelm the noises caused by people talking to each other. Therefore, having a unified pace is an effective way to overcome noises. Without this nothing would be accomplished because people would be consumed by quarrels and clashes. Therefore, I think having a unified and coherent system is an important factor for the success of the merger. In our case, the core system is the performance review system for evaluating teaching and research. Having one performance review and reward system serves to unify the pace.

As is mentioned in the quote above, the core task of procedural integration was creating a new performance review and reward system. It was also the most controversial issue in the process. The next part of the account used it as an example to demonstrate how the university approached procedural integration and how it affected organizational members.

#### Performance review and reward system

It would require the length of a book to lay out the technical details of the evolution of performance review and reward system at Zhejiang University. Here I only discuss

some of its basic principles. The performance review and reward system the new Zhejiang University adopted immediately after the merger consisted of two parts. One was the so called “Appointment Level” system in which all the teaching and research positions were divided into 9 levels, with Level 9 being the highest. Faculty members applied for the positions and if qualified, they were appointed to a position of a certain level. The level of the position one had affected their income<sup>19</sup>. The appointment was reviewed and renewed every year. Those who failed to perform would be in danger of losing their appointment the next year. The number of positions for a given academic unit was fixed and within each unit the number of high level (Level 7 or above) positions could not exceed 20% to 30% of the total positions. The amount of money allocated to each unit was also fixed and the unit itself could decide how to allocate funds among different levels of positions. Such a system brought great pressure on faculty because in many units, not everybody could have a position because of the limited number of positions. Those who failed to obtain an appointment were not in danger of immediate unemployment, but they would face repositioning. For example, quite a number of them were assigned teaching positions in the two newly founded affiliated colleges<sup>20</sup>. Not to

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<sup>19</sup> The income of faculty members in Zhejiang University has three components. The first component is fixed salary based on one’s years of employment and professional title (assistant lecturer, lecturer, associate professor, professor). This part is paid by the government. The difference in this component among faculty members is small, with the lowest being several hundred and highest being less than 2000 Chinese yuan. The second component is related to the level of one’s position, the lowest being Level one and the highest being Level 9. A Level 9 position was paid about 40000 Chinese yuan each year, Level 8 30000, Level 7 20000, Level 6 14000, Level 5 10000, Level 4 6000, Level 3 4000, Level 2 3000, Level 1 2000. The third component is performance bonus, depending on how many performance points one earns over the year. This part has neither upper nor lower limit.

<sup>20</sup> Affiliated colleges, also called secondary colleges, are a very controversial phenomenon in china. The first such college was founded in 1999. There are both public and private affiliated colleges. Private affiliated colleges are owned (at least partially) or managed by private parties, classified by government as part of the private sector, but affiliated to public universities. Public affiliated colleges are sponsored by local government. They are also affiliated to public universities but managed independently. Affiliated colleges become a new type of provider, often with competitive advantages (conferred through their public university) over the existing independent private institutions in prestige, size, financing, and level of

say that failing to obtain an appointment was very humiliating.

The other part of the performance review and reward system was the calculation of a performance score. It measured faculty performance by calculating how many points one earned in a particular year. The calculation took into account both teaching and research. One's teaching load (not teaching evaluation results) determined the score one could get for teaching performance. The number of research projects one participated in, the amount of research funding one obtained, and the number of publications each year would determine one's research performance score. One's performance score would also affect their income. For each point, one would be paid about 3000 yuan. This system of performance score was based on the one the former Zhejiang University used prior to the merger. The new university adopted this practice with some modifications, increasing the weight of performance score in determining the incomes of faculty members.

When the system was implemented in the newly merged university, criticisms about it revolved around three issues. Firstly, it was accused of not being able to adequately deal with disciplinary differences and favoring engineering and application science programs that had big research components over programs in social sciences and basic science.<sup>21</sup> Secondly, the system was criticized as playing down teaching and having no

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education provision. Affiliated colleges usually receive important academic resources and gain enhanced reputations from the prestigious public universities to which they are linked. They are allowed to grant baccalaureate degrees, without having to go through the usual accreditation procedure. In comparison to the public universities to which they are affiliated, these institutions are permitted to enroll a considerable number of students with lower entrance examination scores but at much higher tuition rates. The two affiliated colleges of Zhejiang University were Zhejiang University City College founded in 1999 and Ningbo Institute of Technology, Zhejiang University in 2001. The City College was jointly founded by Hangzhou Municipal Government and Zhejiang University, and co-sponsored with Zhejiang Post and Telecommunication Bureau. Ningbo Institute of Technology was sponsored by Ningbo City government and administrated by Zhejiang University.

<sup>21</sup> Although the system did take disciplinary differences into consideration in calculating research points (for example, in arts and humanities, 40000 yuan of research money was counted as one performance point, while in sciences and engineering, one point would require 60000 yuan), that adjustment was considered

mechanism in place to encourage service.<sup>22</sup> Many were worried that teaching would be affected as faculty members tilted heavily toward research. Thirdly, many believed that the system's rigid emphasis on the quantity of publications and its focus on short term research productivity would discourage quality research that requires long term efforts<sup>23</sup>. In other words, the policy was criticized as rewarding "quick success and instant benefit". Such a policy was considered not conducive to generating top scholars and important discoveries.

The policy affected faculty in different ways and faculty members had mixed reactions. Some welcomed the policy because it was very effective motivating people. The pressure on some faculty members, however, was enormous. For faculty members who came from Hangzhou University, Zhejiang Medical University and Zhejiang

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inadequate. For example, the number of qualified journals is quite limited in many disciplines in arts and humanities. Often one discipline has only one Grade 1 journal\*. Therefore it is quite an achievement for one faculty member in these fields to get one article published in a Grade 1 journal. But for those in physics and chemistry, one faculty member can easily publish 7 or 8 articles or even more on Grade 1 journals each year. Moreover, there are a variety of awards in sciences and engineering nationally, including the three big national awards, namely, Natural Sciences Award, Science and Technology Progress Award, and Technological Intervention Award. There is no such award for arts and humanities. Such differences were not accounted for in the new review system.

\*In China, there are different classifications of academic journals. The most well-known classification is based on a catalogue compiled by Beijing University library and the Association of University Libraries in Beijing. All journals included in this catalogue are called core journals and are generally considered of good quality and reputation. The rest are non-core journals. The other well-known classification is based on the catalogue (CSSCI) developed by the Center for Evaluation of Social Sciences Researches. Only those included in this catalogue are considered good journals in their field. As to the list of Grade 1 journal or Grade 2 journal, each province or each institution may compile their own list. Grade 1 journals are usually those that receive most recognition in a particular field.

<sup>22</sup> The difference in how many teaching points faculty members earned each year was rather small since their teaching loads usually did not differ much. The difference in how many research points faculty members earned, however, could be very big. Faculty members mainly involved in teaching, for example those in physical education, would have an average of 3 performance points each year, which means they received less than 10000 yuan of performance bonus each year. But for some faculty members who had extensive research agendas and big research projects, for example those in engineering, they might have dozens or even over 100 points. The difference in faculty income, therefore, could be huge.

<sup>23</sup> For example, in order to pass the review, some faculty members might divide one article into three and have them published so that he would have three published articles in his portfolio. But the quality of the three papers might be compromised.



Agricultural University, such a policy was new and they had a hard time adapting to it, particularly in the beginning. But again, since it had become an established policy, faculty members did not have any choice but to go with it. Here is how one faculty member views this:

If you did well you would certainly benefit from such a policy. But if you failed to follow it, you would be eliminated by the system. And you could not even complain about it since everybody else faced the same policy and was measured by the same standards. If you could keep up with the pace, you would benefit from it. Otherwise, you would lag behind and you had nobody to blame because you were the one that could not keep up with the rest of the organization. Everybody in the university was subject to it regardless of your previous background.

The university was well aware of these criticisms about the review and reward system but it was eager to unify the practice university wide and was determined to have it implemented. In addition, those who presumably would suffer loss from this policy did protest against it but they did not form a meaningful coalition and launch effective opposition. Nor were they able to put forward a better proposal. As a dean from a social science discipline describes,

The vice president once said to me, "I know you people in arts and humanities have your complaints, but if you yourself can work out a feasible system, we can use that. The problem is that even you yourself cannot reach a unified view among yourself." This tells something about us in humanities and social sciences. We like making complaints but are not good at coming up with viable plans. We like breaking things but we don't build new things. At a typical meeting among people in humanities and social sciences, people tend to talk to themselves and no agreement can be reached at the end of the meeting.

The new performance and review system was implemented despite all these criticisms. Although its details later underwent constant modifications, addressing some

of the criticisms mentioned above and some new issues that emerged in the process<sup>24</sup>, the basic principles of quantifying teaching and research productivity and associating that with faculty income, remained unchanged. This has in fact become a trend among higher education institutions in China. As Chinese universities aspire to achieve academic excellence and world wide fame, they have been paying increasing attention to performance review of their faculty members. Many institutions use a highly quantified system to measure faculty performance, putting more pressure on faculty members.

The emphasis on having a unified pace resulted in a rather speedy unification of all the procedures and policies at the new university, which matched the progress in administrative and academic restructuring. It was recognized, however, that new policies made in such a manner might not be perfect and might bring controversies. But the leaders of the university believed that controversies could be resolved as adjustment and improvement were made in future implementation.

### ***Physical Integration***

In the merger of Zhejiang University, physical integration mainly involved 1) consolidating all the assets and resources and allocating them by a central system, 2) relocating administrative and academic units to go with the changes in administrative and academic structures, and 3) streamlining transportation among different campuses so as to facilitate communication and resource sharing across campuses.

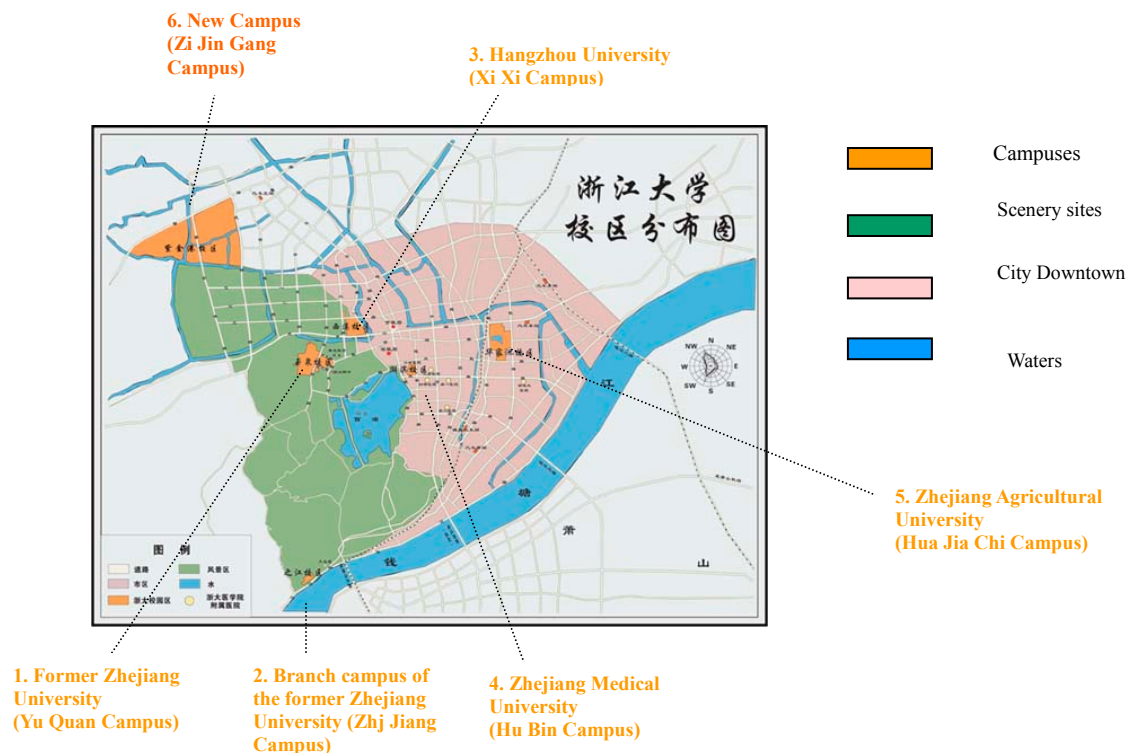
The geographic spread of campuses constituted the biggest challenge to physical integration. When the universities first merged, there were four main campuses and one

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<sup>24</sup> For example, the position level of faculty members was reviewed and reappointed every year when the new system was first established. Later the interval of review was changed to every two years in order to reduce the pressures frequent reviews brought to faculty members. Another example, if a faculty member proved excellent performance in two consecutive reviews, he or she could be exempted from the next review.

branch campus, scattering in different part of Hangzhou City. The map below shows the geographical location of these campuses in Hangzhou City. The names in the parentheses are the new names of each campus after the merger<sup>25</sup>.

Map: Distribution of Campuses of Zhejiang University in Hangzhou City



Among the five pre-merger campuses, Campus 2 is the branch campus of the former Zhejiang University, serving as its Division of Basic Education and hosting all the first and second year students. It is about an hour's drive from its main campus (Campus 1). Campus 1, 3, and 4 are all close to West Lake, the signature scenery spot of Hangzhou

<sup>25</sup> Among the five pre-merger campuses, Campus 2 was the branch campus of the former Zhejiang University, serving as its Division of Basic Education and hosting all the first and second year students. It is about an hour's drive from its main campus (Campus 1). Campus 1, 3, and 4 are all close to West Lake, the signature scenery spot of Hangzhou City. Therefore all three campuses are hot real estate, especially Campus 4, which is only 5 minutes' walk from the Lake. The three campuses are also close to each other, about 10 to 15 minutes' ride by bus. Campus 5, however, is far from the rest. It takes about an hour to go from Campus 1 to Campus 5 by bus with normal traffic.

City. Therefore all three campuses are hot real estate, especially Campus 4, which is only 5 minutes' walk from the Lake. The three are close to each other, about 10 to 15 minutes' ride by bus. Campus 5, however, is far from the rest. It takes about an hour to go from Campus 1 to Campus 5 by bus with normal traffic.

Unlike the many multi-campus universities in the United States where each campus runs independently, the substantive integration strategy the new university adopted called for a full integration of campuses. At the beginning of the merger, the university founded a temporary management committee to take charge of the safety and the maintenance of public facilities, to coordinate the usage of equipment, and to provide other logistics support on each campus. The committee members were all former administrators from the four institutions. This arrangement assured the safety and stability of campuses during the transitional period so that each campus could run smoothly.

The university made various efforts to try to shorten the distances between campuses. In addition to asking for help from Hangzhou City by increasing the number and frequency of public transportation routes among campuses, the university also operated its own commuting buses running on a fixed schedule every day. Arrangements were made so that they would cause the least hassles to students and faculty. Such efforts facilitated communication among campuses, but the costs were also high. With the progress in administrative and academic restructuring, the needs for cross-campus transportation kept increasing. Buses bearing the university's logo running between campuses became a familiar scene on the streets of Hangzhou City. Even taxi drivers running between the university's various campuses saw a booming business.

Despite these efforts, there were still inconveniencies. In the beginning the multiple campuses were extremely confusing, especially to new students. The university assigned a different name to each campus after the merger and used the new names in all of its publications (see Map). However it took time for the new campus names to be well received among faculty, staff, students, and local residents, particularly taxi drivers. Therefore when new students first arrived for registration, they would ask taxi drivers to take them to X campus (a new campus name) of the Zhejiang University. Likely they would end up on wrong campuses. Such confusion occurred quite often in the first two years after the merger.

Students also felt differently because of being assigned to different campuses. For those who were assigned to campuses other than that of the former Zhejiang University, they tended to feel like they were still in the pre-merger institutions. Those on Hua Jia Chi Campus (former Zhejiang Agricultural) in particular felt that they were downplayed and left out from the rest of university. For one thing they were far away from the other campuses and it was difficult for them to get a share of the resources. For another, they did not like being associated with the former Zhejiang Agricultural University, especially if they did not major in one of the agricultural programs. The following is an excerpt from a message a student posted on the university's online forum, describing the students' mixed feeling about the campus.

Finally we are moving to Yuquan Campus [former Zhejiang Univeristy] after staying in Hua Jia Chi for three years. I should feel very happy about that. But for some unknown reason, I feel like there's a knot in my heart.

My program [Hydrography and Water Resources Engineering] used to belong to Hangzhou University. So when I applied for the program, of course what's in my mind was Hangzhou University. When I found

that I would stay on Hua Jia Chi Campus, I felt very frustrated since I hadn't expected that. I told myself, "Now I am a dead duck. What if people ask me which campus I am from when I go look for a job after graduation? I have to tell them I am from Hua Jia Chi. If the interviewer adds something like, 'so you are from the Agricultural University', I will be doomed." Sometimes if I took a taxi and the driver asked about my destination, I told him Hua Jia Chi. Eight out of ten times, he wouldn't know the place, or he would ask if I meant the "Agricultural University". The sense of loss I felt then was real...

Gradually I have become used to it. Yes, I am from the Agricultural University. So what? What's wrong with that? Hua Jia Chi is indeed a very beautiful place. The sceneries on campus is beautiful, and there are more and more pretty girls (^\_^, it was said that the qualities of girls who moved here from Hu Bin Campus [Zhejiang Medical] were quite good)<sup>26</sup>. Also the learning environment here is not bad. If I had been assigned to Xi Xi Campus [Hangzhou University], I would have sunk low. When I think of leaving Hua Jia Chi tomorrow, I really feel a little reluctant to part with it. Just now I listened repeatedly to the song "Ripe Oranges" sung by Huang Lei, and I have been surrounded by a tender sadness ever since.

Such feelings were shared by many of his fellow students on the same campus, as was indicated by the large number of clicks on and responses to this message. Some students and parents who were assigned to Hua Jia Chia Campuse even called President Pan and Secretary Zhang to complain about this.

Faced with such complaints about different treatment or mentality on different campuses and trying to deal with the high operational costs and other inconveniences brought by multiple campuses, the university's leaders gradually formed the idea of having one campus for all new students. In the beginning the leaders only wanted something like a division of basic education to accommodate the 6000 or so new undergraduate students each year. The purpose of having one campus was to facilitate teaching and class scheduling since most of the first year students took similar basic

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<sup>26</sup> At the time when this message was posted, students from Hu Bin Campus (the campus of the former Zhejiang Medical University) were transferred to Hua Jia Chi campus because of the relocation plan of the university.

education courses. With a new campus the large number of faculty members teaching basic education courses would not need to run among different campuses. A new campus was also expected to reduce the confusions and pressure students felt and enhance their identification with the new university.

Party Secretary Zhang then proceeded to look for a site for the new campus. With the help of the local government, the university was able to secure about 3200 mu<sup>27</sup> in the city's northwest suburbs (also see Map), which was far larger than the university originally sought. The construction of the new campus started on September 18, 2001 and in the late September of 2002, about 10000 students moved in. The new campus accommodated not only all the first and second year students as was originally planned, some entire schools and colleges also moved there in a whole. The university's plan for the new campus also changed on the way: the new campus would be made the future main campus of the university. For that purpose, the university succeeded in securing another 5000 mu of land nearby. According to the current plan of the university, the new campus will be future main campus where all the administrative units and most of the academic units are located. The Yuquan Campus (former Zhejiang Univeristy) will be kept intact, mainly serving as a research base. The other three campuses, however, will either be used for adult education or will be traded. The plan has been controversial but is being implemented anyway. In November 2005, Hubin Campus (Zhejiang Medical), the smallest among the former campuses yet having the highest value per square meter, was traded for 2.5 billion yuan. By November 2006 the entire medical school had moved to the new campus.

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<sup>27</sup> 3200 mu equals about 527 acre.

With the new campus, many of the problems previously discussed were expected to be resolved. New problems, however, also emerged. The major problem was that it was very inconvenient for faculty members. It took them about an hour by school bus to get to the new campus. As most faculty members lived on or close to their original campuses, those without their own transportation felt strained all the time because they were worried about missing school buses. Moreover, students living on the new campus had fewer opportunities to communicate with faculty members. Their interaction with faculty was mainly confined to class time during the day time. Improvements have been made in the last couple of years. For example, an increasing number of faculty members bought cars and can now drive to the new campus. Faculty housing communities have also been built close to the new campus. As city life expands toward its suburbs with the growth of the city, more faculty members are willing to move to the suburbs and live close to the new campus. The new campus and its surrounding areas are expected to become a new education and culture center of Hangzhou City.

Integrating four organizations into one is a challenging task under any circumstances. This merger adopted an integration design that required full integration of the organizational components of the four pre-merger institutions. The university's leaders intended the integration process to start early and proceed fast. Such an approach was portrayed as substantive integration by the university. Overall the organizational integration proceeded as planned and the process was well controlled, with necessary adjustments made during the process. In less than two years since the merger started, the new university was able to operate as a coherent organization, with a new organizational structure and unified procedures and policies. Physical adjustments were made to



accommodate changes in the organizational structure and procedures and also to facilitate resource sharing among different campuses. However having multiple campuses made physical integration even more challenging and the university has been looking for better ways to cope with the inconveniences and problems caused by multiple campuses.

### **Human Integration**

Integrating four institutions organizationally into one institution may have been extremely challenging for the new leaders of the university, managing human integration, however, was perhaps the more difficult task. In this merger, managing human integration involved a complex combination of issues related to gaining people's acceptance of the merger, winning their cooperation and support of the many integration initiatives, and developing employees' identification with and commitment to the new institution. The previous analysis about the organizational integration process in fact touched on some of these issues. In this part of the chapter, I further specify these issues and examine them in more detail.

#### ***Initial Employee Reactions toward the Merger***

Several of the informants in this study used the "crying wolf" metaphor to describe how the employees of the four institutions responded to the news of the merger in the beginning. To most people in the four pre-merger institutions, the idea of the merger was not new since there had been discussions about a possible merger for a number of years. This time they had thought it was another round of crying wolf. It was not until the decision to merge became established that they realized the wolf was really coming this time. The "crying wolf" metaphor indicated the general negative attitude of the campus community toward the merger. No survey or vote was conducted to examine the

attitude of employees toward the merger. But according to the estimate of a number of informants I interviewed for this study, the majority of the employees were against the merger in the beginning. Such responses are not unusual in mergers. After all mergers often bring radical changes in organizational life and are expected to cause fear, anxiety, and distress on people involved. In this case, given that the decision to merge the four institutions was made with little participation from the employees, it was not surprising at all that most of them did not immediately embrace the idea of merger.

Faculty and staff members did not like the uncertainties that were brought by the merger and questioned whether the merger was really necessary. It seemed to them that all the four institutions had been developing quite well prior to the merger and were doing just fine separately. They feared that they would lose something they had worked hard to create. They believed the merger would cause disruption in the development of the institutions as well as their “peaceful life”. As one informant from Zhejiang Agricultural describes,

I think a majority of people in Zhejiang Agricultural University were not for the merger in the beginning. They couldn't understand why the merger was necessary since Zhejiang Agricultural University at that time was very strong in our own field, ranking as the third among agricultural institutions and even second based on a number of indicators. The attitudes of faculty members toward the merger were at best quite ambivalent.

Even the more optimistic ones were content with the status quo and did not like the uncertainties that a merger would entail:

The initial reaction? The voices of opposition were loud in the beginning. But my personality is such that I tend not to see too much negativity into anything. I would describe myself as an easy going and optimistic person. I felt the merger might not turn out to be a bad thing. However, if a vote were cast at that time to decide whether to merge or not, I would vote no. Why? Because I was quite comfortable with myself at that time: everything seemed good on the horizon; I knew everybody on the campus. I felt good about that and would not to enter a new and uncertain situation.

Who knows what the future will be. Everything was clear to me at the time, my career, my future, my destiny. I felt good about that and would not want to be surrounded by uncertainties. But merger would bring unknowns. But since I am rather optimistic, I also felt it might well be a good thing.

Such sentiments were understandable and rather common in most mergers. In this merger specifically, those in administrative units were worried about losing their positions after the merger. As one informant stated, “When one’s employment was in question as a result of the merger, how could you expect them to support it? There personal interests were affected.”

Faculty members were more concerned about the future of their programs and disciplines in the new university. Faculty from the three smaller institutions (Hangzhou University, Zhejiang Medical, and Zhejiang Agricultural) were concerned that the merger process and the new university would be dominated by the largest of the four universities, namely, the former Zhejiang University.

Despite the many explanations and persuasions from the university leaders, I think every faculty member of the four institutions had some questions about the merger in their minds. Why? They had been seeing the ownership reform of many state owned enterprises in our country. In many of these reforms, the reformers also stressed “a combination of strength”, which was also how the central government portrayed the nature of our merger. But as it is impossible for both to win in a fight between a dragon and a tiger, eventually one would end up being swallowed up by the other.

Since the former Zhejiang University was composed of mainly engineering programs, people from the other three institutions were concerned that the management of the new university would be influenced heavily by the management ideas and concepts of the former Zhejiang University. The faculty members in the arts and humanities programs at Hangzhou University in particular feared that the new leaders might not be able to understand the characteristics and needs of their disciplines since both the new

party secretary and the president had backgrounds in engineering. Those in science programs at Hangzhou University were worried that they might be overshadowed by the more powerful counterparts in the former Zhejiang University. Many of the faculty members from the Zhejiang Agricultural University feared that agriculture as a discipline would be marginalized in a comprehensive university and would therefore be weakened and be “deagriculturalized”. Faculty members from Zhejiang Medical University had also their own concerns and worries: they feared that the new leadership of the university might not be able to understand the complexity and nuances of running a medical school and six affiliated hospitals. Nor did faculty members from the former Zhejiang University embrace the merger wholeheartedly. Some of them anticipated that merger would result in a reduction of resources available to engineering programs of the former Zhejiang University because they would have to share with more departments. Some were also concerned that the overall quality and reputation of Zhejiang University would be affected by the merger because they believed the other three institutions were not as strong academically.

For many employees, especially those who were not related to the original Zhejiang University or the former Zhejiang University, merger would also mean a sudden loss of home because there would no longer be a Hangzhou University or Zhejiang Medical University or Zhejiang Agricultural University. Some alumni of the three institutions also shared similar feelings.

My strongest reaction was the feeling of a sudden loss of our home, our pen, and our root. That’s the most widespread response to the news among people around me. Some retired professors felt there was no longer a Hangzhou University and they no longer had a home. These were all what I heard from people. My colleagues talked a lot about this, but their point remained clear: one is the loss of one’s root; the other is

concerns about the development of academic programs.

Of course not all people concentrated on the negatives. Quite a few of the older generation of professors, especially those who had various connections to the original Zhejiang University before the 1950s, were very pleased to see the merger. Their support of the merger was not only because of their emotional attachment to the original Zhejiang University, but also reflected their views on what kind of universities China should have and where the future of Chinese higher education lies. Their considerations were indeed similar to the views of the merger champions discussed in the previous chapter. The quote below from a professor, for example, reflects the typical view held by this group of people:

Nowadays in North America and Europe there are Harvard University, Yale University, Oxford University, and Cambridge University; In Asia there are University of Tokyo and University of Hong Kong. But in mainland China where the world's largest population dwells, what great university do we have? The government's goal to have some world-class universities built in the next couple of decades may not be a realistic goal for most institutions in China, but we Zhejiang University should have a part in this. I support the merger not only because we were one institution many years ago, but also because comprehensive university is the direction Chinese higher education should go. It's better for student learning and academic research. We have wasted a lot of time in the past. We can no longer afford that.

Some younger employees also welcomed the merger because they saw the merger as a potential opportunity for personal development. Some in administrative units expected that the new university would provide a larger stage for their career development. Some young faculty members believed that being a faculty member of the new Zhejiang University would elevate their academic status and level of scholarly exchange and communication. Some, particularly those in agricultural programs, expected that the new university would attract better students. As the new university

would be a comprehensive university, some expected it to provide a much better foundation for interdisciplinary research. Some of the faculty members had been seeking collaborations from the other universities long before the merger and they were generally glad to see the merger. For example, a few faculty members in biomedical engineering in the former Zhejiang University had been involved in cooperation and collaboration with faculty members in Zhejiang Medical University for a long time; so had some professors of the biology department with their colleagues in Zhejiang Agricultural University. The former Zhejiang University and Zhejiang Medical University had also collaborated in student training. Therefore these faculty members were happy to see the merger, believing that the merger would further facilitate their collaboration efforts.

Table 6.3 Employees' Initial Reactions toward the Merger

	<b>Negative</b> (Fears and worries)	<b>Positive</b> (Perceived benefits)
<b>Individual concerns</b>	<ul style="list-style-type: none"> <li>• Job security;</li> <li>• Career uncertainty;</li> <li>• Do not like change;</li> <li>• Loss of home;</li> <li>• Other unknowns;</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for career development;</li> <li>• Better environment for professional growth;</li> <li>• Happy to return to good old days;</li> </ul>
<b>Concerns about programs and institutions</b>	<ul style="list-style-type: none"> <li>• Merger would dominated by the strongest of the four;</li> <li>• Smaller programs overshadowed or swallowed up by stronger counterparts;</li> <li>• Agricultural programs marginalized;</li> <li>• Lack of understanding from leaders of the new university (arts, humanities, medicine);</li> <li>• Resources averaged down (engineering);</li> <li>• Overall quality of the university affected;</li> </ul>	<ul style="list-style-type: none"> <li>• To be comprehensive was the right direction for the future of the university;</li> <li>• More collaborations between programs and disciplines;</li> <li>• Student quality improved (agriculture);</li> </ul>

Table 6.3 summarizes the initial reactions and attitudes of the employees toward the merger. Naturally everybody involved in the merger would weigh in their mind the pros and cons of the merger and predict how they would be affected by it. The findings of this

study reveal that in the opinion of those interviewed the initial reactions of the employees of the four institutions toward the merger were largely negative. However, since the majority of employees were excluded from the decision making process, whether they were for or against the idea of merger had virtually no influence on the merger decision. Once the decision was made and announced from above, it was impossible to reverse it. That may partially explain why this study found no attempt on the part of the employees to organize any meaningful resistance to the decision. Nevertheless their initial reactions toward the merger would definitely affect their attitude toward and commitment to the post-integration. Depending on their attitude toward the merger, they could be indifferent to the integration, refuse to participate and cooperate in the integration, and worst of all sabotage the integration.

### ***Impact of Organizational Integration on Employees***

The organizational integration at Zhejiang University was characterized by a high degree of integration and was implemented at a fast pace. As it unfolded, the impact of merger on people became real. Members of the organization were affected in different ways and to different degrees, depending on their roles in the organization. Some of their initial concerns and fears proved to be false alarms; but others became real and caused pressures and pains.

#### **Downsizing Is Painful.**

Under any circumstances downsizing is painful to those who are affected. In the merger of Zhejiang University, many administrative units and academic departments had to experience downsizing in one way or another.

The administrative restructuring process (see Chapter Five) taking place

immediately after the merger reduced the number of administrators in the central administrative units from 1200 to 800 and later in 2001 further cut down the number to 600. For example, before the integration started, the housing administration of the four institutions had a total of over 100 employees. By the time of this study the department employed only 50 people. All the rest had been repositioned. The director of the housing department explained to me how they approached this downsizing:

We tried to make proper arrangement so that everybody could have a job even after the reorganization. Of course we could not guarantee that they would get a position equal to their original position because the number of mid-level positions was reduced significantly after the merger. Some were transferred to the newly founded logistics enterprises. Some voluntarily accepted an early retirement arrangement. Those who were near the retirement age yet were not in good health or incompetent were persuaded to retire early. For some historical reasons, some of the staff members had obtained employment in the institutions as a compensation for loss of their land despite that they had only elementary education. This group of people were also talked into retiring early after the merger. Some who used to be directors, deputy directors or section leaders and were confident about their abilities chose to leave the university for a more exciting career in the business world. These were the ways we replaced people. But the bottom line was that everybody would have a job, which we kept assuring people of. Everybody was told to keep doing their original job until the new job assignment was settled. We kept our promise and were able to maintain both continuity and stability.

Measures like assuring everybody of meaning employment no doubt helped reduce the anxiety level of employees. Chapter Five also reported many other measures the university took to ensure a high degree of job security and mitigate the negative impact of downsizing on employees (e.g., encouraging employees to pursue higher degrees, maintaining the old level of salaries and benefits, offering generous severance packages). These efforts helped reduce the uncertainties brought about by the administrative restructuring. Despite that, some employees did suffer setback in their career as a result of the merger. For example, some administrators lost their original positions or received



de facto demotions. They continued to enjoy the same salaries and benefits, but such loss did hurt. A lot of effort was devoted to made explanations and persuasions to win the understanding from those who were harmed by the merger.

Many academic units had to struggle with downsizing, too. While the pain caused by downsizing in administrative units mainly resulted from changes in job content or position level, the downsizing in academic departments often involved fundamental changes in roles and academic orientations.

At the time of the merger, many faculty members from the four institutions were teaching oriented. Since the undergraduate enrollment of the new university went down after the merger and the university began to enroll more graduate students, the reorganization of the faculty structure and the readjustment of faculty roles were therefore necessary. Some programs and their faculty members that used to be predominantly teaching-oriented had to make fundamental changes. Most teaching-oriented programs had to cut the size of their faculty because of the decreasing undergraduate enrollment. The department of physical education, for example, had 108 faculty members at the time of the merger. By 2004 only 66 were left. Some other units on campus also changed their roles after the merger. For example, prior to the merger, the higher education institute was more of an administrative unit, providing policy support to university administrators. Individuals in these units were also considered to be administrative staff. The new higher education institute, however, was positioned as an academic and research institute. As a result many of the formal staff members had to be repositioned. Those who stayed had to adjust their role from that of an administrative staff to that of an academic researcher.

Unlike business enterprises that often approach downsizing by just asking people to leave, the university had to find ways to reposition or reemploy those that were cut from their former units. Many believed that one of the major reasons why the university founded two affiliated colleges immediately after the merger was to provide employment opportunities to this group of people. The two affiliated colleges<sup>28</sup>, the City College and Ningbo College of Science and Technology, were founded in 1999 and 2001 respectively. Quite a number of faculty members who left the university after the merger ended up teaching in these two colleges. Faculty members there were paid twice what faculty members were paid at Zhejiang University, which in a sense constituted a kind of compensation for their loss due to the merger. Some faculty members chose to go to other institutions in Zhejiang Province. As Zhejiang University was the best university in the province and the quality of its faculty members was generally considered good, those who chose to drift away after the merger were able to find teaching or research positions in other institutions in the province. Although most of the “downsized” faculty members eventually ended up finding positions elsewhere in the university or in other higher education institutions, the process caused enormous pain on people in these units.

### Pressure to Research

In all four pre-merger institutions the status of research had been ascending even

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<sup>28</sup> As a result of the merger, the university expected to see a declining number of undergraduate students. The local and provincial government, however, were not happy to see that because a declining undergraduate body would mean that less trained talents for the local economy, especially considering that the number of higher education institutions in Zhejiang Province was small compare to other peer provinces. Furthermore since the university also received funding and other resources from Zhejiang Province and Hangzhou City, it was supposed to contribute to the growth of local economy by providing well trained students. To resolve this conflict between building a research university and serving local economy, two affiliated secondary colleges, the City College and Ningbo College of Science and Technology, were founded and part of the mission of undergraduate education was shifted to these two colleges. Quite a number of faculty members who left the university after the merger went to teach in these two colleges. These two colleges are affiliated to Zhejiang University but are run independently. Their sponsors include Zhejiang province, Zhejiang University, Hangzhou City and China Telecom.

before the merger, but to different degrees. After the merger, however, because the new university set its eyes on becoming a world class research university, research was given unprecedented weight in the new performance review and reward system. Academic programs as well as individual faculty members had to adjust to such a change.

For faculty members of the new university, the biggest source of pressure resulted from having to deal with constant performance reviews, which was challenging and annoying. An unarticulated purpose of setting a high goal and a very rigid performance system was to put pressure on those who were not so good so that they would voluntarily ask to leave. Those were faculty members who held relatively lower degrees<sup>29</sup>, were considered weak in research, or not good at teaching. They would feel the environment after the merger a little hostile and would consider leaving. Some former faculty members did choose to leave because they felt they could not meet the new research requirement. However, such a policy had some unintended consequences. A small number of people who were excellent in both teaching and research also chose to drift away because they “despised” the overly quantified review system and were tired of dealing with the constant performance review. President Pan regretted a little about the loss of such talents:

It’s a matter of long term and short term balance. We of course considered that a loss to the university. But any reform has to pay a cost. Fortunately with the university’s reputation and prestige, we were able to attract more and better scholars to work here.

The majority of faculty members who stayed generally felt more pressure to research and publish than before the merger. According to a professor who was educated

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<sup>29</sup> For historical reasons, it is common for faculty members in Chinese colleges and universities to have a master’s degree and quite a number of them have only a bachelor’s degree.

in an American university,

In the American university, once a professor gets tenure, some of them tended to lose motivation and worked less hard, feeling little external pressure. But at Zhejiang University faculty performance is reviewed regularly at a very short interval. If a professor has a rather bad review, he may still keep the title of professor, but will be paid less than those who perform well. Therefore, you may hear some of our faculty members complaining that they face too much pressure. Here we review faculty performance and make reappointment every two years. It's a big blow to one's self-esteem if they fail to get their current appointment. For example, I am a professor and have a 7th-level appointment. Then in the next round of review and reappointment, I should at least keep my 7th-level appointment or get an appointment one level higher. This does not only affect how much I get paid. More importantly, it affects my reputation. If I only get a 5th or 6th level appointment, that indicates a downgrade and I will lose face.

The increasing pressure on faculty to research and publish was probably not unique to the new Zhejiang University, as competition had been getting increasingly intense in Chinese society in general and in higher education in particular. But it stood out as a salient issue in the organizational and human integration process in this merger. The merger provided an opportunity for the new university to push its faculty more forcefully to adapt to a larger trend in the higher education sector in China and served to some degree to expedite the adaptation process. But the resulting pressure also seemed to be stronger than in other universities that did not experience a merger. The tensions caused by the pressure could undermine the integration process if handled improperly.

### ***Employee Reactions and Resistance to Integration***

In this merger, employees' lack of understanding and support at the beginning of the merger as well as the pains and pressures to change and adapt were all sources of potential disruptive reactions and behaviors among employees, especially among those whose suffered loss from the merger. These human resource difficulties may add substantial costs to the integration process and hinder the ability of the organization to

achieve the desired benefits of merging. The literature on mergers reveals that negative reactions toward merger and integration often result in lowered trust, commitment, satisfaction, and productivity, and increased absenteeism, turnover, and attitudinal problems (e.g., Buono et al., 1985; Larsson & Lubatkin, 2001; Nahavandi & Malekzedah, 1988; Schweiger & Walsh, 1990). In the current case, employees expressed their frustration over the integration progress through a variety of ways.

The most commonly perceived reaction was complaining. As one informant describes,

When the merger first started, you can hear people complaining about the merger almost everywhere you go. Some of the words used were quite harsh. Some faculty members even openly criticized the merger in their classes, in front of the students, which I think is not very appropriate behavior from a faculty member. But what else can we do?

The quote above pointed to a fact in most Chinese universities, namely, the lack of formal channels for faculties to communicate their opinions to the management. The university's online forum was where the harshest criticisms could be heard. But online discussions were often dismissed as trivial and frivolous, and therefore commanded little serious attention. But in some way, the leaders of the university seemed to be well aware of these complaints and criticisms. President Pan even showed me some criticisms of him on the university's online forum that could almost be counted as personal attacks.

I anticipated this [complaints and criticisms]. Any change effort would have to deal with this. I usually kept my eyes and ears open. My staff would also show me some of these things [personal attacks]. But when they became too annoying, I just dismissed them as noises. We would try to address some of the criticisms in the integration and make adjustments if possible. But we were uncompromising in following our strategy and our plans.

Unlike in some other mergers in Chinese higher education where employees

organized to express their complaints and criticisms<sup>30</sup>, faculty and staff members of Zhejiang University largely approached this individually and informally. One possible explanation is that the opposition and discontent in this case were not strong enough to stimulate any organized effort. Or it could be that the human integration process was properly managed so that resistance was subdued and overcome in the integration process. The findings of the study suggested that both propositions may hold some ground.

Although there was no organized resistance in the integration process, employees' disapproval of and discontent with the merger could be reflected in their individual actions (or lack of actions). The most radical reaction could be exit, that is, to leave the organization. As has been mentioned in earlier discussions, only a small number of people chose to leave the organization voluntarily. Of course some left because they saw better opportunities elsewhere. But there were indeed a few who left the university because of dissatisfaction with the merger process. There were no statistics available for the head count, but the general estimate by the informants was that the number for the latter group of people was very small. After all, the new Zhejiang University was one of the top universities in the country and few would easily give up the opportunities it offered.

Therefore, more frequently employees of the university expressed their resistance in a more passive way: they could be indifferent to the merger and refuse to cooperate or participate in integration; or they could be involved in interpersonal clashes with their

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<sup>30</sup> The most common way of organized opposition and protest by employees in higher education mergers in China is launching petitions and having influential individuals of the organization signing the petition or writing directly to the supervising agencies or even to the government. Although the majority of such petitions did fail to produce desirable outcomes, in a small number of cases, such petitions did work.

colleagues and supervisors. Such behaviors would also undermine the integration in their units. Both forms of resistance were observed in this case, but the extent of this type of resistance varied among units, depending on how well integration was managed. The Graduate School and the Housing Department, for example, experienced few such tensions and clashes, while the College of Humanities was bogged down deep in interpersonal frictions and conflicts. As Dean of the College of Humanities illustrates,

Of course there were interpersonal and interinstitutional frictions and conflicts. The causes for such frictions were many, including different personalities, conflicts of personal interests, and most importantly fights over the reallocation of resources. It's not that we were unfair to some in resource allocation, but that the resources were limited. For example, we have two faculty members compete for one position of professorship. Both have a Ph.D degree and each has their own strength. In most cases it is very difficult to say who is better. If eventually one gets the title and the other does not, the one who loses will surely feel unhappy. Those who are optimistic and open-minded may take this as a fair competition. But some will feel that he has been treated unfairly and most likely will make complaints and sometimes even make personal attacks. The interpersonal relationship will therefore be strained. Winning or losing the competition in fact does not have direct relationship with the merger and one's former institutional affiliation. But some who lose tend to think they are treated unfairly because they come from this or that institution.

### ***Boundaries in Mind***

The quote above also suggests a more subtle and less tangible form of resistance that existed largely in the minds of employees. I called that boundaries in mind. This was in fact the most salient yet the most difficult human integration issue to deal with in this merger. I therefore choose to discuss it under a separate heading from the rest of the discussion of employee reactions and resistance.

As organizational integration went on, the four former separate institutions were combined into one organization with an integrated organizational structure and unified procedures and policies. Yet the old organizational boundaries would exist in people's

minds for quite a long time. In Chinese universities, as employees' relation with their institutions could be life long<sup>31</sup>, their emotional attachment to the institutions could be deep-rooted and could last long after the merger, preventing them from being assimilated to the new organization. The quote below is a vivid illustration of the existence of such boundaries in the mind of one informant:

I remembered that feeling well. Before the merger I was the Associate Chair of the Department of Education in Hangzhou University. After the merger I was appointed as the Associate Dean for the new School of Education. I often went to Yuquan Campus [the former Zhejiang University] to attend some meetings. Every time I walked through the gate of Yuquan Campus, I felt that this was not my university. It looked strange to me. I felt like this place was not my place. Such feeling of estrangement did not fade away completely until after several years, 3 to 5 years. This is my own experience. I consider myself to be a very open minded person. I believe there are people who still hold that feeling. They still see "us" and "them".

The existence of such intangible boundaries in people's mind often influenced their judgment. For example, when evaluating a new policy, they would be inclined to see it as favoring one side or the other. When viewing the appointment decisions of high level administrators, many cared more about the candidates' original institutional affiliation than their competency for the position. They calculated the numbers to see which one of the former institutions had the largest representation in the current administration.

Even today, you can still hear people calculating how many of the current administration [taking office in 2004] are from which former institution. For example, the deputy party secretary in charge of personnel arrangement is from the former Hangzhou University. The new Party Secretary is also a graduate of Hangzhou University. Even if Hangzhou University had long stopped to exist, some people still feel that Hangzhou University won out in this round. This indicates that people still have the old boundaries in their mind.

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<sup>31</sup> In the university where I did my undergraduate study, I often heard people joking about how a crematory was the only thing that the University lacked for a person to spend his or her entire life without going out of the campus. The university had on its campus its own hospital, day care and kindergarten, elementary school, high school and all other stores and services that one needs in their daily life.



In fact, according to one informant, the new round of administrative restructuring in 2004 still failed to break the old institutional boundaries.

For example, if one vice president leaves his current position, it is most likely that his successor will be selected from the same institution where the leaving president original came from. There might be some small adaptations, for example, the newly promoted person will probably serve as deputy party secretary instead of vice president. But overall the old composition formed at the time of the merger is preserved. Nobody seems to be bold enough to break it.

Secretary Zhang, who himself retired from the position in 2004, denied the existence of any consideration for balance among the four former institutions in this second round of administrative restructuring. According to him, one important purpose of this new round of administrative reshuffling was exactly to break the old institutional boundaries in the university's administrative structure formulated when the merger first started. He thought the balance strategy then adopted was a compromise that had to be made in the beginning of the merger and by 2004 it was time to break the balance. But as the two quotes above indicate, there were people who still saw the boundaries. It may be that they had keen eyes to discern the subtle institutional boundaries in the university's organizational structure. But most likely the boundaries existed only in their mind.

The existence of such boundaries would also affect people's behavior in integration. They were more likely to stick to the practices of their former institutions and clashes would arise as a result of conflicting ways of doing things. If not managed properly, such a mentality would seriously undermine any change effort. Again, in this case how it affected the integration process differed among units. In some units employees from different institutions got along quite well. As one informant describes it,

Before the merger, we tended to think of people from the other institutions as different from us and had all kinds of assumptions and worries about what the people on other campuses were like and how they

would behave. We expected that cooperation would be hard.

But the same informant found out later,

In the first year, occasionally some of us would mention how we in the former X institutions did this or that in conversation, but most of the time, we spoke from the perspective of the new department. Many of the worries and assumptions I had before the merger turned out to be unwarranted. When we really got together, we found out that we were not so different after all. After these years, we have come to understand that which campus one originally came from did not determine the way how one behaves. There are good people and bad people on each campus.

This informant contributed the smooth integration in her unit to the leadership the dean of her school exercised. She acknowledged that they were lucky to have such a leader to lead the integration. But her luck was not shared by all. In some units the existence of old institutional boundaries was identified as a major source of friction. The example from the College of Humanities cited earlier was not unusual in many other units either.

Thus the existence of old organizational boundaries affected the judgment and behaviors of employees, causing barriers to integration. Furthermore, such boundaries tended to be deeply rooted and persisted in the mind of people long after the merger, preventing them from being assimilated to and committing to the new university. An important yet difficult task of human integration was therefore to break such boundaries.

In the merger of Zhejiang University, negative reactions were prevailing at the beginning of the merger. If unaddressed and improperly managed, the negative feelings of the employees could build up and be expressed in subversive behavior, which would impede post-merger integration. The radical changes the merger entailed also brought enormous pressure on employees of the university. Many faculty members, in particular, found it challenging to reorient themselves to the university's new mission and the resulting emphasis on research. The resulting frustrations could likely affect their attitude

toward the merger and undermine the integration process. In addition, it was expected that old institutional boundaries would continue to exist in the mind and heart of organizational members, preventing them from being assimilated to the new university. An important task for human integration was therefore to channel all these reactions and feelings to facilitate the organizational integration process. In the next section of this chapter I discuss a number of specific and focused strategies that were aimed at promoting overall human integration in this case.

### ***Human Integration Strategies***

The strategies the university used to promote human integration included a combination of efforts and initiatives that were intended to appeal to the employees' heart, mind, and interests. They were designed to minimize the negatives and reinforce the positives, assuaging the employees of their worries and anxieties and at the same time raising their expectations of the merger and enhancing their confidence in the success of the new organization.

#### Playing the history card

When the merger first started, the university leaders focused on stressing the common part of the history of the four institutions so as to gain acceptance and support of the merger from the employees. The university's persistent emphasis on the historical connections was best captured by a phrase that appeared frequently in official documents and speeches, namely "common root and common origin". The phrase appeared in almost every document I read about the new university. Accounts about the merger and the university almost all started with "in 1998 the four institutions with common root and common origin were merged to form the new Zhejiang University."

Was the university's strategy of emphasizing this particular part of the history effective? The answer seemed to be yes. For example, in many higher education mergers in China, people fought fiercely over the name of the merged institutions. But in this case there was no opposition to name the new university "Zhejiang University", which indicates the general recognition members of the four former institutions had for this common root. The phrase "common root and common origin" and the idea it conveyed had been readily accepted by most people on campus. Every informant I interviewed for this study used the phrase frequently in their account. As one informant acknowledges,

Among the arguments for the merger, the one that I accept most readily is that we four institutions have common root and origin, or you can say we were one institution originally and were separated in the restructuring of higher education in the 1950s. Now we were combined together once again and it is likely that will lay a solid foundation from which a good university will emerge.

The university has established "common root and common origin" as the most important part of the historical myth of the new institution. It has served symbolic as well as practical purposes. For employees of the four institutions, this emphasis on the common past has helped maintain a sense of continuity. It made the merger more appealing and made it easier for faculty members to accept the merger. More importantly it gave them more confidence in the success of the merger and the future of the new university.

#### Stressing leadership at the department level

The university level leaders (party secretaries and presidents) were the ones that set direction for the merger and the university. Yet directors of administrative units and deans of schools and colleges were the ones who interacted with employees on a daily basis. They managed the integration process in their unit and were confronted with the

frustrations of their subordinates. Their competence and leadership skills were critical to the success of integration in their units. When appointing department heads and deans, in addition to professional competence and talent, the university also looked for qualities like integrity, trustworthiness and personal charisma from these leaders. Such qualities, according to President Pan, were of particular importance to a leader in a situation like merger because they would help the leaders win the trust from people who came from different former organizations.

Although the merger strategy was made at the central level and the organizational integration process was also centrally controlled, the university put strong emphasis on the importance of democracy in decision making within administrative departments and schools and colleges. Department heads and deans were constantly reminded of the importance of listening to different voices in their department and of treating people equally, regardless of their former affiliations. This was particularly important to help overcome the old institutional boundaries that still existed in many people's minds after the merger, which was a major reason for interpersonal frictions and clashes in the integration process. For example, the Dean of the College of Arts and Humanities believed that at least in his school they never took pre-merger institutional affiliation into consideration when making promotion decisions. Still there were people in his school who thought they were treated unfairly because of their previous institutional affiliation. In the Dean's words, "you cannot control how people think." However, leaders could certainly influence how people think by exercising democracy in decision making.

By having the right leaders to lead the integration process and by stressing democracy in decision making at the department level, the university tried to reduce

frictions and clashes in the integration process. In units where this strategy was implemented well, this proved to be effective in facilitating the human integration. In the example below it was considered to be the key to smooth integration:

One of the reasons that the merger in the graduate school went well is the personal charisma of our dean. He is well respected throughout the school. You couldn't have expected more from a supervisor. He has every quality for good leadership: competence, talent, prestige, and integrity. All the directors think highly of him, which is quite unusual. Everybody admires him from the bottom of their heart and is willing to follow his leadership. He was therefore able to get us together. On the other hand, our dean treats everybody equally, regardless of which institution one is originally from. He himself is from the former Zhejiang University but he never gives preferential treatment to people who also come from the former Zhejiang University. Since the former Zhejiang University was the strongest among the institutions in terms of its graduate education, there were more directors from the former Zhejiang University than the other three institutions when we first merged. In other words, all the directors in the former Zhejiang University got to keep their positions while some of the directors of the other three institutions were either repositioned or demoted. But in the integration process, we didn't feel that our dean treated his former subordinates different from the rest. Nothing like that.

#### Promoting integration through development

Another important strategy the university employed to promote human integration was portrayed as “promoting integration through development”. The key concept was to increase employees' satisfaction with the merger and identification with the new organization by focusing on the benefits the merger brought to them in terms of professional and career development. The university was confident that faculty and staff would gradually accept the merger and the new organizational identity of the university as the benefits of the merger unfolded. Party Secretary Zhang explained the strategy as follows,

The nature of people is to move up in life, just as the nature of water is to flow downward. Some frictions and conflicts are inevitable in the integration process, but once people saw that the merger brought actual benefits to their career, they would welcome the merger. An important

idea of us is therefore to promote integration through the development of personal growth. Since we are now merged and there is no way we can go back, a prospering university is to everybody's benefit. We are all in the same boat. Only when the boat can sail fast and smooth and be able to reach the destination, can everybody in the boat reaches their destination. We constantly remind people this.

And the boat of the new Zhejiang University seemed to sail pretty smoothly after the merger. For example, the new university was selected to be in the 985 Project<sup>32</sup> without any suspense, which meant extra support from the central and local government. Neither the former Zhejiang University nor any of the other three institutions would have achieved that alone. The resources the new university obtained far exceeded that of the four pre-merger institutions combined. As the Dean of the School of Education describes,

Suddenly we seemed to have much more money than before, including research money, funding for program development, and other miscellaneous funding. For example, with the money we were able to install elevators in this building. Before the merger we did not even have the money for this. Once the merger took effect, we suddenly have the money. It cost a couple of million yuan, which is only a tiny amount of money for the new Zhejiang University. But Hangzhou University prior to the merger just could not afford it. I think we are all well aware of the gains in this respect.

The new university also provided faculty members with a broader and higher platform, which was an advantage that none of the pre-merger institutions could offer. Faculty members took this advantage and benefited from it in a variety of ways. For example, they enjoyed greater success in winning important grants and projects; opportunities for international exchange also increased considerably; merger also brought

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<sup>32</sup> In May 4, 1998, President Jiang Zemin said in a speech that "China must have a number of first-rate universities of international advanced level". That is how Project 985 got its name, with 98 referring to the year 1998 and 5 referring to the month of May. Under this project several top universities would receive special three-year grants for quality improvements. Zhejiang University was one of the first group of nine universities that were selected to receive the funding. For example, Peking and Tsinghua Universities both received 1.8 billion yuan (U.S.\$225 million) in the first round of special 985 funding, while Fudan, Zhejiang, and Nanjing Universities received 1.2 billion yuan (U.S.\$150 million) each. The Project currently has 38 universities.

opportunities of mutual learning – faculty members from different former institutions learned a lot from each other. Here is how one faculty member views the challenges and opportunities brought by merger:

Some of the faculty members who came from local universities felt the new university provided them with better opportunities and higher horizons. Many things that might have been unthinkable in their former institution now could be fulfilled. That's also one of the reasons why I've chosen to stay here. My pay would double if I switched to another institution in Hangzhou City and I wouldn't have so much pressure as I have now. But still I've chosen to stay. I feel the new Zhejiang University can provide a wider platform for my career development. Such platform is unavailable in other institutions. I can set my eyes on some goals that would be unthinkable in other institutions. More importantly I will be able realize these goals if I work hard on that, but that may not be true in other institutions.

The merger also changed how employees were treated by people from outside. This is how an administrator of the graduate school, who was from the former Zhejiang Medical University experienced it:

In the past when I went out to attend some meetings, I never got the chance to speak. But now everybody listened to me because I am from Zhejiang University and often I would be asked to give a speech or to sit on the seat for distinguished guests in the front of the meeting room. People treat you differently not because you as an individual have changed, rather it is because you are now associated with a different organization a level higher.

Another heart-winning measure was the overall increase in faculty salaries and benefits. Faculty and staff in the four pre-merger institutions differed in their income and benefits. After the merger, the salaries and benefits level were unified and raised to the highest level among the four former institutions. Consequently, most employees received an increase in their income after the merger. There were also additional benefits. For example, the 450 Plan was initiated to improve the housing conditions of faculty and staff. Under the plan, the university built 500,000 square meters of housing units within four



years so as to provide affordable housing to some faculty members. There were a number of such projects aimed at increasing people's satisfaction with the merger and the new university.

***Human Integration vs. Organizational Integration***

In addition to these specific strategies, the university incorporated in its organizational integration process a variety of strategies that all helped to promote human integration. In fact, the previous discussions about organizational integration also suggest that the leaders of the new university were well aware of the potential subversive power of human problems and the importance of active intervention to promote human integration within the new organization. Table 6.4 shows that in each aspect of the organizational integration, special efforts and measures were made to reduce the negative impact of integration on employees.

Table 6.4: Measures/Strategies Facilitating Human Integration in the Organizational Integration Process

<b>Organizational Integration</b>	<b>Measures/Strategies Facilitating Human Integration</b>
Structural Integration	<ul style="list-style-type: none"> <li>● Assuring everybody of employment or other meaningful alternatives;</li> <li>● Maintaining the old salary and benefits level;</li> <li>● Balance strategy in personnel appointment.</li> </ul>
Procedural Integration	<ul style="list-style-type: none"> <li>● Emphasizing thorough understanding and review of the policies and procedures of all the four former institutions;</li> <li>● Stressing a unified pace;</li> </ul>
Physical Integration	<ul style="list-style-type: none"> <li>● A quick relocation of people to increase and facilitate communication;</li> <li>● Building a new main campus.</li> </ul>

These measures no doubt helped reduce the human friction and clashes and facilitated each of the organizational integration processes. For example, the university assured that nobody would lose his or her job as a result of the merger, which greatly

reduced anxieties among the employees. So did transitional policies like keeping the salaries and benefits unchanged for those who experienced job change or early retirement. A rationale for the fast pace of organizational integration was also to break the old institutional boundaries as quickly as possible so as to expedite human integration by bringing people together and enhancing mutual understanding through increasing interaction and communication.

Organizational integration and human integration in this case were therefore two intertwining and interpenetrating processes. On the one hand, organizational integration created a completely new institution with new organizational structures, procedures and systems. A speedy structural integration brought faculty and staff of the four former institutions together immediately after the merger and assigned them new roles, forcing them to communicate and interact with each other; procedural integration enabled employees to work in a unified system, reducing the conflicts and clashes that would likely to arise because of differences in prior practice; physical integration shortened the distances between people and facilitated human communication and interaction. Therefore, how well organizational integration was implemented determined the degree and extent of human integration.

On the other hand, how well human integration was managed affected the process of organizational integration. For one thing, each step of organizational integration brought changes to faculty and staff members and an important consideration of the management was to minimize the negative impact of organizational integration on them. For another, when employees who originally came from different institutions got together, most likely human conflicts and clashes would arise and sometimes special care had to be

taken to deal with them. Human problems in organizational integration, if unresolved, could seriously impede and delay the progress of organizational integration. Effective human integration in turn would greatly facilitate organizational integration. Therefore the outcomes of the merger hinged on the accomplishment of both organizational and human integration.

### **Integration Outcomes**

The outcomes of higher education mergers are usually examined along two major dimensions: administrative, managerial efficiency and effectiveness, and academic outcomes. However, there are often no simple and effective measures available to assess these dimensions of merger outcomes in higher education. This is especially true in Chinese higher education institutions where decisions are usually not made based on solid data. In this particular case, for example, it is extremely difficult to measure the cost-efficiency of the institution. For one thing, no such data are available to measure the administrative cost prior to and after the merger. For another, a number of other dramatic changes took place in the late 1990s and early 2000s as a result of change in higher education policies in China, which makes it difficult to evaluate the effects of merger separately and make valid conclusions. Since this study focuses on post-merger integration, which has been identified as the key mechanism that affects the performance of the newly merged organization, examining how well the organization was integrated will shed important light on the overall outcomes of the merger. In this study, I am interested particularly in two integration outcomes: 1) To what extent did the organizational integration and human integration drive the realization of the strategic objectives of the merger? 2) To what extent did the organizational integration and

human integration drive the formation of a shared identity among employees?

### *Achieving the Strategic Objectives*

Higher education institutions merge either for survival or for growth (Martin & Samels, 1994). It has been shown in the previous chapter that the motives for this merger were mainly strategic. Becoming a world class university was established as the vision of the new university. The stated strategic objective of the merger was thus to create an innovative comprehensive research university from which a world class research university would arise. The goal of the integration was therefore to have this objective and the new vision embedded in the structure, core processes, the values, beliefs and norms of the new university (Kotter, 1996).

It has been shown in the previous and this chapter that through organizational integration, the four former institutions were combined and integrated into a comprehensive university in the true sense of the word “comprehensive”. The range of programs the new university offered could be compared to that offered in most world class research universities. The academic structure of the new university also resembled that of many research universities in the West. As a result of organizational integration, the central functions of the university, namely teaching and research, were also linked to the strategic objective of the merger. The new university restructured its undergraduate education and increased significantly its graduate enrollment. Improving the quality of faculty was one of the top priorities of the new university. Research was established as the core value of the university, which was also reflected in resource allocation, procedures and systems, particularly in its performance and review system.

In the beginning, becoming world class might have seemed too high and unrealistic

for some employees of the four former institutions. But as the integration progressed and the benefits of the merger unfolded, the faculty and staff, although having to make adjustments and adaptations accordingly, gradually came to accept the strategic objective of the merger and embrace the vision for the new university. As one informant expresses it,

Many things that might have been unthinkable in my former institution now could be fulfilled. That's also one of the reasons why I've chosen to stay here. My pay would double if I switched to another institution in Hangzhou City and I wouldn't have so much pressure as I have now. But still I've chosen to stay.

There might be disagreement among the faculty and staff on how long it would take the university to reach that goal, but they were all aware that this was the direction the university was and should be going. Faculty members might have complaints about the way teaching and research were reviewed and rewarded, but they were clear about and agreed on the importance of research and until a better performance measure was installed they knew they had to play by the rules.

It is safe to state that the integration did help achieve the strategic objective of the merger. As a result of the merger and integration, a new comprehensive university was created, with its vision of becoming a world class university embedded in its organizational structure, procedures and processes as well as in the values, beliefs or norms of its organizational members.

### ***A Shared Identity***

An ultimate outcome that any merger seeks to achieve is the formation of a shared identity among members of the new organization. A successful merger is expected to create a new organization in which everybody feels identified with and is committed to the organization's goals and mission. An important goal of integration, particularly

human integration, was therefore to help cultivate a shared identity among employees.

This merger involved changes in institutional affiliation for all faculty and staff members. For employees of the former Zhejiang University, since the name of the new university remained unchanged, a certain sense of continuity was maintained, which may have made it much easier for them to feel identified with the new institutions. But for faculty and staff from the other three universities, despite recognizing the common historical heritage of the four institutions, it would take time to develop identification with the new university.

In the previous sections of this chapter, I have shown that both organizational integration and human integration helped to connect people to the new organization. Organizational integration dismantled all the four former institutions and presented the employees with a new organization with a different vision, structures, procedures and a new set of norms. Employees of the four former institutions were assigned new roles in the newly formed university. As a result they lost their former institutional affiliation and their old institutional identity was also expected to fade away. The human integration strategies not only helped reduce anxieties and interpersonal clashes in the organizational integration process, but also helped break the old institutional boundaries in the minds of employees and promote identification with the new university.

As organizational integration and human integration proceeded, staff and faculty members in the university appear to have gradually come to accept their new identity. Both faculty and staff seem to have fit in their new roles and most of them work very hard to compete in the new system. During my data collection process I could seldom hear people referring to their pre-merger affiliations except when they were explicitly

asked. From 2004 to 2005 the university was involved in another round of administrative reshuffling. This time few people cared about the candidates' pre-merger affiliations and no balance strategy was needed. Party Secretary Zhang Junzheng retired from his position and an official from the provincial government was appointed to replace him. In 2006 even President Pan Yunhe left the university for a leadership position in the Chinese Academy of Science and the Presidency was taken by someone from Beijing, who had no previous connection with any of the four pre-merger institutions.

However, seven years are not that long. Occasionally the old institutional boundaries would still float on the surface, affecting people's perception of current issues. Fortunately, few people on campus now think in that way. Such occurrence is annoying and trivial at best.

Compared to other mergers that took place both before and after it, the merger of Zhejiang University was a rather "successful" one. The central government was satisfied with the process and outcomes of the merger and was pleased that Zhejiang University set a good example for many other higher education institutions that took place afterward. The university has established its reputation and image as one of the top universities in China. For seven years in a row, the University has been ranked third by the most popular higher education ranking system in China.<sup>33</sup> It seems that the university is on a good track toward fulfilling its mission of being a world class research university.

Even people in Hangzhou city barely refer to the pre-merger institutions. People who have lived in this city for many years may still know where the former Hangzhou University is, but new residents and those from other cities often do not know. When the

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<sup>33</sup> See Wu, Shulian (Ed.) (2006). *Selecting the Right University and Specialty for You: A Guide to College Applicants*. Beijing: China Statistics Press.

merger first took place, if you told a taxi driver to drive you to the Xi Xi Campus of Zhejiang University he would not know the place unless you explained to him that you meant the former Hangzhou University. When I first got off the plane and stepped into a taxi one day in December 2005 and I told the driver that I wanted to go to the former Hangzhou University, he did not seem to understand. I then explained to him that I meant Xi Xi campus of Zhejiang University. Such was a complete reversal of what a visitor to the university six years ago might experience.

### **Summary**

In this chapter I focused my attention on the key tasks and major issues/problems in the organizational integration and human integration at Zhejiang University. Overall the organizational integration process at Zhejiang University was well managed, following the strategy of substantive integration and a well structured plan. At the same time the university management also made great efforts to promote human integration in the merger process. This study identified a number of strategies that were aimed at winning employees' support for the merger, increasing their satisfaction with the integration, and enhancing their identification with the new university. Successful organizational integration and effective human integration enabled the realization of the strategic objective of the merger and helping the formation of a shared identity among employees of the new university.



## **CHAPTER SEVEN**

### **DISCUSSION**

The previous chapter described the process of integration during the merger of four higher education institutions and identified several important factors that facilitate and impede post-merger integration. This chapter discusses the findings of the case study in relation to the relevant theoretical and empirical literature and the conceptual framework presented in Chapter 3, highlighting the key themes and issues associated with integration during the merger process. It also discusses and adds new elements that have emerged in the course of data collection and data analysis. A revised conceptual model is presented to provide a framework for thinking about post-merger integration.

The revised model (see Figure 7.1) describes integration and addresses the primary research questions that motivated this study: 1) What were the external and organizational factors that drove the merger? 2) How were the merger strategy and the integration strategy developed? 3) How was organizational integration accomplished in the merger? 4) How was human integration accomplished in the merger? and 5) What were the outcomes of organizational integration and human integration?

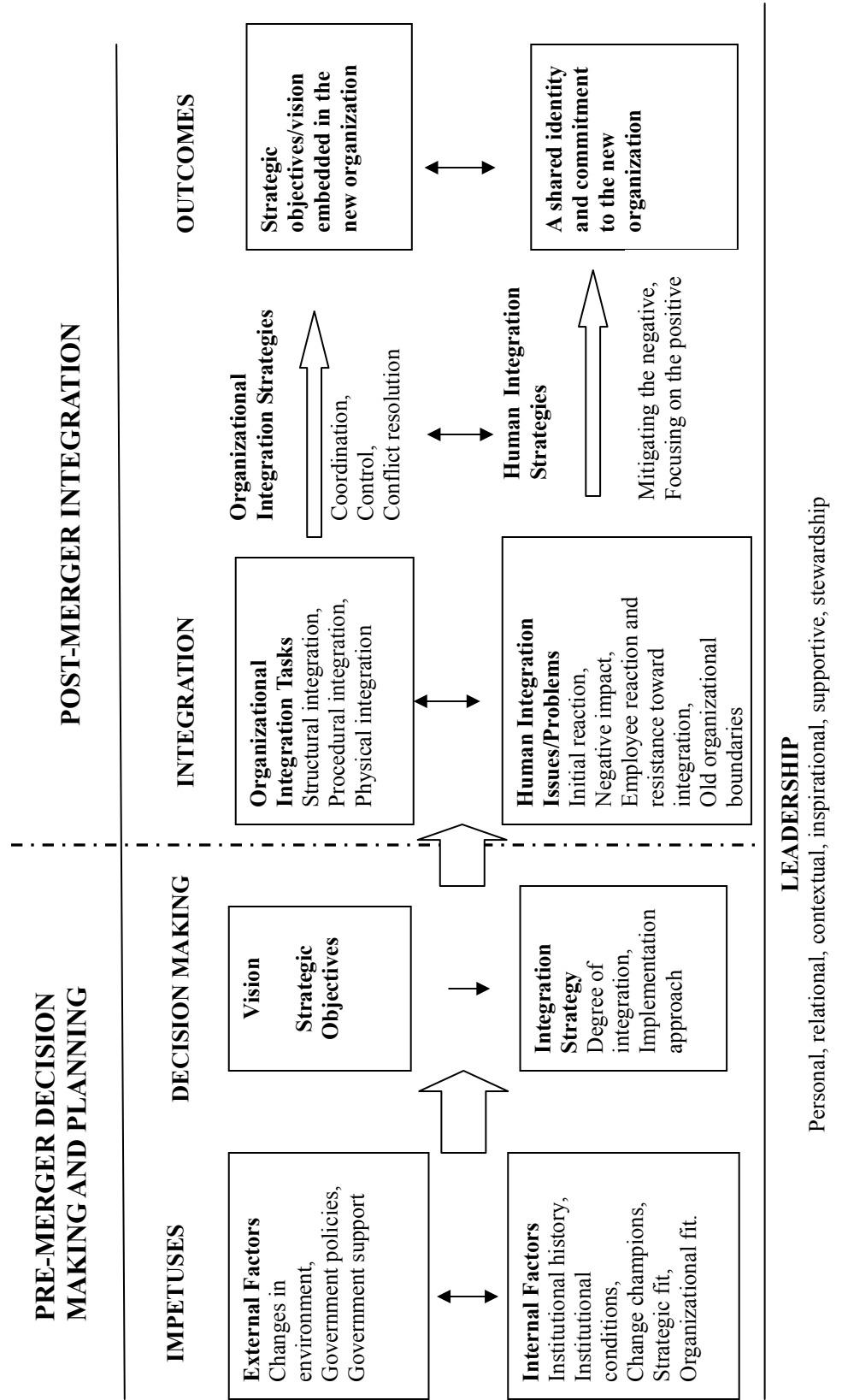
The model itself is a simplified representation of my research findings and theoretical extensions, mainly intended to communicate the fundamental linkages and interrelationships involved in the merger process. However, there is almost always a level of complexity associated with organizational and strategic change that cannot be

represented easily in a visual format. In addition, throughout this discussion, and as I explain and develop the components and interrelationships of this model, I emphasize the factors which promote, rather than inhibit the integration. In general my research focuses on the organization's attempt to make, and by all appearances, succeed at making the merger work.

The model first proposes to examine higher education mergers in two stages. At the current level of theorizing it is probably not all that useful for researchers to elaborate relative large number of stages, each one having a somewhat different number of sub-stages and sequences. The concern should be with the major dynamics of the merger process, concentrating on stages that all researchers can agree on. In the present case, I discerned two sequential stages, first the pre-merger decision making and planning stage in which the merging partners negotiated and made the decision to merge, decided on the merger strategy, and developed the integration strategy, and second, the post-merger integration stage in which the actual implementation of the merger took place and multiple merger partners were integrated into one operational entity.

From this case, as well as from previous studies reported in literature, I would suggest that there are a number of factors that affect the nature and the focus of discussion in each stage and there are also factors that affect both stages. These factors and their relationships are discussed in the sections that follow.

Figure 7.1: A Conceptual Model for Understanding Post-Merger Integration in Higher Education Mergers



## **Impetuses**

When examining a merger, it seems natural to start with the impetuses, namely, what factors motivate and drive the parties to make the decision to merge. This is also Research Questions 1 of this study: What were the external and internal factors that drove the merger? Higher education institutions are often viewed as constantly seeking equilibrium between external demands and the values and needs of the internal members (Chaffee and Tierney, 1988). Changes in colleges and universities are thus often shaped by various external and internal forces. Merger, as a radical form of institutional reorganization, is also typically driven by such forces. In the present case, a combination of external factors and internal factors interacted to drive the decision to merge and helped shaped the process and outcomes of integration.

### ***External Factors***

Contemporary theorists and researchers assert that complex organizations cannot be understood without attention to their interdependence with the external environment. For example, institutional theory (DiMaggio and Powell, 1991; Meyer and Rowan, 1991) and resource dependence theory (Pfeffer and Salancik, 1978) assert that organizational response is motivated by the promise of material and normative rewards such as legitimacy, support, and access to critical resources. Katz and Kahn (1966) suggest that analyzing the dependence of colleges and universities on the larger systems in which they are nested may advance current thinking about their responses to a variety of issues. In explicating the set of threshold changes confronting American universities in the new millennium, Benjamin (2003) argues, “The role of the university must be understood within the forces of economic and social change itself that in turn compose the context

within which the university operates. The university has never stood completely outside society” (p.10). This in fact rings true to colleges and universities in every higher education system.

Emery and Trist (1965) provide a basis for the use of an open-system theory approach to study the causal relationship between an organization and its environment. They state that, “ a main problem in the study of organizational change is that the environmental contexts in which the organizations exist are themselves changing, at an increasing rate, and towards increasing complexity” (p. 21). One of the key components for understanding the transformation of an organization, is therefore the identification of factors external to the organization, and beyond its control that could drive the decision to change and significantly affect achievement of its strategic goals.

Based on the findings of this study, the key external factors affecting the decision to merge and the integration include the changes in the external social, economic and political environment in which the higher education institutions involved in the merger were embedded. The changes in the external environment should therefore always be borne in mind when discussing the findings of this case study. In fact the magnitude of changes caused by educational reforms in China can only be understood in relation to the broader Chinese historical and social context marked by large-scale economic, political and social change since the 1970s. In Chapter Five I described the general social environment for the radical changes in Chinese higher education in the 1980s and 1990s. On all accounts it was a time of change for China’s higher education and great changes took place in the governance and administration of higher education. In a little more than two decades, China replaced its centrally controlled, government subsidized colleges and

universities with more locally controlled and market driven institutions of higher education (Kwong, 1996; Mok 2000; Mok & Wat, 1998). These changes had direct impact on Chinese colleges and universities by changing their administrative systems and academic structures so that they could improve their efficiency and effectiveness. These changes also caused colleges and universities to remold their relationship with their major stakeholders – the state, the students and the faculty. An understanding of these changes in Chinese higher education in the 1990s and 2000s is essential to understand why the four institutions merged in the case examined for this study.

Specifically, this study also identified a number of policy initiatives that accounted for the merger wave in higher education in the late 1990s, including Project 211 which was the Chinese government's endeavor to strengthen about 100 institutions of higher education and key disciplinary areas as a national priority for the 21st century, the reform in central ministries and the institutions they administered, and the government's world class university initiative. These policies together resulted in a reorganization and restructuring of China's higher education sector in the 1990s and early 2000s. Merger was an important means the government used or encouraged to use during this reorganization process. The merger of Zhejiang University was considered to have led the merger wave in Chinese higher education in the late 1990s.

As a result, the merger gained enormous support from the central Chinese government, which was a critical factor for any major change initiative to succeed in China's higher education environment. Support from the central government was important not only for obtaining official approval for the merger and getting it on the government agenda, but was also the key to obtaining support from the local government.

The attitude of the provincial government was important to the merger since three of the institutions were administered by Zhejiang Province. The newly merged Zhejiang University would be directly administered by the central government (Ministry of Education), but it would still have countless ties with the provincial and municipal governments. According to Party Secretary Zhang whom I interviewed for the study, opposition from the local government was actually the main reason why the previous proposals to merge the four institutions were put on the shelf. Some of the officials in the provincial government strongly opposed the merger. They tended to feel that the merger would be a loss to Zhejiang Province since the Province would lose control of three of its best universities. Although Party Secretary Zhang dismissed this view as “parochial” and “narrow-minded”, he knew from his own experience that without local support the chances that the merger would succeed were very slim.

I knew that in China officials one level higher than you can have absolute power over you. If I took the position of President at Zhejiang University without taking any position in the provincial government, it is likely that my words wouldn't carry any weight with officials in government agencies. Mr. Zhang Dejiang, Party Secretary of Guangdong Province once told me a joke about university president. He himself used to be President of Yanbian University. He said, ‘What’s so important about University President? Even a local police officer can push you around.’ ... I knew well from my own experience that it is very difficult for universities to ask for support for their initiatives from the local government. You have to virtually beg for that repeatedly. Therefore I knew it was going to be extremely difficult to merge with local institutions.

Fortunately, as the attitude of the central government and especially that of Premier Li Lanqing toward the merger became clear and sturdy, opposition from the provincial government gradually waned. The provincial government agreed to support the new

institution in the form of “joint construction”<sup>34</sup>.

Both the central and local government provided generous funding to the merger of Zhejiang University. In the first three years after the merger, in addition to the regular appropriation, the central government and the provincial government each appropriated about 700 million yuan (about 90 million in USD) for the newly merged institution. Although merger was expected to lead to cost saving because of the economies of scale argument, in practice that was seldom true in higher education (Skodvin, 1999). In fact, many mergers saw a rise in cost at least in the first several years of the merger because there were often substantial costs involved in many of the integration tasks (Rowley, 1997). Lack of funding has also been identified as one major reason why integration could not progress at a university merger in China (Wan & Peterson, 2007). The ample funding from the government was an important factor that contributed to facilitating the integration process at Zhejiang University. With the funding, the integration tasks could be implemented as planned and went on smoothly. The university also received help in other forms from the local government for implementing many of the integration tasks: for example, the provincial and municipal government helped the university in repositioning employees, increasing public transportation among its campuses, and negotiating land trading and purchasing deals with local businesses and the local government.

Changes in the external environment also had an impact on how well the merger was received among employees of the four participating institutions. Higher education in

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<sup>34</sup> Under the arrangement of “Joint construction” (Gongjian), the provincial government and Ministry of Education would exercise a dual leadership over the institution. While the central government still provides the bulk of funding for the institution, the provincial government will provide extra funding in the amount that is agreed by negotiation between Ministry of Education and the provincial government.



the West has been portrayed as conservative and resistant toward change. Similarly, despite the magnitude of changes in the 1980s and 1990s, higher education in China was often criticized as the last fortress of the command economy for sticking to many of its old practices and lagging behind the pace of reforms in the economic sector of the country (Xu, 2005). Over the last two decades, however, faculty and staff have become accustomed to dramatic changes in the Chinese society in general and in higher education in particular, which has become a constant theme in their life. They have learned from their experience that dealing with these changes is often challenging and frustrating, but failing to adapt could be costly. Consequently, overall faculty and staff in Chinese colleges and universities are more friendly and receptive toward change than before. In this case, the faculty and staff of the four institutions might not be able to grasp the specific implications of changes in the external environment to the decision to merge or might not even agreed on the need for such a merger, but the merger was clearly not something repulsive and somehow they were prepared to deal with the changes it would bring.

### ***Internal Factors***

In this study external factors are viewed as an important pressure toward change, fostering a sense of urgency. They are necessary antecedent to organizational change. These factors, once they reach a critical threshold, are presumably impossible for organizations to ignore. External factors may also be enabling forces in the change process and affect the accomplishment of change. Yet higher education institutions as complex organizations (Peterson et al., 1997) often have to balance external pressures and internal forces for change in both their academic and administrative functions.

Significant change can hardly be accomplished without adequate internal support for the change. Even in China where higher education is still a centralized system, it is politically unwise for the government to impose decisions such as merger on institutions without sufficient motivating forces within the institutions. The findings of this study indicate that a number of internal factors played a role in decisions regarding the merger and integration design, and impacted the integration of the new organization.

First of all, pre-merger connections are generally considered to be one favorable condition for mergers (Norgard & Skodvin, 2002; Skodvin, 1999). In this study, the four institutions involved in the merger had strong historical connections. In fact they were considered to originate from the same institution which prospered from the 1930s to the early 1950s. Moreover the shared part of the history happened to be the most glorious phase in the history of the institution. The thousand-mile trek to the remote, mountainous southwest and the effort of students and professors to conduct a modern university there, subject to sporadic bombing by the Japanese and shortages of food, books, and clothing, formed (1937-1946) the most important part of the organizational saga of the university. The stories about the epic journey and how students and faculty survived the hardships were treasured memories and became part of the organizational myth and folklores of all four pre-merger institutions. With such historical connection among the institutions, the idea of merger had always been attractive to quite a few members of the four institutions. Some of them had been advocating hard to reunite the four institutions and eventually helped shape the decision to merge. More importantly, the historical connection played an important role in the integration process in both winning employees' support to the merger and promoting their identification with the new

university. In addition, as the four institutions were all located in the same city, they had engaged in a great deal of cooperation and collaboration prior to the merger. For example, the former Zhejiang University and Zhejiang Medical University had established joint training programs for medical school students; faculty members of the four institutions had also been involved in various collaborative research initiatives. To further such cooperation and collaboration was one of the expected benefits of the merger. In this merger prior connections among the participating institutions helped facilitate organizational integration as well as human integration.

Second, an examination of the institutional conditions and organizational conditions of the four institutions indicates merger as a desirable and viable choice given the general environment of higher education in the late 1990s. Each of the four institutions was strong in their particular areas. However, they were all faced with certain gaps and challenges if they were to achieve their particular goals for development: for the former Zhejiang University, if it wished to establish itself as one of the top universities in China and to strive for world class status, it had to expand its academic offerings far beyond first class engineering programs; for the former Hangzhou University, crossing the distance of being a top regional university and being a top university in the country called for a much bigger step than it was currently able to make; for both former Zhejiang Medical University and Zhejiang Agricultural University, being an specialized institution had become a bottleneck for their further development -- it had become increasingly difficult and unpopular to be a specialized institution given the general trend of pursuing comprehensiveness in Chinese higher education. If they must find a new host, wouldn't it better to be part of the best institution in the region? Thus for all the four institutions,

the idea of a merger was in a sense a viable solution to their respective predicaments. The leaders of the four institutions were well aware of the advantages that a merger would bring. Therefore despite the hesitations and uncertainties some of them might have about how the merger would unfold, the decision to merge was readily accepted among leaders of the four institutions. Even faculty and staff of the four institutions, though not used to thinking in a macro perspective, were aware of the trend of higher education in the country and were not the least surprised by such a decision. Many of them who could not fully embrace the idea at the time would come to accept the ineluctability of such a destiny in the following couple of years when nearly all the major universities in China were involved in one kind of merger or another.

Another important internal force that drove the decision to merge was the existence of powerful and influential champions for the merger within the four institutions. The decision to merge may appear to most employees as one made from top down and the merger was therefore considered by many as a government mandate. Yet the findings of this study reveal that it was actually initiated from within the institutions. The champions of the merger within the four institutions took the change in government policies as an opportunity to advance their ideas as to how their institutions should develop. The future they envisioned for their institutions and the merger plan they had brewed in their mind turned out to chime well with the government agenda. The champions of the merger included powerful and/or influential organizational members of the four institutions, namely incumbent and mostly former leaders, who were also able to win support for the merger from important alumni in both the government and the academia. Within the institutions, they tried to win the support for the merger from senior faculty members and

well respected retired professors. These champions, all seasoned higher education administrators and “politicians<sup>35</sup>” in the Chinese context, had a keen eye for the trend and the future of higher education in China. They were able to grasp the opportunity to forward their proposal. The way the merger was initiated and the decision was made in this case may be different from how a decision of this kind would be approached at a Western university. But the underlying rationale is actually similar, namely, such a decision must win the support from key organizational members. Of course who constitutes the key organizational members is defined differently in different context.

In this study, strong historical connections, organizational conditions that made merger desirable, and the effort of powerful and influential internal champions were the major internal factors that drove the decision to merge. These factors as impetuses for merger were not unique to this case. They have been identified as important impetuses for merger in other studies (Goedegebuure, 1992; Wan & Peterson, 2007).

In addition, the literature on merger has identified some other organizational factors that may drive the merger decision and affect the integration process. For example, strategic fit and organizational fit are two factors that may contribute to the success of integration and merger and organizations often need to take them into account when considering a merger or acquisition. (Weber, 1996; Birkinshaw, Bresman, Hakanson, 2000). Scholars have used strategic fit or complementarity to denote the possibility of synergy and organizational fit or compatibility to refer to similarity of organizational cultures and management practices (e. g., Shelton, 1988; Greenwood, Hinings and Brown, 1994). The findings from this study suggest that both strategic fit and organizational fit

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<sup>35</sup> In China, university administrators are considered government officials. The administrative level of the president of Zhejiang University, for example, equals that of the provincial governor. Many university administrators also take positions in the provincial or municipal government.

contributed to shaping the decision to merge as well as explaining the performance of post-merger integration. The integration outcomes hinged on the presence of complementary capabilities and compatible practices in the four pre-merger institutions.

On the one hand, the academic programs offered by the four pre-merger institutions were largely complementary to each other, which increased the strategic fit of the four institutions and the chances for success of the merger. However, complementarity proved to be a double edged sword. In this study the difference in academic offerings, for example, was also a source of worries and anxieties among faculty members. Concerns about lack of understanding from the “other(s)” and fears of being marginalized in the new university prevailed, especially among those smaller programs or disciplines that expected to be disadvantaged in the new university (e.g., agricultural programs, some programs in arts and humanities).

On the other hand, the Chinese higher education system was a highly centralized system and many of the functions were under central control. Thus Chinese higher education institutions tended to have similar structures, management practices, procedures and routines. Such similarities in the four pre-merger institutions smoothed organizational integration and lowered the resistance from organization members to the integration process. The structure and routines of the newly merged university were also largely coherent with the prevalent structure in Chinese higher education, which reduced the adjustment problems to organizational members. However, the different orientations (differences in the degree of orientations) of faculty of the four universities toward teaching and research turned out to be a major cause of pain and pressure in the integration process. Since the mission of the new university was to become a world

class research university, research was raised to unprecedented importance in the post-merger institution. Among the four participating institutions, only one had extensive research activities. Faculty members in the other three institutions differed a lot in their orientation toward research. For the many who were mainly teaching oriented, the reorientation process was very challenging and was the main source of pain and pressure in the integration process.

This study shows that various external and internal actors worked together and interacted to drive the decision to merge. An analysis of these factors not only answers the question of why the institutions merged (Research Question 1), but also provides a basis for understanding their implications for post-merger integration process and its outcomes. For merger practitioners, the decision to merge should be made based on a thorough analysis of these factors, identifying the opportunities and threats presented by the external environment and the strengths and weaknesses internal to the organization. Decision making in both pre-merger planning and post-merger integration should also be built upon such an analysis.

### **Decision Making**

The second focus of discussion in the pre-merger decision making and planning stage involves the making of some important decisions before the merger can be actually implemented. These decisions answer Research Question 2 of this study: how were the merger strategy and the integration strategy developed in the merger? The merger strategy denotes what the strategic objectives of the merger are and the integration strategy decides how the merging organizations should be integrated to achieve the objectives. These are critical decisions that need to be made by leader of the new

organization before implementing post-merger integration. Deficiencies in making these decisions can lead to many problems after the merger is consummate and may undermine the success of integration.

### ***Vision and Strategic Objectives***

The need for integration is primarily bounded by the vision the leaders have for the new organization and the strategic objectives of the merger (Shrivastava, 1986). Vision defines where an organization wants to be in the future. The vision of an organization is important because it addresses the basic need of an organization for definition and direction. Furthermore, it provides a foundation by which the organization should operate and create goals. The importance of vision in effecting changes has been discussed by a number of scholars. For example, Shaw and Lee (1997) describe the process of change at Syracuse University (New York) focusing on the role of core values, institutional mission, and a vision for the future in the change process at a time of declining enrollment and economic difficulties. Kotter (1995) argues that successful transformation rests on developing a vision that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision helps clarify the direction in which an organization needs to move and functions in many different ways: it helps spark motivation; it helps keep all the projects and changes aligned; it provides a filter to evaluate how the organization is doing; and it provides a rationale for the changes the organization will have to weather. In a merger, a vision also serves to unify people from different institutions, generating shared sentiments and values about the general purpose of the organization.

Statements of vision tend to be quite broad and can be described as a goal that



represents an inspiring, overarching, and emotionally driven destination. Strategic objectives, on the other hand, tend to be more specific and are used to operationalize the vision, helping to provide guidance on how the organization can fulfill or move toward the “high goals” in the vision. As a result, strategic objectives tend to be more specific and cover a more well-defined time frame.

In this study, the vision the leaders developed for the newly merged Zhejiang University was to become a world class university. What makes a world class university? What does a university do to make itself world-class? How does a university attain its world class stature? What does it practice? No detailed answers to these questions could be found in any formal documents published by the university. A general understanding is that recognition that comes from the academic world is the measure of “world-classness”. Since there are organizations and bodies that periodically rank the universities world-wide, one way to achieve world class status is to be ranked with those universities that are generally regarded as world class, including private universities such as Yale, Harvard, the University of Southern California and University of Chicago, and public universities such as the University of Michigan and University of California, Berkeley. To this predominantly North American list is added the universities of Tokyo, Oxford, Cambridge and Moscow and the Sorbonne and a few others from the rest of the world.

Universities have established world-class reputation for themselves in different areas. For example Stanford University in the U.S. is world-renowned for excellent private sector funding research and development. Massachusetts Institute of Technology is one of the world’s leading universities in integrated research and development and consultancy with the private sector. Zhejiang University also attempted to follow its own

track in building a world-class reputation. It aims at fulfilling the goal in about 2017, which is the 120 anniversary of the original Zhejiang University. As President of the university stated in one of his speeches,

In the process of building and developing Zhejiang University, we will sure learn from the world-class universities in other countries and perhaps even borrow some of their practice. But we will never copy blindly. Zhejiang University is going to take a creative and innovative approach.

The vision of becoming a world class university sounded broad and obscure. Moreover, it appeared distant and unrealistic to many members of the new organization, especially to those from three of the smaller pre-merger institutions. “I would have never dreamed of such things for my university”, as one informant claimed. Such sentiments were not uncommon among organizational members when the merger first started. An immediate challenge to the leaders of the university was therefore to be able to communicate this vision in such a way that constituents "bought in" and eventually saw the vision as belonging to them. This was mainly achieved through the “sense-giving” effort of the university leaders (Gioia and Chittipeddi, 1991).

Gioia and Chittipeddi (1991) define sense-giving as the process of attempting to influence the meaning construction of others toward a preferred redefinition of organizational reality. Through sense-giving, the leaders seek to manage meaning so that organizational members can be guided by common conceptions as to what the organization is and will be and orient themselves to the achievement of desired organizational goals.

In this study, the leaders of the new university used a variety of methods to “give” sense to stakeholders and “sell” them the vision of becoming a world class university. First, the leaders of the university took great effort to communicate the vision to the

employees and the general public as well through a variety of channels: meetings, addresses, press releases, and virtually on every other possible occasion. Second, the leaders tried to depict the vision as not only a future aspiration of the new university but also an organizational “renaissance”. As is mentioned earlier in the account about the history of the institution, the original Zhejiang University was acclaimed by Joseph Needham as “the Cambridge in the East” in the 1940s. Cambridge University is of course a well recognized world class university. In trying to make the vision of becoming a world-class university sound more than a mere political slogan to members of the organization, the university leaders frequently alluded to Needham’s comment on various occasions, arousing employees’ pride in the institution’s past and enhancing their confidence in the future of the new organization. “As an institution with about 100 years of history, Zhejiang University should be able to take on this historical mission”, says Party Secretary Zhang in one of his speeches to the employees of the university. Thirdly, the leaders also stressed that building a world-class university was consistent with the plan the central government had for the institution and with the overall trend of higher education in China. They argued that promise of general support from the central government was a once-in-a-life-time opportunity, and missing it would be a great loss to the university as well as to individuals within the university. Such arguments stirred a sense of urgency among the staff and the faculty to grasp this opportunity.

Through sense-giving the leaders tried to provide explanations, rationalizations, and legitimization for the vision they developed for the new organization. Their use of this approach proved to be very effective. The findings of this study suggest that the vision of achieving world class status has been effectively established among constituents of the

organization. The bottom line was that most of the members understood, appreciated, committed to and tried to act on the vision.

The merger was the first step towards realizing the new vision. Its strategic objectives were therefore bounded by the vision. In a merger, strategic objectives determine the strategy a merger will take, which in turn affects the organizational design of the implementation process, particularly the extent of integration needed for realizing the strategy. Strategy is composed of two basic components: scope and competitive weaponry (Hofer & Schendel, 1978). Scope defines the product markets in which an organization will compete. Higher education institutions aiming to change their scopes may merge to move into new related or unrelated academic fields (e.g., in a diversification merger, institutions with complementary academic offerings merge to broaden their scope). The notion of competitive weaponry defines how an organization will compete in particular markets. Higher education institutions may merge in an attempt to change or improve their competitive weapons (e.g, in a horizontal merge, institutions merge with their competitors to improve capacity utilization and to lower costs). Merger strategy in turn is expected to affect the organizational design of the merger process and the extent to which synergies will be realized. Therefore the intent underlying any merger must be understood before sense can be made of various integration designs and practices and ultimately post-merger performance (Mirvis, 1985; Pfeffer, 1972; Salter & Weinhold, 1981; Walter & Barney, 1990).

The articulated strategic objectives of the merger in this case were to create an innovative comprehensive research university that would achieve world class status after a number of years of development. The objectives defined both the scope and competitive

weaponry of the new organization. The merger was to broaden the scope of the institution by combining institutions with complementary academic offerings so that the newly formed organization would be a comprehensive university. Moreover the new comprehensive university was to compete with the top universities in the country and later with the best universities in the world. To realize these objectives, the new university would need to improve significantly its competitive weaponry, particularly by enhancing its capacity of conducting innovative research.

### ***Integration Strategy***

An integration plan is the map to the highly complex process of creating a new organization out of those that have merged. It should include a clear set of desired outcomes and objectives for each major area of organizational integration, along with a plan for dealing with potential problems and issues in human integration. But the most essential step of making an integration plan is to design an appropriate integration strategy that is aligned with the vision for the new organization and helps to achieve the strategic objectives of the merger.

Integration strategy is commonly cited as an important consideration in the merger process (Buono & Bowditch, 1989; Pablo, 1994; Shrivastava, 1986). Making an integration strategy involves decisions concerning the degree of integration, namely whether changes should be made in one or both combining organizations, and approaches to integration, that is where, when and how the changes should be made. The greater the organizational changes required by the merger, the greater the need for more complex interventions to help the integration of participating organizations (Buono & Bowditch, 1989; Napier, 1989).

The integration decision that has received the most attention in the literature is the degree of autonomy that each organization should retain after the merger. Four related integration questions are identified in the literature (Schweiger & Walsh, 1990). First, who should make and implement the integration decisions? Second, how can cultural and other differences between two organizations be effectively managed? Third, which specific function, systems, and policies should organizations integrate? And finally, how quickly should the implementation process proceed?

A number of different integration design ideas have been identified in the business merger literature. The various choices sit on a continuum from autonomy to absorption (Buono & Bowditch, 1989; Napier, 1989; Shrivastava, 1986; Siehl, Smith, & Omura, 1990). For example, units of participating organization may be managed autonomously, fully assimilated by the other organization, blended together, required to coordinate with units with whom they have no history or contact, or even liquidated or spun-off. However, very few researchers have attempted to examine the relationship between these choices and performance in a merger context.

In the merger of Zhejiang University, the integration design was determined by the strategic objectives of the merger and the vision for the new university, namely, to build a world class research university. It was described as “substantive integration” and communicated to the members since the beginning of the merger. The term “substantive” suggested that the merger was not going to be just a nominal one (simply giving a new common name to the four institutions which would continue to run separately as before), but a substantive one (both the name and everything else would change). Such an integration strategy required a high degree of integration and radical organizational

changes involving all of the four participating institutions. The four institutions were to be blended together and fully integrated into one new organization. Every specific function, system and policy was to be unified. Such a strategy also required complex interventions to help the integration.

In addition, the leaders of the new organization decided that the integration was to be implemented at a fast pace. The decision to make the integration quick was made based on lessons learned from some other mergers in Chinese higher education in which a gradual integration approach seemed to have created more troubles than desirable outcomes. In some cases, a long period of “stalemate” had elapsed before any real integration could take place (see for example, Wan & Peterson, 2007), which the leaders of Zhejiang University considered a potential pitfall of mergers.

The university’s approach to the integration was described by some as “shock therapy”. Prevailing wisdom in business merger and acquisitions says speed in a merger or acquisition is essential to success: integrate quickly or fail. However, one would not expect such a substantive integration strategy to work well in a higher education setting because of the more collegial nature of decision making in colleges and universities and also the notorious inertia of higher education institutions to change. It would most likely encounter strong reaction and resistance from faculty members. Yet in this case, many informants in fact attributed the success of the merger to the strategy of “substantive integration”. From the early planning stages to the management of the subsequent integration process, this has proved to be an effective and productive approach.

One reason that such a strategy worked in this case is that while the university emphasized speed, it took a structured and disciplined approach to the planning and

execution of integration, with clear objectives for each step and detailed implementation plan. Organizational integration was implemented step by step according to a clearly thought-out plan. At the same time the leaders of the new university were also well prepared for dealing with employee reactions and resistance. Special efforts were made and various strategies were employed to promote human integration in the merger process.

Such a strategy worked also because the university leaders tried to strike a balance between change and stability. Speed was pursued selectively. For example, unlike in business mergers that often involved immediate downsizing, the university tried to maintain a high degree of job security. Transitional measures and policies were adopted to reduce the negative impact of the merger on employees and ensuring organizational continuity and stability. Selective speed also involved setting priorities for integration. Not all merger integration efforts were considered equally important, nor did they deserve the same rigor or attention. For instance building the research capacity of the new university was the overwhelming priority and was therefore embedded in the whole integration process. The university's service function, on the other hand, was given the minimum attention in integration. The university also set different priorities during different stages of the integration. For example, the top priority of the first year after the merger was the administrative restructuring and that of the second year academic restructuring.

Of course organizational leaders need to develop an integration strategy that is appropriate to each merger and to understand that integration is a unique and complex transaction. The integration strategy in this case was made with proper research of



previous mergers, thorough understanding of participating organizations, and sensibility to employees' reactions. Faculty and staff seemed to have received the strategy pretty well. This is also consistent with people's general attitude toward change which has been a persistent theme in Chinese life since the 1980s and especially in the 1990s. The reforms in the economic sector of the country may seem to have taken a gradual approach to foreign observers who would like to see more radical and fundamental changes in the country's political and economic arenas. Yet for ordinary Chinese people, the changes brought by these reforms were by no means gradual or subtle. Changes in the general environment make it easier for employees to accept changes in their own organizations. Foreign observers of Chinese higher education often found it amazing how radical changes can be implemented within a rather short period of time and they attributed the "efficiency" to the coercive power of a centralized system. That is partially true. Yet it is also safe to say that in Chinese higher education institutions "change" has become "an accepted culture" -- faculty and staff members have become so used to changes that they have learned to adapt to constant changes rather quickly. This "change" culture partly explains why faculty and staff members went along with the substantive integration strategy and were ready to adapt to the radical changes brought by the merger. There was seemingly a lack of active resistance toward the merger and the changes it brought.

My research findings in this study indicate effective decision making on the part of the leaders of the new university. A clearly articulated vision was the result of a planned process. It grew from the creativity and imagination of the leaders of the new university who took into consideration various factors in the environment and the nature and status quo of the participating institutions. Furthermore, the leaders of the university

managed to effectively communicate the vision to organizational members and have them embrace it. The vision also determined the strategic objectives of the merger and the integration strategy. Post-merger integration is a difficult and complex task. It comes along with long lists of activities and tasks that have to be fulfilled within a short time. The chances for such a process to succeed would be slim without being guided by clearly articulated and communicated vision and strategic objectives. The evidence presented in this study and previous research is clear: successful mergers most often result from a structured and disciplined approach to their planning and execution.

### **Integration**

The second stage of the model addresses what happens after the merger deal is struck, namely the process of integrating the participating organizations to achieve the merger objectives. After a merger deal is made, it is all about integration. This process makes real all of the previous discussions. An examination of this process answers Research Question 3 (How was organizational integration accomplished in the merger?) and Research Questions 4 (How was human integration accomplished in the merger?) of this study.

Even with thoughtful planning and preparation, success is not guaranteed. Many mergers failed to live up to expectations mostly because of poor execution of the actual integration of the organizations involved. The post-merger integration phase is the longest in duration and requires a steady effort to make sure that the outcomes envisioned for the merger are realized. Post-merger integration is no doubt a multidimensional and non-linear process, especially in a full-scale merger such as the one in this study. Any attempt to capture the process risks over-generalization or over-simplification. For sake

of clarity, I discuss the process as if it happened on two distinctive dimensions, namely organization integration and human integration.

### ***Organizational Integration***

In this study organizational integration is defined as the unification of relevant organizational elements between merging organizations. This mainly includes integrating the organizational structure, systems, and organizational procedures of the participating institutions. It involves abandoning some old ways in each institution, homogenizing accounting, compensation and reward systems, eliminating contradictory rules and procedures, redeploying assets, creating new organization structures, establishing new leadership, and reallocating authority and responsibility. The objective of organizational integration is to facilitate resource sharing and achieving the synergetic objectives of the merger.

In this study I propose to examine organizational integration in three dimensions, including physical integration, structural integration, and procedural integration. The need for the degree of integration in each of these three dimensions, of course, differs in each merger depending on the strategic objectives of the merger. In this case, structural integration mainly involved the reorganization of the administrative and the academic structures; procedural integration involved unifying the core procedures and systems of the four participating institutions; physical integration referred to the integration of physical assets and resources of the four institutions.

To accomplish the multitude of tasks in each of the three processes, merger manages often need to deal with three central problems (Shrivastava, 1986): (1) coordinating activities to achieve the strategic objective of the new organization; (2)

controlling individual departmental activities to ensure that they are aligned with the overall organizational goals and (3) resolving conflicts of interests. Most often specific strategies need to be developed to deal with these problems. Table 7.1 summarizes the major integration tasks in the merger of Zhejiang University in each of the organizational integration processes and strategies used to deal with the three central problems.

Table 7.1 Organizational Integration Tasks and Strategies

	<b>Coordination</b>	<b>Control</b>	<b>Conflict Resolution</b>
<b>Structural Integration</b>	<ul style="list-style-type: none"> <li>Restructuring administrative and academic systems</li> </ul>	<ul style="list-style-type: none"> <li>Structured plan</li> <li>Controlling the appointment of leaders at the department level</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining proper balance;</li> <li>Having transitional measures</li> <li>Negotiations and persuasions</li> </ul>
<b>Procedural Integration</b>	<ul style="list-style-type: none"> <li>Eliminating contradictory rules, policies and procedures</li> <li>Designing new systems, procedures, rules and policies</li> </ul>	<ul style="list-style-type: none"> <li>Emphasizing “oneness”</li> </ul>	<ul style="list-style-type: none"> <li>Thorough review and understanding of previous procedures</li> <li>Future adjustment</li> </ul>
<b>Physical Integration</b>	<ul style="list-style-type: none"> <li>Asset/people relocation</li> <li>Providing transportation and facilitate communication among campuses</li> </ul>	<ul style="list-style-type: none"> <li>Resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>Cost control</li> </ul>

### Structural integration

In mergers and acquisitions, structural integration is a fundamental design choice concerning the “grouping” of organizational units (Haspeslagh & Jemison, 1991). Depending on the strategic objectives of the merger and the integration design, the need for structural integration differs in each merger. For example, a merger following a preservation design (Haspeslagh & Jemison, 1991; Ellis, 2004) allows for the participating organizations to continue operating independently following the merger and preserve their own ways of doing businesses. It therefore involves very little structural

change in both organizations. In an absorption merger (Haspeslagh & Jemison, 1991; Ellis, 2004), however, one of the merging organizations absorbs the other one directly and assimilates it into its structure. Occasionally integration involves very significant, fundamental structuring transformations by dismantling the old structure of the merging organizations and creating a completely new organizational structure. In the case of Zhejiang University, to achieve the strategic objectives of creating a comprehensive research university, a strategy of substantive integration was adopted, which required full integration of every element of the four participating organizations.

Structural integration mainly involved designing new administrative and academic systems and integrating the four institutions into the new systems. As the four pre-merger institutions followed a similar administrative structure, the administrative restructuring after the merger was largely a process of combining four units into one, for example, combining four personnel departments into one personnel department. Academic restructuring, however, was much more complex. First the new university had to decide how to organize programs into different schools and colleges and come up with a proper structure for the division of power among the university, schools or colleges, and departments or programs. Then the new schools and colleges had to integrate programs and departments on their own.

Given the size of the new university and the magnitude of structural integration tasks, it was a huge challenge to maintain the control of the processes and outcomes. The whole restructuring process followed a strictly structured plan. The new university adopted a vertical administrative structure in which each of the administrative functions was subject to central control. The head of each department was also appointed by the

university. However, department heads enjoyed considerable autonomy and the integration within each department was subject to little central intervention. The reorganization of administrative departments was implemented group by group in the first half of the year, following a well thought-out order.

The academic restructuring process, however, was less linear. The central control of the process was fulfilled through determining the new academic structure and the appointment of deans. The central administration had the final say in the overall structure of schools and colleges. The appointment of deans and associate deans were also made by the university administration. It took the university a year (the first year after the merger) to prepare for academic restructuring, negotiating reorganization plans and pondering on candidates for deans. The actual restructuring did not start until one year after the merger. Reorganization within each school and college was largely conducted with little central control. The appointed deans enjoyed considerable autonomy as to how to organize different departments and programs within their school or college. Since the complexities of integration differed in each school and college, schools and colleges were allowed to set their own timetables and take different approaches to reorganization based on their own situations.

The restructuring process sounded straight forward enough, yet dealing with the conflicts of interest in this process involved much more complexities and nuances. For example, how to organize academic departments and programs into schools and colleges involved the most conflict of interest among all parties. While administrative structuring was implemented according to a plan made from top down, the plan for academic restructuring could never be accepted without participation from faculty in schools and

colleges. Therefore, the new academic structure was a result of hard negotiations among all parties. It was also a test of the central leaders' skills of mediation and persuasion.

Moreover, the leaders of the merger had to try to maintain a delicate balance in the appointment of leadership positions at all levels. For one thing, it was necessary to have people from all four institutions in the decision-making process so that the decisions made would be based on a thorough and comprehensive understanding of all four institutions. For another, the existence of such a balance was an important signal to employees of the four institutions who could be assured that they were properly represented in the decision-making process of the new organization.

Another challenge in the administrative restructuring was to deal with the "downsizing" and repositioning. As a result of the restructuring, the number of administrators in the central administration was reduced from 1200 to 800. Those who were cut had to be redeployed. The university adopted a number of special measures to deal with this problem: 1) encouraging young employees to pursue higher degrees and providing them with the opportunity (preferential treatment in admission) and the resource (keeping their salaries and benefits) to do so; 2) offering generous severance packages to elderly employees; 3) providing economic compensations to employees who were demoted; 4) if none of the previous three options was available or acceptable, the university would guarantee the person reemployment by helping him or her find a job either in other units in the university or outside the university. These transitional measures were targeted at those who would potentially suffer from the reorganization, trying to reduce their losses. They greatly reduced the uncertainties and anxieties brought about by the merger.

### Procedural integration

Procedural integration is making decisions about the use of “linking” mechanisms between organizational units in the new organization. It involves the combination of systems, procedure, rules and policies. Procedural integration must keep up with the progress in structural integration so that the new organizational structure can function smoothly. The new procedures are to support the achievement of the strategic objectives of the merger and to support the new mission of the organization. Successful procedural integration also needs to deal with coordination, control, and conflict resolution in the process.

In this study, since the four institutions were to be integrated into one organization, their procedures and the policies should also be integrated so that the new organization would operate under one unified system. The university stressed that the first and most important task of procedural integration was to establish “ONE” unified set of procedures and policies as soon as possible. The new system was developed based on a thorough review of the procedures and policies of all the four participating institutions. In some areas where the practice of the four institutions was similar prior to the merger, integration was rather straightforward and the need for change and adjustment was minimal. These were mostly some routine procedures or auxiliary functional areas like accounting, logistics, retirement, and etc. Obviously it was much more complicated to unify procedures and policies that differed previously in the four pre-merger institutions. In some areas, contradictory procedures and policies had to be eliminated. In many other areas, entirely new procedures and policies were to be developed to reflect the objectives and mission of the new organization.



The emphasis on having a unified pace resulted in a rather speedy unification of all the procedures and policies at the new university. This approach to procedural integration was in line with the overarching strategy of substantive integration, focusing on having integration accomplished fast. With this approach, the university was able to maintain the pace of integration and make sure that it kept up with the progress in structural integration.

However, in emphasizing speed and unity, quality and flexibility might be compromised. The new system developed in such a manner might not be the best choice or one that everybody was satisfied with. However, since making a perfect policy often required prolonged discussions and deliberation, the leaders of the merger were willing to compromise some “quality” in exchange for a timely solution. For one thing, speed was the key to successful integration and procedural integration had to keep with the progress in other aspects of the organizational integration; for another, revisions and improvement could be made later when the new organization was well on its new track.

#### Physical integration

Physical integration usually accompanies structural and procedural integration. The need for and magnitude of physical integration is also determined by the new organizational structure and the new organizational procedures. It often involves the consolidation and reallocation of resources and redeployment of assets. The development and application of modern information technology have made information sharing much easier and have eliminated many of the physical integration needs that used to confront mergers in the business sector. However, higher education is still largely a “business” based on human interaction. For example, students from different campuses

could access online library resources, but they still have to travel to campuses for classes, guest lectures, and other activities. Therefore an important task of integration in higher education mergers is to facilitate such human interaction.

The tasks of physical integration in this case were far more complicated than in most other mergers because the merger involved four organizations. In addition, unlike the many multi-campus universities in the United States where each campus runs independently, the university's new organizational structure adopted a centralized model which called for a full integration of campuses. An immediate task of physical integration was to relocate people and asset to keep up with the process in administrative and academic restructuring. Also transportation among the four main campuses of the newly formed university must be provided since they were now all part of one organization and activities across campuses were expected to increase considerably as the integration proceeded. The objective of relocation of people and assets and cross-campus transportation was not only to help the implementation of structural and procedural integration, but also to facilitate resource sharing.

The spread of multiple campuses increased the difficulty of physical integration significantly. On the one hand, it raised substantially the cost of both relocation and providing cross-campus transportation. On the other hand, scattered campuses and the huge size of the campuses made it hard for the management to control waste and the cost of operating multiple campuses was very high. Even with the ample funding from the government, the university had to find ways to reduce the cost of operation in the long term. Moreover multiple campuses were extremely confusing in the beginning, especially to new students. More importantly, physical distances brought barriers to human

interaction, drawing and preserving boundaries in the mind of students, faculty and staff.

Trying to deal with the high operational cost and to promote further organizational and human integration, the university decided to build a new main campus that would accommodate a majority of the university's units and functions. The new campus was expected to eventually bring everybody together in one place.

Overall organizational integration at Zhejiang University was conducted according to a strictly structured plan, with proper attention to coordination, control, and conflict resolution in the process. As a result, the integration tasks were completed rather quickly and efficiently. Within less than two years, a new organization came into a good shape, with the strategic objectives and vision embedded in its organizational structure, procedures and processes.

It should be noted, however, that organizational integration was an iterative process. Having a properly functioning new organization was only the first step. To achieve the full synergistic potential of the merger and to work closer to fulfill the vision of the new organization would require ongoing integration. For example, further structural integration and procedural innovations were needed to accommodate and facilitate cross-disciplinary activities. In terms of physical integration, until the new campus was fully functioning the university had to make constant effort to shorten the distances and facilitate activities among campuses. New problems also arose with the new main campus. For example, the new campus was far away from the teaching hospitals, which would be a serious barrier to the clinical education of medical school students. Problems like this would cause new needs and challenges to further organizational integration.

The organizational integration process at Zhejiang University was guided by the substantive integration strategy that emphasized speedy and full integration. Despite that, the university took special effort to reduce the negative impact of such a strategy on members of the organization, the radical changes brought by organizational integration did have enormous impact on people in the organization. Their jobs, career, incomes, and even their daily life were affected to different degrees in the process. Their attitudes and reactions in turn would not only affect the progress of organizational integration but also their identification with the new organization. The leaders of the new university were aware of the importance of managing employee reactions and making efforts to promote human integration in the merger process. There is strong evidence in this study that the shift towards greater organizational integration was facilitated in part by the extent to which the human integration process had been completed. I will now turn to this dimension.

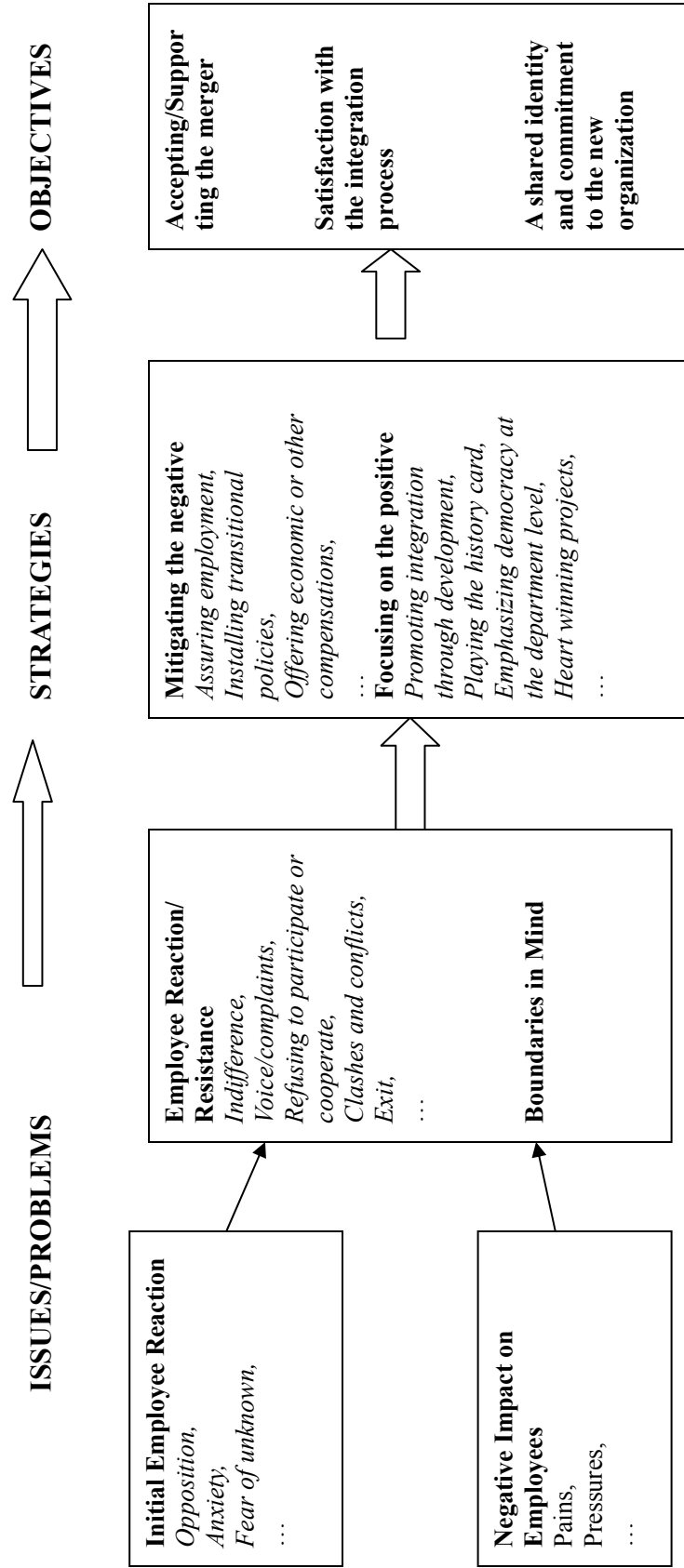
### ***Human Integration***

The human integration frame focuses on the relationship between the organization and its members. This perspective is concerned primarily with generating satisfaction with the merger process and the new organization, and ultimately creating a shared identity among the employees from participating organizations. The literature relating to the human resource perspective suggests that mergers generate employee reactions of grief, loss, and anxiety because mergers may create various uncertainties, issues related to job security, and changes (Buono & Bowditch, 1989; Marks, 1982; Sinetar, 1981). The organizational behavior school has focused its attention on the behavioral implications of mergers and acquisitions, at both the individual and organizational levels. The consistent

theme of this line of research is that the “human side of mergers and acquisitions”(Buono and Bowditch, 1989) is frequently neglected by merger managers intent on completing the deal and realizing operational synergies. Long-term success, it is argued, can only be achieved through process management, effective communication and sensitivity to the concerns and expectations of individuals on both sides of the mergers and acquisitions (Buono and Bowditch, 1989; Cartwright and Cooper, 1993; Mirvis and Marks, 1991). More specifically several researchers have built on the theory of acculturation to examine the changes in behavior that result from the forced interaction of two different organizational cultures (Janson, 1994; Nhavandi and Malekzadeh, 1993; Sales and Mirvis, 1984). The argument here is that cultural compatibility will reduce acculturative stress at the individual level, and thus smooth the integration process.

Based on the findings of this case study, I develop a framework that illustrates how human integration can be managed in a merger (see Figure 7.2). The boxes, arrows, and the bolded constructs in Figure 7.2 delineate the major themes and the relationships along them. The italicized content in the boxes are illustrations of these constructs taken from the findings of this case study.

Figure 7.2: Managing Human Integration



### Issues and Problems

Managing human integration first involves dealing with employees' initial reactions to the merger and winning their support to the change initiative. The initial attitude of employees of the affected organizations toward a merger is generally considered negative in literature: Employees feel uncertain about their jobs and future prospects and they become emotionally aroused about losing their identity and affiliation. Moreover the anger, resentment, and hostility that build up may be expressed in subversive behavior in post-merger integration and may result in a drop in productivity (Astrachan, 1990; Buono & Bowditch, 1989; Schweiger & Walsh, 1990; Miller & Medved, 2000). The findings of this study are consistent with the literature in this respect: the majority of the employees of the four institutions responded negatively toward the decision to merge at the start of the merger. Given that the decision to merge was made through a largely top-down process and with little participation from staff and faculty, the prevalence of negative responses at the beginning of the merger was not surprising at all. The employees' concerns and worries were not much different from those in many other mergers and acquisitions: fear of losing their jobs, uncertainty about the future of their units, concerns about the merger being dominated by one party, feeling sad about losing their former "homes". Their concerns, especially the negative feelings must be managed properly so that they would not impede the integration process.

As organizational integration unfolds, the negative impact it has on employees of the organization brings additional anxieties, pressures and pains, which should also be addressed in the integration process. The organizational integration process in this case was characterized by a high degree of integration and implemented at a fast pace,

affecting people in different ways and to various degrees. For example, some administrators had to leave their former positions and suffer de facto demotion because of the limited number of positions available at the same level. In addition, the university's emphasis on research put enormous pressure on faculty members that were not primarily research oriented prior to the merger. The need to change and adapt was huge for these faculty members and the task of transformation could be daunting. They might feel that the environment after the merger was a little hostile to them. A primary source of anxiety and pressure for most faculty members identified in this study was having to deal with frequent and rigid performance review. The majority of faculty members found that the pressure to do research and publish had increased considerably since the merger.

The literature on mergers reveals that employees tend to express their opposition and resistance toward mergers in different ways, from the most passive way of being indifferent, to mild protesting through voicing their complaints or more active and organized protests, to the more subversive behavior of refusing to participate and cooperate or getting involved in interpersonal clashes and conflicts with colleagues and supervisors, and finally to the most radical way of resistance, namely, exiting the organization. (e.g., Buono et al., 1985; Larsson & Lubatkin, 2001; Nahavandi & Malekzedah, 1988; Schweiger & Walsh, 1990).

All of these behaviors were observed in this case, although to different extent. The most prevailing form of protest was complaining. However, faculty and staff made no explicit effort to organize and express their opposition to the merger and dissatisfaction with the integration. Subversive behaviors varied in different units of the university: In some units such behaviors were rare and temporal; while in other units there were



constant human frictions and clashes. This depended on the degree of difficulty in integration in these units and how well integration was managed there. There were also a very small number of employees who chose to leave the university because of their dissatisfaction with the merger and the integration process.

Another more subtle problem in integration is the persistence of old organizational boundaries in the mind of employees. Merger changes the organizational affiliation of employees, yet employees often feel attached to their former organization long after the merger. The loyalty and emotional attachment to their former organizations may prevent them from feeling identified with the new organization. In academic institutions where the sense of community is often stronger than that in business enterprises, employees' attachment to the institution could be deep-rooted and could last long after the merger. The findings of this study indicate that such intangible boundaries existed in the minds of some employees long after the merger, affecting their judgment and their behaviors. They were more likely to resist any changes and stick to the old ways of doing things. Therefore old institutional boundaries were a source of interpersonal clashes and frictions.

#### Objectives of Human Integration Management

Managing human integration therefore involved dealing with issues and problems discussed above. Specifically its objectives are: 1) to win employees acceptance and support to the merger, 2) to increase their satisfaction with the integration process, and ultimately 3) to generate a shared identity among employees and increase their commitment to the new organization.

In this study, it was believed that the majority of the employees of the four

institutions did not support the merger in the beginning. Although their opposition could not reverse the decision to merge, their lack of support to this initiative would certainly affect the integration process. It was therefore imperative for the leaders of the new university to win employees understanding of and support to the merger in order to smooth out the integration process. And as the integration process unfolded, how it was carried out and how it impacted employees may have either intensified or alleviated their negative reactions and resistance. Therefore it was important to increase employees' satisfaction with the integration process and its outcomes. Ideally as the integration proceeded, a shared identity would develop among organizational members. As this merger involved four organizations, the task of generating identification with the new organization was more challenging than in many other situations.

#### Human Integration Strategies

Based on a clear understanding of the major human issues and problems in a merger and the objectives of human integration management, specific strategies can be developed to target these issues and problems. These strategies are aimed to either mitigate the negative impact of the merger on employees or to make employees focus on and to reinforce the positive aspects of the merger. This study identified a number of such human integration strategies that helped achieve the objectives of human integration management.

The university leaders first tried to win employees' support for the merger by influencing their perception of the merger through purposeful sense-giving. By playing the history card and stressing the common root and origin of the four institutions, they made the merger sound more like a reunion than a new transaction. My evidence suggests

that employees' recognition of the common root has contributed to their acceptance of the merger and the new organization.

In addition, the leaders emphasized the strengths of each participating institution and defined the merger as a combination of strengths. They did not want the employees of the four institutions to see the merger as a certain kind of acquisition or as dominated by one or two institutions. Therefore in the early stages of the integration process great care were taken to maintain a proper balance of the four institutions in terms of representation of the decision making process at both the university level and the department level. Such a balance strategy was most evident in the appointment of leaders at various levels. By framing the merger as a combination of equals and by maintaining a delicate balance in the integration process, the leaders intended to increase employees' acceptance of the merger and satisfaction with the integration process.

Third, the university was aware that the competence and leadership skills of leaders at the department level were critical to the success of human integration in their units. Therefore, when appointing department heads and deans, in addition to having professional competence and talent, the university also looked for qualities like integrity, trustworthiness and personal charisma that were of particular importance to a leader in a situation like merger. In the integration at the department level, interpersonal frictions and clashes often arose between people who came from different pre-merger institutions. In order to reduce such frictions, department heads and deans were constantly reminded of the importance of democracy in decision making and listening to different voices in the integration process, which helped overcome old institutional boundaries in people's minds. Having the right leaders and exercising democracy in decision making were

considered to be the key to successful integration at the department level.

Another important strategy the university employed to promote human integration was portrayed as “promoting integration through development”. They stressed the benefits the merger brought in terms of professional and career development. After the merger, the status and reputation of the new university in the country improved. The support the university obtained from the government also increased dramatically. As a result the new university provided its members with a better environment and a broader and higher platform for personal growth and career development. The university was confident that as the benefits of the merger unfolded faculty and staff would gradually accept the merger and the new organizational identity of the university, which proved to be true.

Finally the university’s heart-winning projects, such as building new housing and raising salaries and other fringe benefits, also helped increase employees’ satisfaction with the merger and the new university.

The human integration process is evidently extremely difficult to master. In general terms, the evidence suggested that the human integration process in the merger of Zhejiang University was well managed, both in terms of types of actions taken during the integration process and in terms of employee attitudes toward the merger and the new organization. However, the findings also indicate that the human integration process clearly took time. First, it is inherently more difficult to change people’s minds and win their hearts than to change the way they are organized. Second, it took some time for the benefits of the merger to unfold and it took even more time for people to see the long term benefits of the merger and the potential of the new organization. Third, despite all

the efforts the university had made to minimize the negative impacts of merger on people, there were still people who suffered a certain form of loss from the merger. Some chose to leave the organization while others stayed but it may take the latter longer to feel identified with the new institution.

### ***Organizational Integration Vs. Human Integration***

This study treated organizational integration and human integration as two conceptually different dimensions. But in practice they are two interpenetrating and interrelated processes. Progress in organizational integration can drive and facilitate human integration, which in turn would further and deepen organizational integration. In a merger, human integration often lags behind organizational integration, but without it the outcomes of organizational integration would be seriously undermined. For a merger to succeed leaders must be able to manage effectively both organizational and human integration.

In this study rapid and effective organizational integration no doubt promoted human integration. As part of organizational integration design, a single organizational structure was created and consolidation of academic and administrative units was implemented as planned; common organizational values, vision, and strategies were developed and implemented; the procedures and policies were unified; campuses were connected through information technology and physical transportation as well. All of these decisions were aimed at establishing the relationship between the new organization and its employees, managing organizational change, and dealing with the organizational human integration processes. Since the beginning of the merger, the management of the new university put much emphasis on eliminating the imprint of the four pre-merger

organizations from people's sight if not from their minds. The name plates, logos, labels of the four institutions were changed almost overnight. As organizational integration proceeded, a new organization soon took shape. It became real to the employees that their former organizations no longer existed (at least organizationally) and they might well accept their new organizational affiliation. In addition the university's strategy of substantive integration pushed its employees to adapt to and engage in the new organizational life. The fast pace of organizational integration did not allow organizational members to dwell much on their "old" way of life. While the pressure to adapt was huge, opportunities for personal development also abounded. So between sticking to the past and going with the tide and following where the new opportunities were, it was not a hard choice to make.

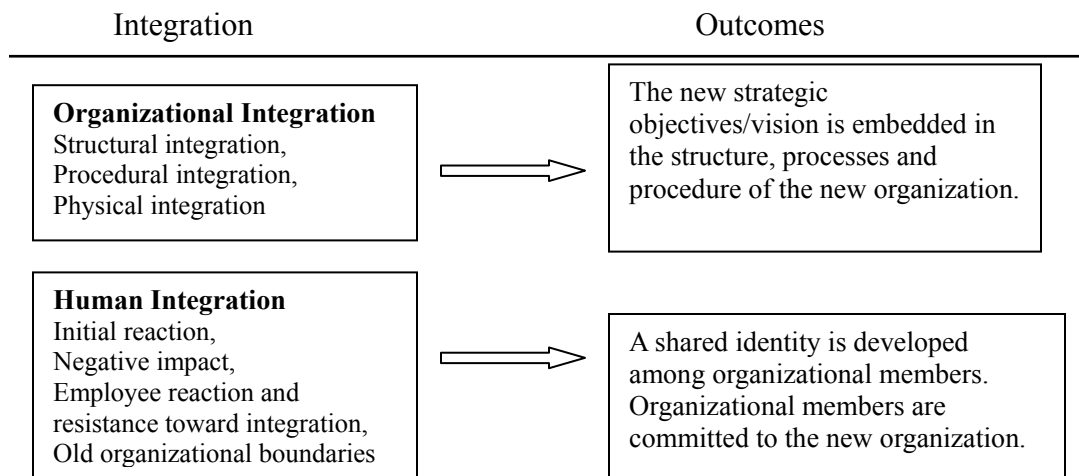
### **Integration Outcomes**

The last part of the model addresses the last research question of the study: What were the outcomes of the integration? Do mergers and acquisitions improve firm performance? In the business sector there is no consensus in the research literature. Much of the controversy stems from dependence on accounting-based measures of acquisition performance in economics in the first instance and event studies of stock returns in finance in the second (Larsson & Finkelstein, 1999). In higher education when no such measures exist, one would expect more controversies concerning the outcomes of mergers. In fact even within the same institution, depending on whom you ask, people often give opposite answers to the question of whether merger brings overall benefits. Synergy realization was often used to measure merger performance in the business sector (Larsson & Finkelstein, 1999), defined as the actual net benefits created by the merger.

Synergy realization focuses on benefits that are actually realized after the merger is completed. But still, we face the methodological difficulties to measure synergy realization in the context of higher education. Since stock-market and accounting-based measures cannot be applied to higher education mergers, it typically requires the longitudinal collection of rich, idiographic case studies. This can be extremely time consuming and expensive.

Since integration has been identified as the key mechanism that affects the outcomes of the merger, how well the organization has done in terms of organizational integration and human integration is a good predictor of the performance of the newly merged organization. I therefore propose to examine the outcome of the two dimensions of integration to measure the overall outcome of a merger as is illustrated in Figure 7.3.

Figure 7.3: Integration Outcomes



In this case, both organizational integration and human integration appeared to have produced desirable outcomes. The organizational integration followed a clearly articulated strategy and a detailed plan. As a result, within a rather short period of time, the strategic objective and the vision of the new university, namely, to become a world

class research university, was embedded in the organizational structure, process and procedures of the new university. Human integration took longer. By the time data collection for this study was completed, it had been seven years after the initial announcement of the merger. The faculty and staff of the university in general had accepted their new institutional affiliation and identity. Their commitment to the new university's goal of becoming a world class university was also evident, as was reflected in their words as well as actions. Of course integration is still an ongoing process. For example, the university is trying to make adjustment in its structure and procedures to institutionalize cross-disciplinary activities. The university continues to operate on separate campuses and the centralized management system does not cope with this situation very well. Efforts are still being made to shorten the physical distances between campuses so as to facilitate further resource sharing and human interaction. Moreover many organizational members are still trying hard to deal with the pressures the new vision entails and the university needs to provide them with the help they need. Many expect that the full functioning of new main campus will push the integration to a new level.

### **Leadership in Mergers**

Finally I will discuss an important theme that emerged in the study as critical in pre-merger planning as well as post-merger integration, namely, leadership. Successfully integrating two or more organizations after a merger requires many things, but above all, it requires strong effective leadership. The importance of quality leadership in a transformation effort cannot be over emphasized (Hipps, 1982; Peterson, 1982). In a merger, strategic and organizational fit, it is argued, offer the potential for synergies, but



their realization depends entirely on the ability of leaders to manage the post-acquisition process in an effective manner (Greenwood et al., 1994; Haspeslagh and Jemison, 1991; Shrivastava, 1986). In most studies about mergers and acquisitions the need for good leadership is often taken for granted and has not been well articulated and studied. Sitkin & Pablo (2004) notice that leadership is treated in an almost off-hand way in the literature that seems to reflect the need to acknowledge what is an obviously important factor, while sidestepping the need to address the issue substantively.

Sitkin, et al. (2001) have proposed that there are six essential dimensions to effective leadership in a merger, each of which has a specific effect on followers: personal leadership fosters loyalty; relational leadership engenders a sense of trust and justice; contextual leadership helps to build community; inspirational leadership encourages higher aspirations; supportive leadership forges an internalized sense of self-discipline; and stewardship raises an internalized sense of responsibility. In the final section of this chapter, I will apply this model to the case under study to discuss the role of leadership in this merger.

Personal leadership suggests that the leaders need to convey to organizational members who they are and what they believe. Only when organizational members feel that they know and understand the leaders can they build trust and confidence on them and the change initiatives they lead. In the merger I studied, trust and credibility were first built on the shining qualifications and previous achievement of the leaders. In addition, the chief leaders, namely Party Secretary and President of the new university, both made sure that their vision for the new university was clearly articulated and their values and beliefs were communicated to the university community. For example, Party

Secretary Zhang was known among the employees of the university as being uncompromising on the goal of achieving world class status. President Pan was known for his support for cross disciplinary activities. At the department level, the role of personal leadership was more evident where leaders were more accessible and their decisions, commitment and involvement in integration were more visible to organizational members. Therefore the university was very cautious in the appointment of department heads and deans of schools. Competency for the position was an important consideration when making these appointments. However, qualities like integrity, trustworthiness and personal charisma were also emphasized.

Relational leadership emphasizes the important role of the leaders in forging strong ties with individuals in the organization. It involves building interpersonal connections and a shared sense of understanding. Such a task was extremely difficult in the merger of Zhejiang University because there were about 10000 employees spread across different campuses after the merger. The university's leaders made an explicit effort to build "social connections" by emphasizing the shared history of the four institutions. In addition the leaders also attached much importance to helping employees understand and embrace the purpose of the merger and the vision of the new organization and see their role in it. In other words, the leaders made the employees recognize their common historical heritage and at the same time realize the fact that they were all in the same boat, being tied to the future of the new organization. When faculty and staff felt they had a real relationship with the leaders and the new organization, the sense of connection could help them remain focused on and committed to the new organization.

Contextual leadership involves creating facilitating contextual conditions that

enable organizational members to focus and be effective. Contextual leadership also involves addressing typical merger issues, such as redesigning rules, goals, policies and procedures, providing a coherent structure within which individuals and groups could function effectively. In the merger of Zhejiang University, Party Secretary Zhang Junsheng was described as the “architect” of the new organization’s structure, process, and culture. For example, he was the “master designer” of the vision and mission for the new university, helping to create a new organizational identity that encouraged members to want to be associated with the new venture.

Inspirational leadership focuses on engendering greater aspirations among organizational members by raising expectations and the acceptance of challenges, enthusiasm and confidence. Inspirational leaders articulate persuasively how the seemingly unrealistic and unattainable is, in fact possible and worth pursuing. This study illustrates the crucial role inspirational leadership has played. In demonstrating inspirational leadership, the leaders of the new university articulated what and how the organization’s members should aspire to the greater and attainable goal of achieving world class status, creating the sense that this challenging goal was attainable and the university had the capability and the plan for attaining it. Yet at the same time the leaders were frank about the challenges that the university had to deal with in order to achieve the goal, preparing employees for the pressures necessary for motivating them. The leaders of the university appeared to understand the importance of getting people to believe in their abilities to accomplish things they had previously thought were impossible. For many employees of the four pre-merger institutions, the goal of becoming a world class university might appear unrealistic at the beginning of the merger,

but they became increasingly more confident that they could be part of the venture. For many of them the merger was a real step up which significantly raised their aspirations for themselves and the new university.

Supportive leaders provide the resources and other needs for reaching the new and higher goals of the organization. In the merger of Zhejiang University, the leadership consciously tried to provide elements that would be helpful in making the integration work. For example, in the beginning phase of the merger, the university created liaison offices on each campus whose role was to build connections that helped each side “understand” the others. The many transitional policies (for example, keep salaries and benefits unchanged even if people were demoted or repositioned) helped to maintain stability. Encouraging young employees to pursue higher degrees and providing them with the necessary monetary and policy support also benefited individual employees as well as the university. However, absence of supportive leadership was also evident in some aspects of the integration. For example, promoting cross-disciplinary activities obviously required more leadership support at the university level by providing an institutionalized framework for such activities. Also a system wide effort was needed to help faculty members who used to be predominantly teaching oriented to improve their research profiles.

Finally, leaders need to act as steward of the organization. In this merger Party Secretary Zhang served as such a steward. He was the chief architect of the integration and forged a new vision for the merged organization. He was the chief balancer as well, taking great efforts to maintain balance between change and stability, between central control and departmental autonomy, between speed and efficacy of integration tasks, and

between proper balance among the different elements of the four pre-merger institutions.

Specifically, the following qualities and actions of the leaders in pre-merger planning and post-merger integration in this case supported successful integration (See Table 7.2):

Table 7.2: Leadership in the Merger

<b>Pre-merger Planning and Decision Making</b>	<b>Post-merger Integration</b>
Having a clear vision and the conviction to realize it; Making the case for the change; Securing the buy-in of organizational members to the vision and the need for change; Having clear change objectives; Having a strategy for integration; Having a plan for integration	Keeping everyone focused on the vision/strategic objectives; Sticking to the plan yet allowing adaptation and flexibility along the way ; Focusing on quick integration yet knowing when to be patient and when to move quickly; Acknowledging, absorbing, and attending to the emotions of the employees; Empowering mid-level leaders; Get people involved, especially across the lines of the former organizations Showing respect for the old organizations and their history but stressing commitment to the new organization and its vision;

**LEADERSHIP**

**Personal, relational, contextual, inspirational, supportive, stewardship**

The chief executives had a clear vision of what they wished the merger and the new university to accomplish. That vision was clearly articulated and provided direction that shaped the integration and the new institution. The leaders of the university were able to seize opportunities in the environment as well as within the institutions to build consensus about the feasibility of the merger and to achieve goals that would have been unattainable under the previous circumstances. An overarching strategy and detailed plans were developed to guide the integration process. Conscious efforts were made to

deal with many of the organizational and human issues in the integration process. The informants for this study all agreed that leadership was the key to success in this merger. Of course the leaders of the new Zhejiang University was not without faults and inadequacies. Nor are the discussions above intended to extol them on their achievement. The key message here is that leaders play important roles in every stage of the merger and integration and that proper leadership can make a significant, positive impact. Both researchers and practitioners need to distinguish myths from realities and focus on critical, leverageable merger leadership issues.

### **Summary**

The conceptual model in Figure 7.1 summarizes all the major themes and constructs that are discussed in this chapter. It provides a way to think about post-merger integration in terms of organizational integration and human integration. Merger can be viewed as a strategy for growth or survival driven by changes in external and internal context. These external and organizational factors also affect how the integration will be implemented. A proper integration strategy determines the degree of integration needed to realize the strategic objectives of the merger and sets the pace for integration. The strategic objectives are realized through organizational integration and human integration, all of which affect post-merger performance of the new organization. Based on the integration strategy, organizational integration many involve changes in organizational structure, procedures and policies, and rearrangement of physical assets. Human integration, on the other hand, refers to efforts to increase employees' satisfaction with the merger and the integration process and to enhance their identification with and commitment to the new organization. Organizational integration and human integration

are two distinct but interconnected processes. The progress in one will enhance the progress in the other. Successful organizational integration will result in an integrated institution with its strategic objectives and vision imbedded in its structure, processes, and procedures. Successful human integration will establish a shared identity among members of the organization. When both processes generate satisfactory outcomes, the merger can be viewed as a success. Finally this dissertation has stressed that leadership is an important element in managing mergers. Leadership plays an essential role in both pre-merger planning and post-merger integration.

## CHAPTER EIGHT

### CONCLUSION

In the concluding chapter of this study, I first summarize the findings of this study, following it with a brief discussion about the theoretical and practical contributions of this study. At the end of the chapter I discuss the implications this study has for future research.

#### Summary of Findings

This study focused empirically on one particular form of radical organizational transformation in higher education, namely, institutional merger. It employed a case study strategy to examine how four Chinese higher education institutions were merged into one university. Specifically it examined how organizational integration and human integration were accomplished in this merger and the approaches and strategies that were employed to manage these processes. The study resulted in a conceptual model that provides a framework to analyze integration in higher education context. As a means to summarize this work, the following section summarizes the key findings, focusing on how the findings and emergent model help answer the guiding research questions delineated in Chapter Three of this study.

Research Question 1 (*What were the external and organizational factors that drove the merger?*) addresses why a merger happens. Although different in nature, degree and scale, organizational changes in a higher education institution often happen when the



organization is faced with pressures to adapt to the changing internal and external environment. In the case I studied, a mixed number of external and internal factor interacted to shape the decision to merge the four institutions. I argued that the merger wave in Chinese higher education in the late 1990s was a response to the changes in the social, economic and political environment in which Chinese colleges and universities were embedded. A number of government policy and initiatives encouraged and provided support to the mergers investigated in this case study. In addition a variety of internal factors also played a role in decisions regarding the merger and integration design, and impacted the integration of the new organization. Strong historical connection, a number of organizational characteristics and predicaments the four institutions were faced with prior to the merger, and the effort of powerful and influential internal champions were the major internal factors that drove the merger. Other organizational factors such as the presence of complementary capabilities (strategic fit) and compatible practices (organizational fit) in the four pre-merger institutions also contributed to the merger decision and the integration outcomes.

Research Question 2 (*How were the merger strategy and the integration strategy developed?*) is related to how the new organization is going to be integrated, including decisions concerning the intended degree of integration and the implementation approach. Such a decision is determined by answers to two critical questions, namely, how the leaders of the new organization envision the future of the organization and therefore what is the strategic objective that the merger is intended to achieve? In this study, the strategic objective of the merger was to create a comprehensive research university and the leaders of the merger envisioned the new university to achieve world class status in 20 or so

years. To achieve this objective, a strategy of substantive integration was adopted to guide the post-merger integration. This strategy required a high degree of integration and emphasized speedy implementation. The focus was on fully integrating the four participating organizations into one single organization within a rather short period of time. Of course organizational leaders need to develop an integration strategy that is appropriate to each merger and to understand that the integration process is a unique and complex transaction. The strategy of substantive integration worked in this case not only because the decision was made based on a thorough understanding of the strategic objective of the merger and the vision of the new university, but also because it reflected the lessons the leaders learned from previous mergers in Chinese higher education.

Research Question 3 (*How was organizational integration accomplished in the merger?*) deals with the first important aspect of post-merger integration, that is, organizational integration. Organizational integration involves integrating the organizational structure (structural integration), processes and procedures (procedural integration), and physical assets of the participating institutions (physical integration). These are separate but intertwined processes. Each of the three processes has to deal with three central problems: coordinating activities to achieve the strategic objective of the new organization, controlling individual departmental activities to ensure that they are aligned with the overall organizational goals, and resolving conflicts of interests. In this study the organizational integration process was guided by the substantive integration strategy that emphasized speedy and full integration. It was conducted according to a well structured plan, with proper attention to coordination, control, and conflict resolution in the process. In the process of organizational integration, the university also took special

care to reduce the negative impact of organizational changes on members of the organization, for example, by having transitional policies in place and making economical compensations to those who suffered loss because of the merger.

Research Question 4 (*How was human integration accomplished in the merger?*) focuses on the human side of the merger. Human integration is concerned primarily with managing employees' reactions to the merger, generating their support to and satisfaction with the merger process, and fostering a shared identity among the employees from participating organizations. In this merger, the majority of employees of participating organizations responded negatively toward the decision to merge in the beginning. In addition, the changes brought by the merger also cause pressures and pains on many organizational members. Managing human integration therefore first involved addressing these concerns, especially the negative feelings so that they would not impede the integration process. Another task of human integration was to increase employees' satisfaction with the new organization and cultivate their identification with and commitment to the new organization. The university leaders adopted a number of strategies that were aimed at promoting human integration. To win employees' support to the merger and the integration, they tried to frame the merger as a combination of strengths and a reunion to restore a former prestigious university through purposeful sense-giving. They stressed having the right leaders and exercising democracy in decision making at the department level as the key to successful human integration. In addition a number of "heart-winning" projects were initiated to generate employees' satisfaction with the merger and the new university. Finally an important strategy the university employed to promote human integration was promoting integration through development,

which stressed the benefits the merger brought in terms of professional and career development. These strategies proved to be effective in helping generate satisfaction with the merger, breaking the old organizational boundaries in people's mind and fostering their identification with the new organization.

It should be noted that organizational integration and human integration are two interpenetrating and interrelated processes. Progresses in organizational integration can drive and facilitate human integration, which in turn would further and deepen organizational integration. In a merger, human integration often lags behind organizational integration, but without it the outcomes of organizational integration would be seriously undermined. For a merger to succeed leaders must be able to manage effectively both organizational and human integration.

The last research question, Research Questions 5 (*What were the outcomes of the integration?*) addresses the outcomes of the integration and how they contribute to the success of the merger. Specifically this study proposes to examine how organizational integration and human integration drive the realization of two outcomes: 1) to what extent the new strategic objectives/vision is embedded in the structure, core processes and procedures, and values and norms of the new organization; and 2) to what extent the organizational members feel identified with and are committed to the new organization. In this case, both organizational integration and human integration helped achieve these outcomes. Through effective integration the four participating institutions were combined into one comprehensive university within a rather short period of time, with a new and clear vision (to become a world class research university). The new university's organizational structure, processes, procedures, and policies were all reorganized and

reconstructed to reflect this vision. The faculty and staff of the university in general had gradually come to accept and understand the merger and worked hard to adapt themselves to the changes brought by the merger. They had also come to accept their new institutional affiliation and identity. Their commitment to the new university's mission of becoming a world class university was also evident, as was reflected in their words as well as actions. Of course further integration was still needed and was indeed still going on so as to fulfill the full synergetic potential of the merger.

Finally an important factor that emerged in the study as critical to both pre-merger planning and post-merger integration is leadership. In most studies about mergers and acquisitions the need for good leadership is often taken for granted and has not been well articulated and studied. This study goes one step further than other studies and uses a model developed by Sitkin, et al. (2001) to analyze the role of leadership in this merger. This model proposes that there are six essential dimensions to effective leadership, including personal leadership, relational leadership, contextual leadership, inspirational leadership, supportive leadership, and stewardship. In this merger, the qualities and actions of the leaders along these six dimensions in pre-merger planning and post-merger integration have supported successful integration.

### **Theoretical Contributions**

The findings from this study have important theoretical contributions. In Chapter One and Two I pointed out that merger as a policy issue has attracted a lot of attention from scholars and higher education policy makers in a number of countries. Their works mainly focus on how governments and higher education systems have used merger to restructure higher education. However, merger as a form of organizational change has

largely been neglected by higher education researchers. Very little work has been done to examine how a merger is actually implemented at the organizational level. The little existent research on higher education mergers from the organizational perspective consists mainly of loose and largely experience-based accounts. As a result an encompassing, empirically derived theory that adequately explains this important form of organizational transformation is missing from the higher education literature. In fact, when I reviewed higher education literature on this topic it was very difficult for me to find any work that was built on a clearly articulated conceptual framework and empirically explained the process. My study was therefore conceived as a response to this inadequacy and contributes to the higher education literature in at least two ways.

First, this study strove to empirically investigate an important phenomenon of organizational change and transformation, trying to describe, understand, and explain the change process by carefully attending to its context. It used qualitative rather than quantitative methods, which are often best suited for works that start at the very elemental level of theory building. It was built on an initial conceptual framework which I developed by synthesizing the related higher education literature with concepts and constructs from the business literature. The framework established the theoretical grounding for this study and generated research questions that guided the study. The study enriched the understanding about higher education mergers by providing a reasonable platform for alternative interpretations by recognizing the complexity and embeddedness of merger and integration in higher education.

Second, the findings of this study contribute to the conceptualization of higher education mergers. This study took the first step in building a more systematic model of

the higher education merger process. Based on the findings from this study and previous research, a revised conceptual model was presented in Chapter 7 (see Figure 7.1). The model provides a way to think about and conceptualize higher education mergers. It is a process model that explains how merger as an organizational transformation process happens and how integration is embedded within that process. More specifically it captures important constructs and themes in the process and establishes the relationships among the variables.

The model first proposes to examine higher education mergers in two stages. Although higher education merger is an extremely complex process, at the current stage of theorizing it is probably not all that useful for researchers to elaborate a large number of stages, with each stage having a somewhat different number of sub-stages and sequences. Instead, the concern should be with the major dynamics of merger process, concentrating on stages that all researchers can agree on. Therefore, in this study, I conceptualized the merger as happening in two sequential stages: the pre-merger planning and decision making stage, and the post-merger integration stage. Although the focus of this study was on how the latter stage unfolded and managed, the findings of this study indicated that how this stage evolved was strongly affected by the way the pre-merger planning stage had developed and the decisions made in this earlier stage. A clear understanding of the dynamics and issues in the pre-merger stage is therefore necessary for understanding post-merger integration.

The first issue in the pre-merger planning stage that this study highlighted is to understand the external and internal factors that drive the merger decision. An analysis of these factors not only helps to explain why the participating institutions decide to merge,

but also provides a basis for understanding their implications for the post-merger integration process and its outcomes. The findings of this study also highlighted the importance of developing an appropriate merger strategy and an integration strategy. The merger strategy denotes what the objectives of the merger are and the integration strategy decides how the merging organizations should be integrated to achieve the objectives. In this study, these were critical decisions that affected the process and outcomes of post-merger integration. My research findings indicated that making and implementing a proper and clearly articulated integration strategy contributed to the success of integration. The strategy of “substantive integration” in this case was made with proper research of previous mergers, thorough understanding of participating organizations, and sensibility to employees’ reactions. The findings of this study also suggested it was equally important that the decisions made were effectively communicated to organizational members so as to obtain their buy-in. Their embracing of these decisions greatly facilitated post-merger integration. Post-merger integration in the present case was a difficult and complex process that involved long lists of activities and tasks that had to be fulfilled within a short time. The chances for such a process to succeed would have been slim without being guided by clearly articulated and communicated merger strategy and integration strategy.

In turning to the post-merger integration stage, my model proposed to examine two distinctive yet connected dimensions, namely, organizational integration and human integration. Integration is an extremely complex phenomenon and there are of course different ways to conceptual and analyze it. Although my conceptualization of post-integration as consisting organizational integration and human integration was built



upon previous research done on business mergers and acquisitions (e.g., Waldman, 20004; Birkinshaw, Bresman, & Hakanson, 2000), the findings of this study confirmed that the conceptualization can be applied to higher education mergers as well. A number of things have to be borne in mind in understanding post-merger integration.

First, the way in which the post-merger integration stage develops is strongly affected by the way the pre-merger stage has developed, by what has been communicated as the outcome of that phase (decisions made) and by how that process of communication has been handled (how decisions are made and communicated to the constituents and how they have reacted to the decisions). For example, in this case as important decisions concerning whether to merge or not, the vision and strategic objectives of the merger, and the overall integration strategy were largely made through a top-down process, employees were more likely to react to these decisions in a negative manner than perhaps in other cases where these decisions were made from bottom up or made in a more collegial way. Their responses to these decisions affected their attitude toward the integration and their willingness to participate and cooperate in the process.

Second, integration is an unfolding process and an important research problem is to establish which issues arise in both organizational integration and human integration. This study examined organizational integration along three sub-dimensions, including structural integration, procedural integration, and physical integration, and each of the three processes must deal with three central issues, including how to coordinate the multitude of integration activities, how to maintain control of the process and outcomes, and how to resolve the various conflicts emerging in post-merger integration. However, the degree of integration needed in the three dimensions may vary in different mergers,

and the approaches and amount of attention to the three problems may also differ. For human integration, the important issues identified in this study included dealing with the initial negative reactions toward the merger, mitigating the negative impact of integration on employees, anticipating and responding to employees' resistance toward the integration process, and trying to eliminate old organizational boundaries in the mind of employees and to foster the formation of a shared identity. As integration unfolds, identifying these issues and developing strategies to deal with them are important tasks of managing human integration.

Thirdly, organizational integration and human integration are two conceptually different but interpenetrating and interrelated processes. On one hand, progresses in organizational integration can drive and facilitate human interaction and promote human integration. For example, in this case the university incorporated in the organizational integration process various measures that were aimed to mitigate the negative impact of organizational integration on employees. These measures promoted human integration and increased employee satisfaction with the merger and the new organization. On the other hand, although human integration often lags behind organizational integration, how well human integration is managed affects the process of organizational integration. Effective human integration would greatly facilitate organizational integration, but human problems, if unresolved, could seriously impede and delay the progress. In this case, specific human integration strategies were developed either proactively or as the organizational integration unfolded to deal with various human issues and problems. These strategies proved effective in not only obtaining employees' support for the merger and increasing their satisfaction with the integration and the new organization, but also

facilitating the accomplishment of organizational integration tasks. Therefore, the outcomes of a merger hinge on the accomplishment of both organizational and human integration.

In nearly all aspects theoretical understanding of mergers in higher education is still in its infancy and the observations in this study do not constitute a full-fledged model about higher education mergers. However, in this study I did begin the process of putting a somewhat more formed structure around the process of merger. The results of this in-depth and extensive case study, I believe, confirmed that further research should continue to explore the dynamics of merger activity in higher education. While this study has laid the groundwork for understanding such dynamics, more research is necessary from a managerial and organizational perspective and should be done in different types of organizational settings in order that a fuller understanding of differences in merger processes and the operation of merger dynamics may be obtained.

### **Implications for Practice**

This study has also important practical implications. This study took a case study approach to examine an important phenomenon in Chinese higher education in the last decade. As a case study, it has the promise of producing local wisdom, unique understandings, and perhaps prescriptive implications (Sypher, 1997). The case studied mirrors changes in Chinese higher education and has implications specific to China's unique social, historical, and cultural background. Other Chinese higher education institutions who consider a merger or other organizational transformation initiatives may obtain from this study lessons and insights as to how to approach the change. However, the practical implications of this study go far beyond that.

The findings of this study have important implications from the perspectives of executives associated with higher education mergers. In addressing the issue of high failure rate among mergers and acquisitions in the business sector, a number of authors (e.g. Achtmeyer. & Daniell, 1988) have suggested that the probabilities of success can be significantly improved through systematic planning. My results imply that such planning, in order to be meaningful, should necessarily include deciding on the strategic objectives of the merger and developing an appropriate integration strategy that can guide the integration process. Such decisions should be made based on a careful assessment of the existing external and internal factors. Unfortunately in practice, such analysis is either overlooked or given secondary importance. The desire to complete transactions quickly often leads to incomplete analysis and premature decisions.

Moreover, the findings of this study suggest the importance of active intervention in managing post-merger integration. It is important to have a strictly structured plan to guide organizational integration while allow certain flexibility in the implementation of the plan. Proper attention should be given to coordination, control and conflict resolution in the process. Particularly, the findings of this study highlight the importance of managing human integration in higher education mergers, indicating that it has important impact on post-merger performance. While organizational integration involves the combination of systems, procedures, and rules and the consolidation of physical assets, human integration connects people to the merger and the new organization, helping win their support and commitment to organizational integration and the new organization. This study therefore prompts early thinking on how human integration can be managed once organizational integration unfolds.

Finally, the conceptual model resulted from this study may prove useful for merger practitioners. The findings in this study are interesting and important additions to higher education scholarship as they are empirically justified conclusions. It is safe to state that the approaches and strategies identified worked in this case. Yet they are embedded within the case, and therefore are best understood within the context of the case narrative. Synergetic benefits will not follow a merger automatically. The evidence from my study and numerous other studies indicates the need for explicit efforts toward managing post-merger integration. Recommendations as to what approach works best in another institution are difficult to make because any other merger will take place within different external and internal contexts and will necessarily involve a whole new set of initiatives, inputs, and players. Even so, the theoretical advancement made in this study may prove useful for merger practitioners. The conceptual framework provided here can be used by merger managers to think about the merger process, identify integration needs in their own organizations, and to develop coherent strategies to fulfill those needs.

### **Implications for Future Research**

Merger is a phenomenon worthy of study in its own right given its prevalence and impact on higher education institutions and on the lives of people in these organizations. This and other studies on this topic have shown that merger is an institutional reaction to the changes in the external environment, either because of explicit government policies or changes in the competitive environment of organizations. Institutions of higher education today face many of the challenges and opportunities in response to which universities have merged in the past several decades – for example, the challenge of achieving effectiveness and efficiency; the opportunity to acquire scarce resources; and the

challenge of maintaining quality in the face of insufficient resources. To these new ones will be added as the global political economy and the environment of higher education today evolve. Merger is likely to remain as one of the means by which governments and institutions will use to respond to these changes (Eastman & Lang, 2001). Studies of higher education mergers will therefore continue to have significance.

The findings of this study highlighted the need to go beyond issues of why a merger happens, recognizing that the expansion of ‘two plus two equals five’ does not happen automatically. While in the business literature research attention has primarily been on the potential benefits of mergers and acquisitions, the high failure rate of such transactions is a testimony to the fact that anticipated benefits are not easily realized. Although researchers such as Buono and Bowditch (1989) emphasized the importance of implementation in business mergers and acquisitions, such issues have played a very limited role in the empirical research on mergers. Higher education literature is faced with similar deficiencies. There is, therefore, a compelling case to extend research on merger to an examination of the impact of key organizational and behavioral issues in this process. The paucity of existing research on higher education merger implementation provides excellent opportunities for meaningful future research in the area of organizational change and strategic management.

This study provides some understanding of post-merger integration as a key mechanism in higher education mergers. However, to have a substantial impact on the field, we need a more thorough conceptualization of post-merger integration, along with a rigorously developed operationalization that can be used in diverse organizational settings. Ultimately, the goal should be to develop a thorough enough conceptualization

of integration to aid in the development of a mid-range theory of integration from the organizational perspective. With that in mind, there are a number of ways in which later studies can help expand and solidify the emergent findings of this study and help move the concept of post-merger integration toward achieving those goals.

First, more qualitative-methods based studies need to be conducted to better flesh out the nature of post-merger integration in different organizational settings in higher education. Qualitative-based studies are good at capturing as much detail about integration as possible from those actually experiencing it. By capturing the different integration experiences of higher education organizations faced with different external and internal contexts, a more thorough understanding of the concept can be achieved. For example, studies can be done to investigate mergers that take place in different settings (e.g. in centralized higher education systems vs. centralized systems), or involve different types of institutions (e.g., private vs. public institutions), or of different nature (e.g., voluntary vs. involuntary mergers), or adopt different integration strategies (e.g., full integration vs. relative autonomy). These studies could be either single case studies or multiple case studies that provide a basis for comparing similarities and differences across organizational contexts.

Second, future studies can expand the unit of analysis to sub-organizational level or individual level. The studies at the sub-organizational level can examine the integration experience of units within the organizations, and the studies at the individual level can focus on how individual organizational members experience the integration. At the individual level, for example, studies can be developed to examine how employees experience and cope with identity change in a higher education merge. Cameron and

Ettington's (1988) notion that organizations often possess multiple cultures is surely true of higher education institutions. A focus on smaller units and possible subcultures may provide opportunities for more in-depth descriptions and comparisons. These studies can be either quantitative or qualitative based and can have a broader respondent pool, including faculty, students, staff, and alumni. Particularly, quantitative and qualitative approaches can be used in a complementary way to help develop a more detailed understanding of all the layers of integration within an organization. And different levels of observations can be checked against one another. Contradictions or discrepancies between observations at different levels may be of particular interest as they may suggest assumptions that may really account for what actually happens.

Third, steps need to be taken to begin operationalizing the concept of integration for use in quantitative-based surveys. One of the key components of a rigorous theoretical concept is its ability to help explain other phenomena in wide ranging contexts. By developing a thorough quantitative measure of integration, it will be possible to study the relationship between integration and other key organizational level phenomena in higher education mergers such as effectiveness of formal change, organizational performance, and strategy implementation, as well as individual-level phenomena, such as employee stress, employee satisfaction, and employee commitment. The operationalization of integration can follow the steps laid out by Hinkin (1998) to aid in the process of construct validation, including specification of the construct's domain, developing items that capture the construct, empirically determining whether these items effectively measure the domain, and examining whether the results of the measure are predictable from theoretical hypotheses. A problem with trying to assess highly complex phenomena



like merger and integration is that researchers rarely agree on which are the essential dimensions to measure. This study's findings provide a foundation for this initial measure in regards to the determination of the construct's domain and the initial development of items for the measure. For example, this study proposed to examine three dimensions of organizational integration, namely, structural, procedural, and physical integration. Measures could therefore be developed to assess the quantity (degree of change and interaction) and quality (coordination, control, and conflict resolution) of organizational integration along these three dimensions. This study categorized problems with human integration as including initial opposition toward the merger, negative impact on employees as integration unfolds, employee resistance toward the integration, and the persistence of old organizational boundaries in the minds of employees. Similarly measures could be developed to examine the quantity (extent of these problems) and quality (what actions are taken to deal with these problems) of human integration along these issues.

Finally, as higher education literature is largely silent on the topic of post-merger integration, I borrowed heavily from the business literature in developing the initial framework for this study. This study shows that the potential exists to apply many of the ideas in the management literature to higher education situations from both a practical and theoretical perspective. An interesting area for future research sparked by this study therefore involves comparing similarities and dissimilarities of higher education mergers with transactions in other industries. Insights from this type of studies can further solidify the understanding of integration so that the concept can be better applied to theories.

Higher education mergers are intriguing. The range of questions that can be asked

is broad. Indeed researchers in different disciplines, such as those in administrative science, economics, sociology, anthropology, psychology, linguistics, and ethics might all find the merger context to be a useful setting to conduct their research (Schweiger & Walsh, 1990). For those involved in and concerned about higher education, Eastman and Lang (2001) put forward some fundamental questions that they believe are yet to be answered:

- What outcomes are achievable through mergers in higher education?
- What forces shape these outcomes?
- How can mergers be planned, negotiated, and implemented so as to optimize the prospects for achieving the desired outcomes?

The literature on higher education mergers is not yet sufficiently well developed to provide satisfactory answers to these questions. Evidently more and better studies are needed. I believe that the additional research suggested above will provide the foundation for a theory of post-merger integration that will afford us a new and exciting perspective on some of these challenging questions facing higher education organizations and policy makers today.

It is hoped that this study represents an important step in that direction, prompting future research which will provide a better understanding of the myriad of factors that influence post-merger performance. It is also hoped that this study provide a basis upon which further qualitative and quantitative studies on higher education mergers can be developed, and increase our chance at gaining the theoretical and practical understanding needed around this important organizational phenomenon in higher education.

**APPENDIX**  
**INTERVIEW PROTOCOL**

The following is a list of questions that I intended to pursue when doing the interviews. However, questions asked to each informant varied depending on the position and experience of the informant.

***Personal Background***

1. How long have you been working here?
2. Could you describe your job positions before the merger and after the merger?

***Starting Conditions***

3. Could you briefly describe your impression of the four institutions before the merger?

***Merger Process***

4. Why do you think the four institutions merged?
5. Could you describe how the decision to merge was made?
6. Could you describe what your initial reaction to the merger was?
7. How did your colleagues (or people around you) react to the merger?
8. What aspects of the integration process have been positive and why?
9. What has not gone so well and why?
10. How was conflict handled when it arose? Could you give an example?
11. What strategies were undertaken, if any, to create a positive attitude toward merger?
12. In your opinion, what has the organization done to promote integration?
13. How has the merger affected you and your unit?
14. Have your feelings/attitudes toward the merger changed over time? How about your colleagues (people around you)?

***Outcomes***

15. Would you say the merger a success? Why?

***Conclusion***

16. Is there anything else you would likely to comment on that we may not have covered in this interview? Are there any questions that you wish I would have asked, or that you think I should have asked?

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