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Personnel resistance in public professional service mergers

The merging of two national audit organizations

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Lund, 1 September 2008

Louise

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Chapter 1

Introduction

Why is personnel resistance in mergers and acquisitions (M&A) an interesting area of research? In this chapter, the research problem is discussed, and the purpose of this thesis established.

1.1 Research problem

Mergers and acquisitions (M&A) have become increasingly common in Western economy during the past decades, or even the past century. They are usually large scale operations with great potential, and with a heavy impact on budgets and market positions, not to mention the lives and careers of the personnel concerned. Considerable investments - in time, effort, and money - are made in trying to make them successful.

Despite of this, many M&A fail to render estimated results.[1] This is often used as an argument for researchers and practitioners to present ever "new" explanations and solutions – new within brackets, because these suggestions tend to be rather similar, as will be explained in this chapter. King, Dalton, Daily, and Covin (2004) have isolated four common explanations, and investigated the impact of these variables on post-acquisition performance. None of them significantly proved to correlate with performance. King et al (2004:188) conclude:

[1] There is a debate between finance researchers and economics researchers, where the former group wishes to claim that most M&A are at large successful, while the latter group maintains the opposite (Larsson & Finkelstein, 1999). "Are mergers and acquisitions related to firm performance? That question has been studied for more than 50 years, and we still find no consensus in the research literature.", Larsson and Finkelstein (1999:3) write.

> Our results indicate that post-acquisition performance is moderated by variables unspecified in existing research. […] changes to both M&A theory and research methods may be needed.

Cartwright and Schoenberg (2006), too, argue that there appears to be some methodological bias in M&A research, and they maintain that there is a need for a more holistic view in M&A theory.

Traditionally, three theoretical perspectives have dominated M&A theory, namely strategic management, economics, or finance (Larsson & Finkelstein, 1999). However, it has been increasingly acknowledged that problems that arise following M&A often relate to personnel and their responses to the merger or acquisition. In response to this, and in response to ever new reports on poor M&A performance, numerous M&A researchers (e.g. Salter & Weinhold, 1979; Shrivastava, 1986; Nahavandi & Malekzadeh, 1988; Buono & Bowditch, 1989; Mirvis & Marks, 1992; Cartwright & Cooper, 1993, 1996; Larsson & Lubatkin, 2001) have called out for more research on the human side of M&A. Cartwright and Cooper (1996:2) emphasize that M&A very concretely happen to people in organizations, "rather than to organizations in any abstract sense", adding that:

> Indeed, 'people' are largely ignored or dismissed as being a soft or mushy issue by those who initiate or guide the merger decision. Consequently, people have come to be labelled the 'forgotten or hidden factor' in merger success.

1.1.1 The human side of M&A

The human side of M&A covers aspects relating to the individual in the organization. It is connected mainly to organization theory and human resource management theory (Larsson & Finkelstein, 1999). Jemison and Sitkin (1986) call these reactions "people-related problems". Personnel resistance is often described in terms of communication difficulties, we/they mentality, lack of commitment, lower productivity, organizational power struggles, loss of key personnel, uncertainty, anger, fear, stress, depression, tendencies toward self-preservation (Schweiger, Ivancevic & Power, 1987; Buono & Bowditch, 1989; Haspeslagh & Jemison, 1991; Cartwright & Cooper,

1992; Marks & Mirvis, 1992). The utmost expression of resistance is the choice to leave the organization, say Cartwright and Cooper (1992).

Three aspects are commonly covered in M&A theory, when trying to explain resistance. These are career, communication, and culture, corresponding to individual, interpersonal, and collective levels of analysis (Larsson, 1990). Normally, only one of these aspects has been covered at a time in M&A theory, leaving the field fragmented, Larsson, Driver, Holmqvist, and Sweet (2001) argue, and they maintain that a simultaneous focus on all three levels and aspects may improve our understanding of personnel resistance in M&A.

In M&A theory, resistance is differently explained depending on which of these aspects stands in focus. In research focused on culture (e.g. Walter, 1985; Nahavandi & Malekzadeh, 1988; Larsson & Lubatkin, 2001; Cartwright & Cooper, 1993, 1996; Buono & Bowditch, 1989; Lohrum, 1996), it is often assumed that resistance is caused by cultural differences making personnel resign to stereotypes. In research focused on communication (e.g. Balmer & Dinnie, 1999; Papadakis, 2005; Schweiger & DeNisi, 1991), it is assumed that resistance is caused by too little information from management to personnel. In research focused on career (e.g. Larsson, Driver, Holmqvist, & Sweet, 2001; Cartwright & Cooper, 1995; Hirsch, 1987; Millward & Kyriakidou, 2003), it is often argued that resistance is triggered by poor career management, making personnel feel less secure about their position or future assignments.

Not only is the field fragmented on different levels of analysis, I would argue, but there are also a number of assumptions attached to the concept of resistance, and these are rarely challenged. This will be briefly discussed in the following.

1.1.2 Resistance

Personnel resistance is a common denominator in theory on the human side of M&A. Despite of the central position of the concept[2], however,

[2] The concept of personnel resistance is sometimes replaced with the concept of personnel reactions, and they are commonly used as synonyms. Because the

definitions are rare. According to Jermier et al (1994), there has been a general lacuna in social science regarding to the study of resistance. Larsson (1990:220)[3] suggests personnel resistance to be defined as:

> the opposition of acquired employees against the combination and subsequent integration of the joining firms.

Opposition is at the centre also of my working definition in this thesis. There are, however, some limitations with Larsson's definition, and I will therefore apply an adjusted version in this thesis (see section 3.4).

M&A theory on resistance is generally based on a social psychology perspective, assuming that individual attitudes and psychological mechanisms make employees more or less prone to resist change. Reasons for resistance are sought with the individual employee, in his/her personality and learned (or genetic) behaviour, rather than with external factors. In the Journal of Applied Behavioural Science, Covin et al (1996:134) write:

> Intuitively one would expect that particular personal characteristics might predispose an individual toward favourable or unfavourable merger attitudes.

The nature of resistance has traditionally not been subjected to much debate in M&A theory. Instead, it has almost unanimously been regarded as dysfunctional, even pathological. One reason for this is the strong influence from social psychology. Another reason may be the dominance of the management perspective - a perspective from which resistance is indeed dysfunctional, as it hinders management from implementing decisions. There may, however, be a tendency today to replace the resistance concept and instead use the more value neutral concept personnel reactions. However, assumptions concerning the nature and cause of resistance may yet remain.

An example is provided by Smith (2003), when he describes findings in a study, in that "failed efforts were characterized by people not

---

resistance concept traditionally has been applied in M&A theory, and because this has come to signify opposition (reactions being a broader concept, which also includes positive reactions), it is used henceforth.

[3] This definition is also used by Larsson & Finkelstein (1999).

§understanding the reasons for the change". The main conclusion that he then draws is that communication, interpreted and described rather as information (to personnel), is imperative in the merger process. What if personnel understand these reasons, but do not agree with them? In this quote, as so often in M&A theory, resistance is described as dysfunctional and irrational, and that it could be avoided simply by more information.

Another example is provided by Fulmer and Gilkey (1988:276), when they compare the reactions of resistant employees to those of teenagers in a blended family:

> Indeed, the perspective of a teenager in a blended family does provide some insights into some of the traumas of coping in a merged corporate environment.

Resistance is interpreted as an immature and irrational reaction, again dysfunctional in its nature. Fulmer and Gilkey argue that reactions "consistently involved five themes": (1) Anxiety and uncertainty, (2) Helplessness and rejection, (3) Divided loyalties, (4) Withdrawal and avoidance, and (5) Conflicts over new values. The list constitutes a mix of expressions of resistance and suggestions as regards underpinnings of resistance. Sinetar (1981[4]) is another example.

From a management perspective, a reason why resistance is seen as dysfunctional may be that it hinders management from successfully implementing decisions, and thereby (at least in the short term) achieving objectives such as efficiency and profit. This position is also supported by theory. There is "considerable support for the idea that employee resistance […] is associated negatively with M&A performance", Larsson and Finkelstein (1999:6f) have found. They conclude that it is difficult to realize synergies under circumstances of high employee resistance. However, the actual problem hindering synergy realization may just as well be the same reasons as those causing personnel to make resistance. As an example, a poorly managed merger process is likely to result in considerable personnel resistance, but in this case, resistance is rather a symptom than the fundamental problem.

[4] Sinetar (1981) summarizes personnel reactions as (1) increased dysfunctioning, (2) increased anxiety-disturbed operations, and (3) an increase in depression/decreased productivity.

If this is the case, resistance may rather be functional to the organization, because it can point at areas where improvement is necessary in order to secure synergy realization. Symptoms and problems must not be confused.

As an example, stress reactions may be a result rather of another, more fundamental problem, than of the change in itself. Stress may very even be a triggered by a management reluctance to recognize the actual content of resistance. I maintain that it may that way that resistance has been theoretically framed in M&A theory is problematic.

It must be said, that on individual level, the stress that usually follows from M&A (see e.g. Buono & Bowditch, 1989) is without usually dysfunctional. According to a study by Cartwright and Cooper (Panchal & Cartwright, 2001), many of those managers who had stayed throughout the merger process, showed greater stress symptoms afterwards than those among psycho-neurotic patients in a mental institution. The authors argue that, given this, the decision to leave can be considered wise, from the individual employee's point of view.

By defining resistance as a matter of opposition, focus is directed away from the classic explanations in social psychology, to the actual content of resistance. Thus expressions of resistance, such as theft and sabotage (Tucker, 1993), can be separated from the line of reasoning which causes these measures. Resistance is often waved aside as an irrational reaction. By looking at the content of resistance, we do not exclude the possibility that personnel, based on a rational line of thought, for example react on management decisions which they do not support. What do personnel actually resist?

Just like organization theory in general (Martin, 1992), M&A theory has been dominated by a management perspective (Lohrum, 1996). "Existing studies on employee reactions have mostly focused on the managerial point of view", Lohrum (1996:4) writes. This I find somewhat surprising, given the fact that what we try to understand is personnel reactions. The personnel perspective ought to be of special importance when studying the human side of M&A. Furthermore, as Golembiewski (1965) notes, the increased attention to human aspects of M&A is necessary not only for reasons of efficiency, but also for moral reasons.

To conclude, I maintain that differing between problem and symptom, or content and expression of resistance, is important, when attempting to understand how and why resistance arises in M&A.

This should be especially important in a context where personnel is not very familiar with such rather drastic measures as sabotage and theft, in a context where personnel rather voice their opposition and hope for dialogue. Professional services is such a sector. Context is an aspect that often has been neglected in M&A theory (Greenwood, Hinings, & Brown, 1994). "Theories of mergers should be sensitive to the context and setting of merger activity", Greenwood et al (1994:239) conclude in a study. Partly due to this lack of sensitivity, public professional service mergers have been largely neglected in M&A theory. When aiming to understand personnel resistance in M&A it can, however, be found of special interest. In the next section, I shall explain why.

1.1.3 Mergers of public professional service organizations

There are a number of reasons why the lack of attention to mergers of public professional service organizations in M&A theory is problematic.

First, M&A theory fails to mirror that public professional service mergers are rather common phenomena in the world economy (Strandgaard Pedersen, 1998, regarding to the public sector; Löwendahl, 1997, regarding to professional services). Ferlie (2002:279) refers to "increasing evidence of widespread and profound restructuring within many current public sectors", partly following the rise of New Public Management. According to a survey in 2003 (Dagens Industri, 2 Apr 2003, with reference to a study by The Swedish Statistical Bureau, SCB), more people have employment in the public sector than in the private sector in Sweden. In the Western economy, the public sector is often rather large. Despite of this, M&A studies generally cover a traditional private sector manufacturing context. Figure 1 illustrates this. Public sector organizations occupied with manufacturing are rare, making the upper left box less relevant. Most public organizations are occupied with providing services.

	Public sector	Private sector
Manufacturing context	(Rare context)	Traditional research focus
Professional services context	Very limited research	Limited, but somewhat increasing, research

Figure 1. M&A research in four contexts. The context of special interest for this thesis is public professional services (bottom left square).

Instead of studying professional service organizations, it has been assumed in M&A theory (Empson, 2004), as well as in the whole area of Business Administration theory (Gummesson, 1978; Bowen, 1986; Jungerhem, 1992; Empson, 2000), that conclusions from a manufacturing environment are valid for any context. As regards the boundary between the private and public sectors, the former has been the norm in a similar fashion (Perry & Rainey, 1988). As Kelman (2005:967) writes:

> Much of the pioneering work in organization theory was written about public organizations […] Yet, as the field of organization studies has grown enormously over the last decades, the attention the field pays to public organizations and public policy problems has withered. This despite of the fact that the public sector, as a percentage of GNP, is much larger now than it was when these classics were written.

Second, potential methodological benefits from studying the public sector go lost with this traditional focus. Because of legislation forcing extensive access for citizens to documentation, public sector mergers allow greater access than many private ones. This is especially the case in Sweden, where legislation (Swedish: offentlighetsprincipen) is far-reaching in this matter. In the public sector, the merger is also a result of political decisions, so it will be known a rather long time in advance, allowing early access for real-time studies. Difficulties gaining access for longitudinal real-time studies of the merger process should therefore be easier to overcome when choosing to study a public merger context,

than in the private sector M&As. In the private sector the first part of the merger process is normally characterized by secrecy (Cartwright & Cooper, 1996; Marks & Mirvis, 2001).

Third, it is commonly assumed in M&A theory that mergers and acquisitions function in the same way. Therefore, the bias towards acquisitions has not gained much attention. (Greenwood, Hinings, & Brown, 1994) However, in mergers, and especially those in a public professional service context, it is more common that personnel in the two merging organizations expect to gain equal influence in the merger process. This cannot be expected in an acquisition. When personnel resistance between personnel in the two organizations is studied, this balance of influence may have some importance. In the public sector, mergers are more common than acquisitions, although it does happen that public companies are put up for sale on the market.

Fourth, some scholars (e.g. Hitt, 2005; Kelman, 2005; Pettigrew, 2005) claim that management researchers for moral reasons are compound to contribute to the development of the public sector with their expertise.

Fifth, loyalties differ between private and public organizations. Loyalty is closely related to resistance. While resistance has traditionally been seen as disloyal, Hirschman (1970) argues the opposite, claiming that voice is more loyal than exit, because it shows that the individual still cares. In public organizations, employees are requested not only to be loyal to their managers, but also to politicians and citizens (Lundquist, 1991). The aim is mainly to provide a society service, not to generate profit. M&A theory does not provide much guidance as regarded whether, or how, these loyalties affect resistance.

Sixth, resistance in professional service mergers is likely to have effects on production rather soon. The employee holds the relationship with the customer (Maister, 1993), and the services that are provided are perishable (Mills & Margulies, 1980). In professional service organizations, the employee is often hard to replace, making the organization vulnerable to the loss of personnel – and such exits are a common problem in M&A (Empson, 2000; Löwendahl, 1997), especially regarding to managers (Hambrick & Cannella, 1993). Indeed, many senior managers leave after a merger or acquisition, often

already after the announcement of the merger decision (Walsh 1988; Walter, 1985; Hambrick & Cannella, 1993). In M&A, it is more important than ever to have skilled managers (Gaertner, 1986), so this is unfortunate for the organization. A key challenge in private professional services M&A, is to succeed in convincing personnel to share their knowledge and relationships, despite of insecurity and worries, Empson (2000) says. The power balance between management and personnel is rather levelled out in these organizations (Mintzberg, 1993; Sharma, 1997). For these reasons, resistance may affect performance rather quickly, making cause and effect relationships easier to identify. On the other hand, the quality of products is not as easily measured as in a manufacturing context.

1.1.4 Research problem

To sum up, issues relating to the human side of M&A have come into focus during the past decades of M&A research. A common denominator in this field of theory is personnel resistance. Despite of decades of research, no consensus has yet been reached on the underpinnings of resistance in M&A. King et al (2004) and Cartwright and Schoenberg (2006) argue that there appears to be some methodological shortcomings that hinder M&A research from establishing why M&A often fail to perform. They call out for more longitudinal studies of M&A, arguing that we need to adopt a more holistic view of the merger process. A context of interest, in this regard, has been identified in this introduction, namely mergers of public professional service organizations.

The overall research problem of this thesis is: *What issues cloud our understanding of personnel resistance in public professional service mergers, and how can we dissipate these?*

1.2 Three dimensions of resistance

Apart from the three levels of analysis (with culture, communication, and career, as key aspects), I have chosen to follow the distinctions in

Pettigrew's (1988) classical model, in my analysis. It separates between three dimensions: Content, context, and process. See Figure 2.

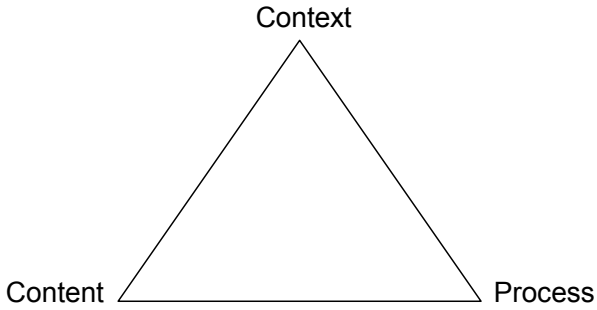


Figure 2. Three dimensions of strategic change (Pettigrew, 1988).

The content dimension corresponds to the question what. The context dimension corresponds to the question where. The process dimension corresponds to the question how. Pettigrew (1988) argues that theory is often fragmented between these dimensions, and that it would benefit from studies where they all are covered simultaneously. With regard to personnel resistance in M&A, there are still a number of crucial issues that remain to be approached in all these dimensions. In the next three sections, the relevance of the content, process, and context dimensions of personnel resistance in M&A is summarized.

1.2.1 The content of personnel resistance

Focusing on the content of personnel resistance helps us adopt a personnel perspective. The content of personnel's opposition, or objections, indicates what personnel perceive to be wrong. What do personnel resist, more specifically? For example, they can primarily resist the merger as a strategic choice, or they can resist the way that the merger process is managed.

Resistance has traditionally been described and even (implicitly) defined in terms of its expressions, for example active sabotage, theft, or passive obstruction (see, for example, Tucker, 1993). This does not help us understand much how personnel reason and argue.

Furthermore, the extent to which personnel openly express resistance may be a result of, for example, organizational processes to reward alignment and discredit those in opposition. The content dimension has the potential to provide us with these important insights, which generally have been neglected.

Studying the content of resistance also provides us with opportunities to discuss whether or not resistance should be understood as dysfunctional or functional, and rational or irrational. These assumptions are rarely subjected to discussion in M&A theory.

1.2.2 The process of personnel resistance

It has often been assumed that there is a causal relationship between on the one hand attitudinal problems and behavioural reactions, such as change related to anxiety and stress, and on the other hand personnel resistance. As I have explained, anxiety and stress may however rather be symptoms of another underlying problem. The actual process underlying resistance is seldom investigated very thoroughly. One reason for this may be that more attention has been directed to expressions of resistance, than to the actual content of resistance. Another reason may be limitations in empirical method, as I will explain in the following.

The merger process, in which personnel resistance occurs, is seldom studied with a longitudinal approach (Cartwright & Schoenberg, 2006), allowing an in-depth understanding of this process dimension. Instead, a very limited time frame is captured. Furthermore, although much human side M&A research is case-based, these studies usually start after the merger has been implemented. Either these studies only cover this integration phase, or researchers try to reconstruct the pre-merger phase afterwards. Re-constructing events is a method fraught with risks, but it is often hard to gain early access. (Cartwright & Schoenberg, 2006.) When a merger decision is announced in the private sector, it is normally both preceded and followed by much more closed and secretive phases (Cartwright & Cooper, 1996; Marks & Mirvis, 2001). Rather rapidly the new organization is put in place and the merger implemented. These methodological problems in M&A research are unfortunate, because, as Marks and Mirvis (2001) and

Cartwright and Schoenberg (2006) have found, the events and atmosphere in the pre-merger phase are important in order to understand also resistance in later phases.

One way to improve opportunities to gain access in order to study the process of resistance in a longitudinal real-time approach is to focus on public sector mergers. Looking at a public sector context is also interesting because it provides us with an opportunity to highlight factors that separate these mergers out from mergers in the private sector, and to reflect on how differences may influence conclusions.

Understanding causal chains demand paying attention to the time aspect. With a broad approach and a longitudinal real-time method including the pre-merger phase, we should be able to avoid some of the most common methodological limitations in M&A theory, as concerns the process of resistance.

1.2.3 The context of personnel resistance

In professional service organizations, with highly skilled employees, personnel often expect to influence management decisions, including those concerning strategy (Mintzberg, 1993). This type of organization is becoming increasingly common in the economy. Yet, it is under-represented in M&A theory. Instead of redirecting the contextual focus, it has been assumed that conclusions based on mergers in a manufacturing context are valid for any context. The same line of thought has characterized the boundary between public sector mergers and private sector mergers. Although public sector mergers are rather common in the economy (Ferlie, 2002:279)[5], few merger studies are conducted in this context. Public professional service organizations are often equal to the public administration, which constitutes a large part of the public sector.

[5] Numerous mergers have been made in the public administration in Sweden only during the past 5 years. Some examples are the Swedish tax authority, the social security authority, roads and railway, the legal court system.

In section 1.1.3, a number of factors are listed – factors that make the lack of attention to this specific context in M&A theory potentially problematic.

With this introduction, let me introduce the purpose of this thesis.

1.3 Purpose

The purpose of this thesis is *to understand the content, process, and context of personnel resistance in public professional service mergers, using a broad, integrative approach.*

This will be done based primarily on a personnel perspective. The ambition is to conduct a longitudinal case study in real time. With an initial focus on collective, interpersonal, and individual levels of analysis, interpreted mainly as culture, communication, and career (as suggested by Larsson, 1990, and Larsson et al, 2001), I aim to understand how these perspectives influence findings, and what factors may integrate them.

1.4 Demarcations

The main theoretical field of this thesis is M&A theory. A human side perspective is applied, encompassing both HRM (Human Resource Management) aspects and organization theory.

Change management theory is only briefly introduced, and the same applies for strategy theory and political science. A broad approach is already adopted in this thesis, and including these fields more fully – although it would be interesting – would not be possible within the time/resource limitations of the project. This should not be understood as a contribution to the debate on the audit of public institutions.[6] I do not evaluate whether the merger process is efficient or not, nor do I

[6] The organization and leadership of public institutions do, however, also have political dimensions, as emphasized in the book "States as organizations", in Swedish "Stater som organisationer", by Ahrne et al (1998).

review different performance measures (other than resistance, to the extent that the reader would like to interpret this as a performance measure).

I have argued in this introduction, that a large part of M&A theory on resistance rests upon social psychology. Hence, resistance has come to be understood primarily as a psychological behaviour, or an attitude. By looking at the actual content of resistance (opposition), I wish to take a step away from social psychology. Therefore, I will only apply this field of theory only to a very limited extent.[7]

The ambition in this thesis has been to provide an in-depth understanding of personnel's line of reasoning. In doing this, I adopt primarily a personnel perspective, although experience from management and other groups is also included.

1.5 Outline

After this initial introduction, a section on method follows in Chapter 2.

The theoretical introduction in Chapter 3 has intentionally been kept rather brief. The aim is to give a concise overview over, and introduction to, relevant theory. Additional theory is introduced in the analysis in Chapter 6. This structure has the advantage of making the text more available to the reader, who does not have to go through lengthy descriptions of theory that may already be well-known to him or her.

In Chapter 4, a résumé of the case study merger is presented.

In Chapter 5, the empirical data is structured and analyzed according to the three levels of analysis: Collective level, interpersonal level, and individual level, understood primarily as culture, communication, and career. This serves as an initial analysis, to understand which aspects

[7] I do not, however, deny that attitudes and psychological behaviours may influence resistance.

bridge findings on the three levels, and also to understand how different perspectives influence what we see.

Analysis continues in Chapter 6, where theory is again addressed. This chapter is focused on the content, process, and context of resistance. A number of conclusions are made.

Finally, there is a summary of conclusions in Chapter 7. The theoretical contribution is discussed, and it is suggested that policy level may need to be included in the analysis of personnel resistance. Some practical implications of findings are indicated, and a number of themes for future research are suggested.

Chapter 2

Method

A longitudinal case study approach has been adopted in this research project, and a number of different techniques have been combined. In this chapter I explain why, and discuss my choices as concerns method.

2.1 Methodology

I adopt a rather functionalist methodological approach in this thesis. At the same time, I am aware that different individuals will perceive reality in different ways, and that there is no such thing as objective reality when it comes to personal experience. By combining narratives with formal documents, however, I triangulate data, in order to make sure that I reproduce a well grounded picture. With a well grounded picture, I mean a picture corresponding to the experience shared by many. In the empirical description, my aim has been to capture this experience. I ask the reader to note that individuals can perceive reality very differently. Not all will agree with every part of the empirical description, and there will always be more aspects that could have been covered. Finally, although I adopt primarily a personnel perspective, interviews have also been made with managers and Auditor-Generals, to put personnel's experience into a broader perspective.

2.2 Theoretical perspective

This thesis is presented within the field of business administration, and in particular within the field of M&A theory.

Several different perspectives can be applied in M&A theory. Larsson and Finkelstein (1999) distinguish between strategy, economics, finance, organization theory and human resource management theory. Traditionally, the first three areas have dominated M&A research, but from the end of the 20th century, there has been a gradual increase in the emphasis on organization theory and human resource management theory. It is also mainly within these two perspectives that personnel resistance is currently discussed (Larsson & Finkelstein, 1999).

As regards theoretical influence in M&A theory, it is also possible to distinguish between the area of strategic change and the area of organizational change, although the dividing line between these is ambiguous (Larsson et al, 1993). I am primarily occupied with the latter.

In accordance with recommendations by Larsson, Driver, Holmqvist and Sweet (2001), culture, communication, career aspects - corresponding to collective, interpersonal, and individual levels of analysis - are studied simultaneously. My introduction to M&A theory is separated into these three themes, and in an initial step, empirical data is also analyzed based on this categorization. General theory on these themes is, however, not discussed, as it would make the purpose of this thesis too broad to be handled within the given time period. Human Resource Management theory covers mainly career aspects, but also part of the communication aspects. Organization theory covers the other part of communication aspects, but also (and primarily) culture aspects. (Larsson & Finkelstein, 1999.)

Business administration, and not least organization theory, has a tradition of borrowing theory from other research fields and disciplines (Ahrne, 1998), and this thesis is no exception in that sense. In the theoretical introduction in section 3.2, theory on resistance in labour process theory and change management theory, is briefly introduced. To a limited extent, I have also included theory from political science.

Finally, although primarily a personnel perspective is adopted, management perspectives are also included. Theory on resistance is already biased towards a management perspective (Lohrum, 1996), and this way I hope to be able to provide an alternative picture, where the actual content of personnel resistance is highlighted. At the same time,

resistance occurs in the relation between two parties, and therefore, the line of reasoning of the opposite party will also need to be understood. To some extent, personnel and management perspective need to be combined. This is especially the case when attempting to understand also the *process* of resistance.

2.3 The case study method

Two choices concerning method are discussed in this section: First, the choice of case study versus survey, and second, the number of cases.

The research method chosen in this thesis is the single case study method. A central reason is the wish to achieve an in-depth understanding of how the merger process unfolds. An in-depth understanding of a process requires close observations of how individuals and groups reason, act, and react (Hamel et al, 1993; Yin, 2003). Yin (2003:2) writes:

> the distinctive need for case studies arises out of the desire to understand complex social phenomena. In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events.

According to Napier (1989), more case studies are needed in M&A theory.

Another reason was the wish to adopt a longitudinal perspective. Opinions on when it is time to close the merger process and analyze its outcome differ, but it can rarely be evaluated before two years have passed after the merger (Cartwright & Schoenberg, 2006). Preferably, the pre-merger phase should also be included. Collecting empirical data during such a long time period in one merger, will be challenging enough for a research project – collecting this data for several mergers would require a second thesis. The survey method would have allowed more superficial snapshots of many observations, but not a fully-fledged process perspective.

As concerns the number of cases, there are advantages with both single case studies and with studying several cases. By studying several cases, I

would be able to compare findings, and evaluate to what extent conclusions have a more general validity. By studying a single case, I would be able to go deeper into events, and have a more thorough understanding of the full merger process. The research problem and purpose of this thesis indicated that a longitudinal in-depth approach would be more useful, than an approach where several cases (e.g. 3-10) were analyzed. This made the choice between one or two cases, the most difficult one to make. I initially considered a second case, to be able to compare findings, but the research process increasingly showed that my first case was so complex and ranged over such a long time period, that a second fully comparable case study would not be possible to conduct within the scope of this research project.

I initially also considered a complementary case survey, in order to be able to compare many cases. Since such a survey would require a lot of extra work, however, it would most probably be necessary with a second thesis (cf Larsson's two case survey and case study dissertations 1989 and 1990). Instead, I hope to be able to conduct more case studies in my future research, in order to compare findings from this one.

2.4 Case selection

Following the research problem (Chapter 1), three criteria could soon be established for the case selection. The merger should:

- take place between public professional service organizations;
- allow a longitudinal approach, with extensive access starting already in the early pre-merger phase;
- preferably start with preparations in 2002. (There are limitations to the amount of time that can be spent on writing a thesis in Sweden and I wished to cover a “full” merger process within this time period).

All these criteria were met by the RRV/PA merger. Preparations for this merger started only a few months after the work with this thesis had

been commenced. Contact had already been established by professor Rikard Larsson, who could introduce me to key people in the merger.

The RRV/PA merger took place in a context of national audit. This made the case somewhat extra interesting. I shall explain why.

Organizations are rarely overtly appointed role models in society, but in general, public authorities are often expected to act as such. This is especially valid for one authority in a country, namely the national supreme audit institution. This authority is assigned to audit other authorities and comment on how they are managed - if they meet their assignments and if this is done efficiently or not. Although they have this very important task, there is no institution that audits the supreme audit institution to the same extent as other authorities can be audited by them.

It is rare to have the opportunity to study a merger of supreme audit institutions, since normally there would only be one such institution in a modern democracy. In Sweden, however, there were two, until year 2003, when they were merged in order to adhere to international standards.

As I have explained, an interesting factor in the context of highly qualified professionals, is personnel's expectations as concerns autonomy and influence in management decisions (Mintzberg, 1993). In national performance audit, personnel are to some degree experts in the same field as their managers, namely management. Almost all auditors have an academic degree, and some also hold a Ph D.

All these factors made the RRV/PA merger very interesting.

I also considered a private sector merger, between a Swedish and a Finnish telecom company, and the merger of two Swedish IT companies. I did try to establish contact with them, to be able to see what level of access could be allowed, but it very soon became evident that access would be very limited. In the RRV/PA merger, the case was different and key actors in and around Parliament and at the two merging organizations welcomed a research project concerning the merger.

At the same time, I was aware that a consequence of my choice of case, could be that the findings from my study could be seen as difficult to generalize, given the special character and (national) uniqueness of a national audit authority.

Contact was established, with the help of professor Rikard Larsson, with the Directors-General at RRV and PA, and they approved access. The research project was also approved by the Secretary-General of Parliament, Anders Forsberg. As the merger had been implemented, it was also approved by the three Auditor Generals. I was allowed free access to choose what personnel to interview and to conduct these interviews.

The merger was a unique event in Swedish political history. Since 1809, the Swedish Parliament had not set up a new authority. Isberg (2003:247) called the merger

> the largest and for reasons of principle most important change in the power of control that has been done to the 1974 constitution.

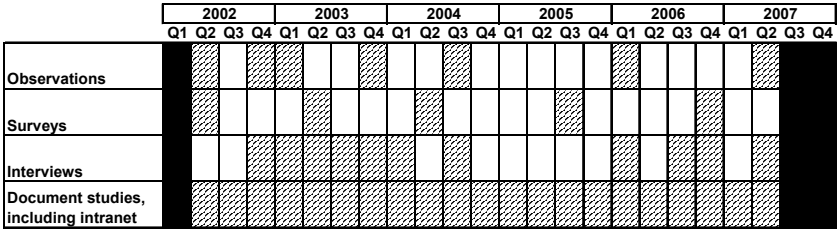
Documenting and analyzing the process was therefore also a matter of interest for the whole of society, the Secretary-General of Parliament argued. However, there were also those who warned me, and explained that criticizing a national audit authority could be very costly for me personally. A Swedish researcher, whose results had not been appreciated by RRV, had experience from this. It was not until some time into the case study that I realized how controversial my observations and findings could be, and this was especially the case before the RiR management had recognized the extent of personnel resistance. As time has went by, it has become increasingly clear to most parties, that RiR has been – and still is – burdened by a number of issues, and I have reasoned that my results therefore should not be as controversial any more. Furthermore, I have tried to support my empirical description with formal documentation, and be careful in my writings, at the same time as I try not to leave anything important out.

2.5 Data collection techniques

In case studies, a number of techniques are often combined (Eisenhardt, 1989; Hamel et al, 1993). This can be called triangulation. The aim of triangulation is to increase the width and variation of empirical data (Easterby-Smith et al., 1991; Denzin & Lincoln, 2000). Easterby-Smith et al. (1991) differentiate between triangulation of theory areas, triangulation of techniques and methods, triangulation of data (collected at different points in time and from different sources), and finally triangulation of researchers. The first three of these, are applied in this case study. In this section, each of the techniques adopted is described and discussed.

The techniques used in this case study are observations, a survey, interviews and document studies. The initial intention was to conduct several surveys, but as the organizations themselves had performed several very extensive surveys, this was no longer found useful. In total, 92 interviews have been conducted. This is already a considerable amount of material to go through. The use of different techniques at different points in time in the merger process, is marked in Table 1. As the table shows, efforts to collect empirical material were especially concentrated around the time of the merger (1 July 2003). This was a period of intensive merger preparations, integration effort and re-building activities.

Table 1. Data collection techniques applied (patterned boxes) at different points in time in the merger process. Each year is divided into four quarters, for reasons of simplicity.



In the following, each of the four data collection techniques is described in more detail.

2.5.1 Interviews

Interviews were open and semi-structured. With an interpretive research approach it is common that interviews are unstructured, in order to allow the interviewee to openly describe how he or she experiences a situation (Silverman, 1993.)

The first question in each interview, was normally: "How do you experience the current situation at PA/RRV/RiR?". The aim with this question, was to let interviewees explain in their own words what issues were on the agenda currently, while attempting not to influence their responses. Interviewees were asked how they felt about each of the three aspects: career, communication, and culture, at the current stage of the merger process – and sometimes also about these aspects in previous stages of the process, to provide perspective. Other questions were asked too, as interviews were of an open character. One of these concerned future expectations.

In connection to culture, leadership was mentioned, in accordance with Schein's (1985) argument that these are closely intertwined. Communication was divided into two parts: Information and feedback/influence. This aimed to avoid the lack of attention to the latter dimension in the M&A theory concerning communication.

Apart from this, issues of formal organization were discussed, and so was the relationship between RRV and PA. As conflicts started to arise between management and personnel, this aspect was added to the interview guide. Finally, contextual factors were discussed, in order to understand the impact of the specific context of the merger on events and resistance in the merger process. To sum up, seven areas were covered in most interviews:

- Organization
- Culture and leadership
- Information and influence (communication)
- Employment and career
- Relationship RRV/PA
- Relationship management/personnel
- Context

Most interviews lasted for 1-2 hours. If they were short or spontaneous, they were normally categorized as conversations, and not included in the list of interviews. A number of (usually informal, sometimes spontaneous) conversations took place, sometimes over the phone, but more commonly during my presence at seminars or information meetings.

Most interviews were conducted at RRV/PA/RiR, but some took place over the phone or at other venues. Generally, they were recorded on minidiscs. On some occasions, the recorder did not capture the interview and notes were too fragmented, and then the interview was erased from the reference list. Some employees were interviewed a number of times, to see changes in attitudes over time. In total, 92 interviews were conducted.

Some information on how (and why) interviews were spread over time and regarding to sex, profession/position, and organization, is provided in the following.

Phases. In the pre-merger phase, 31 interviews were conducted, and in the post-merger phase, 61 interviews were conducted. Moreover, a longer period of the post-merger phase than the pre-merger phase, was covered.

Sex. In total, 52 women and 40 men were interviewed. A reason for the higher portion of women is that many of the key people in the merger process were female.

Profession/position. In total, 41 interviews with performance auditors (Swedish: Utredare inom effektivitetsrevision) were conducted, 2 interviews with other non-managerial employees, 10 interviews with managers within performance audit (most of these in charge of a department), 20 interviews with other (middle) managers, 15 interviews with management (Director-General, Auditor-General or member of NAC)[8], and 4 interviews with external parties. These

[8] There was no time to interview the three Auditors-Generals during the pre-merger phase, unfortunately. From 10 Dec. 2002, they were busy terminating their previous assignments (employments). After they had taken on their duties at full time, from April 2003, the most hectic period in the merger process followed and there was little time for interviews. However, they have been

external parties were a former NAC (the National Audit Committee) member, a (central) union representative, a representative at ESV (following an event in the merger process, of which this organization was a part), and the Secretary-General of Parliament.

Organization. In total, 41 employees from RRV have been interviewed, and 26 employees from PA. The remaining 25 people either worked at RiR and had a background external to RRV and PA, or were positioned at another organization at the time of interview.

A reason why more interviews were conducted with RRV personnel than with PA personnel was that RRV was a much larger organization. Relative to size, more PA employees were interviewed, but given the initial intention by NAC/Parliament to allow PA and RRV equal influence in the merger process, for political reasons, this relative number was not of great importance. The aim was to allow employees at both RRV and PA to share their opinions and reflections on the merger process in these interviews, in order to understand their perspectives.

Many interviewees have been anxious that management would find out what they had said, and emphasized the importance of anonymity. Code names were therefore assigned to all interviewees. However, in cases where the positions of these people has been central, I have not been able to offer full anonymity despite of these code names (code names for these people can rather easily be decoded, based on the central position that they held in the process).

As a way to secure anonymity, some statements have been included in a more general description, without reference to the specific interviewee. Because the department managers, especially those at PA, were rather few, these will sometimes be called auditors in Chapter 4, again out of respect for anonymity requests.

When describing the purpose of the study in interviews, I have usually talked about the three aspects of culture, communication, and career, rather than resistance. A reason for this was that I wanted to widen

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interviewed a number of times during the post-merger phase, and merger preparations have also been discussed on these occasions.

perspectives, and motivate interviewees to move freely between those areas they themselves considered relevant.

2.5.2 Observation

I have participated as an observer on the following occasions.

- Seminar days/kick-off for merger preparations, 15-16 May 2002, with RRV and PA
- Seminar day, 24 October 2002, with RRV and PA
- Full day meeting with the NAC, 4 December 2002
- Seminar day, 10 December 2002, with RRV and PA
- Weekly personnel meeting at PA, 17 January 2003
- Information meeting, 10 February 2003, with RRV and PA
- Information meeting, 7 March 2003, with RRV and PA
- Information meeting/kick-off for RiR, 9 October 2003
- Information meeting, 27 September 2004, with RiR
- Information meeting (Swedish: dialogdag), 19 January 2006, with RiR
- Information meeting (Swedish: myndighetsdag) 19 April 2007, with RiR

These observations have provided excellent opportunities to observe events, management communication, and reactions during the merger process. On these occasions, many short informal conversations were also held. On the first two occasions, I was formally presented at the seminars, and personnel soon became accustomed to seeing me at the offices from time to time.

2.5.3 Employee surveys

The results from four employee surveys have been used, to a varying extent, in this thesis:

- Employee survey at PA and RRV, 15 May 2002 (an in-house survey)
- Employee survey at PA and RRV, 24 April – 31 May 2003 (my survey)
- Employee survey at RiR, 17 May – 4 June 2004 (a SIFO survey)
- Employee survey at RiR, 16 November – 1 December 2005 (an SCB survey)

The initial intention was to conduct 2-3 own surveys within the scope of this research case study. However, as RiR decided that extensive employee surveys would be conducted by large and respected statistical bureaus (using scientific methods), covering more or less the same aspects, this appeared superfluous.

The first survey was carried out by RRV and PA themselves, during the merger preparations kick-off. This was not conducted according to scientific standards. Still, some of the results may be of interest – especially since it measured attitudes at the very beginning of the merger process. Bonnie, the Information Director at RRV, posed the questions from a podium, and all the participants were asked to respond using "mentometers" (hand-held device for voting). Some questions were mostly fun, other had a more serious tone. Often response alternatives were not mutually excluding. All the personnel at RRV and PA had been asked to participate in this kick-off, and in the survey.

The second survey was conducted as part of this case study. I distributed a questionnaire at RRV and PA on April 24, 2003. The purpose was mainly exploratory. The interviews were conducted from December, 2002, but since the merger was to be effectuated on July 1, 2003, there was limited time available to get an overview of events, issues and attitudes in the pre-merger phase, hence the survey. The

questionnaire covered the same themes as the interviews, focusing especially on culture, communication, and career aspects. There were open questions, as well as questions with a 7-point scale (see questionnaire to RRV in appendix 1).

In the spring of 2003, there were about 275 employees at RRV and 25 employees at PA, in total 300 employees. At RRV 116, and at PA 18 respondents completed and returned the questionnaire. This gives a response rate of in total 45 per cent (134 out of 300 respondents). Of the respondents from RRV, 31 per cent were working with performance audit – the department of special interest in this case study. For an explorative purpose, this response rate was satisfactory. Questionnaires on acculturation otherwise tend to render a low response rate (Larsson & Lubatkin, 2001).

The third employee survey was conducted by a large professional statistics firm in Sweden, named SIFO. They were given the assignment by the three Auditor-Generals (3AG) at RiR. There were different interpretations in the organization concerning why the survey was conducted. The 3AG claimed the initiative was their own and that they found it natural to have a routine of conducting such surveys among personnel. Others claimed that the main reason was pressure from unions and personnel, following wide-spread discontent among the latter. Responses to the extensive questionnaire were collected during the period 17 May – 4 June, 2004. The report in which the responses were summarized was presented and distributed on September 7, 2004. In total, 283 employees had received the questionnaire, and 263 of these had responded, giving a response rate of 93 per cent.

The fourth employee survey was conducted by another large statistics firm, the Swedish Statistical Bureau, SCB. Conducting such surveys had now been accepted as a routine that would continue through the years. Responses were collected during the period 16 November – 1 December, 2005. Responses were summarized and presented on January 7, 2006. In total, 304 employees had received the questionnaire, and of these 272 had responded, giving a response rate of 89 per cent.

In May 2007, RiR conducted only a very limited employee survey, called a temperature check (Swedish: temperaturtagning) or SWOT.

The main management argument for why a full survey was not conducted, was that the new organization design needed to settle first. I will refer also to results from this smaller survey.

2.5.4 Document studies

As a public merger was studied, many documents were available for the general public in accordance with Swedish legislation. Merger motives are described mainly in parliamentary documents. Internal documents, for example reports and protocols, have mainly been collected from the extranet/intranet, but also from helpful employees, and from union representatives. The NAC extranet, in phase 1-2, was available only in printouts from the information department, because of technical difficulties to arrange for access. From the autumn of 2003, I had full access to the RiR intranet, an information channel that proved to be very useful.

The media is a central part of the national audit institutions' reality, and is essential for their reports to have impact on authorities, political institutions, and society. This media attention is one of the factors that determines the degree of impact from reports. To some extent, the media will also audit the national audit institution, as it does with any public authority. Therefore, I have also turned to the media for documentation in the form of articles.

2.6 Introduction to the case study

The case study in this thesis covers the merger of two national audit institutions in Sweden, called RRV (Riksrevisionsverket) and PA (Riksdagens revisorer). In this section, some details concerning the case study and the case study method are introduced.

2.6.1 Some central abbreviations and definitions

In order to facilitate reading, especially for those who are not familiar with the Swedish language or public institutions, some abbreviations

will be applied in the case study description. Below, a number of these as well as clarifications of some concepts, are listed. The list is not exhaustive.

The concept of a merger is applied in this thesis. Personnel sometimes argued that the reform was in fact not a merger, but rather the forming of a new authority. The difference that they referred to was the new mandate for this authority, especially regarding to independence. However, the fundamental goals of these authorities would be the same and most personnel would stay on in their employment. For this reason, the merger concept is applicable. The forming of a new organization – with minor or major changes – is part of the nature of any merger.

PA stands for the Parliamentary Auditors (Swedish: Riksdagens revisorer). In the actual merger, there was no acknowledged abbreviation for this organization, but for reasons of simplicity, PA is used throughout this thesis.

RRV stands for Riksrevisionsverket. This has been an acknowledged abbreviation in Sweden. The English abbreviation is (almost) the same as the one that today stands for the new (merged) authority. For this reason, the Swedish abbreviation of both RiR and RRV is kept.

RiR stands for Riksrevisionen, the new authority that was formed in the merger. This is also an acknowledged abbreviation internally in the organization.

NAC stands for the National Audit Committee (Swedish: Riksrevisionskommittén, RRK). This abbreviation deviates from the one used in the merger process. The reason for this is to simplify reading and avoid confusion, since the Swedish abbreviation is RRK and the three main organizations in the merger – PA, RRV, RiR – already look very similar. NAC is valid only for the form that the committee held until December 10, 2002, when the 3AG were appointed and overtook responsibilities for merger preparations. Projects sorting under the NAC are called the NAC projects.

Supreme Audit Institution (SAI) is an international concept for the highest national authority for the independent audit of public

administration. Norms for these are formed by the International Organization of Supreme Audit Institutions (INTOSAI).

The administration includes, apart from purely administrative tasks, the Human Resources department, the Accounting/Finances department and IT support.

The title *auditor* (Swedish: utredare) is applied for all those conducting performance audits (Swedish: effektivitetsrevision), and who do not hold managerial responsibilities. Managers are defined as employees responsible for personnel in a lower position in the organization's chain of command (or organization hierarchy), but not top level management. In other words, these are middle managers. The top of this chain of command is the Director-General or the Auditors-General. In this way, the title corresponds to the wording in everyday work at RRV, PA and RiR. With personnel, all non-managerial personnel is included, although this will often encompass especially the performance audit profession, since this stands in focus in my empirical data collection.

The 3AG stands for the three Auditor-Generals (Swedish: riksrevisorer at the new authority, RiR. This corresponds to a commonly used abbreviation at RiR, namely 3R. The corresponding position at the two merging organizations is the Director-General (Swedish: generaldirektör at RRV, kanslichef at PA).

2.6.2 Access issues

The level of access was generally good. There was one formal contact person in each organization during merger preparations, who continuously providing me with information.

In the pre-merger phase, there was initially some hesitation from management regarding to whether I should be granted access or not. After discussions with the Secretary-General of Parliament, it was finally agreed that the research study should be conducted and that a generous level of access should be allowed. Starting December 2002, I was allowed to conduct interviews. Already before this, however, I participated in meetings and had many informal conversations with

personnel. These are not reported as interviews in this thesis because of their spontaneous and less organized nature.

After the merger, there was always a formal contact person at RiR, but there was no continuous contact with this person, and I gathered information on recent events on my own. A number of informal informants helped me note when something happened in the merger process. These informants also helped with documentation and updates on the current atmosphere and attitudes among personnel. The access to the RiR intranet was also very useful.

According to some interviews with personnel, the 3AG did not appreciate my presence very much, but cooperation generally worked well. An initial meeting was held in the fall of 2003, where I briefly presented my research project for the 3AG and asked for their acceptance to continue. They explained that they did not have the resources to allow me to do so. When I clarified that I only required a total of 3-5 hours working time each month from personnel, they admitted that this was not much. They raised the argument that my presence and questions risked causing anxiety and increasing resistance. At this point, I referred to the acceptance I had had from the Secretary-General of Parliament for my study, and as a result I immediately received a final acceptance from the 3AG as well.

On several occasions, I was asked to present my preliminary results or findings. On these occasions, I explained that I would be happy to do this when the study had been concluded, but that I could not do it earlier, as this would risk affecting the process. In June, 2003, I was, however, expected to make a brief presentation, together with Professor Rikard Larsson. It was agreed that it would be held on a very general level, to avoid affecting the process. As I became ill, this trip had to be cancelled, and only a presentation on general issues relating to mergers was held by Professor Rikard Larsson.

2.6.3 Code names

Due to their central positions, a number of individuals in the RRV/PA merger need to be introduced separately. Just like other interviewees,

they have been given code names, although I am aware that decoding these may not be very difficult.

- Rachel, Director-General at RRV
- Christopher, Director-General at PA
- Ryan, NAC member, and project leader for the NAC Constitutional Project
- Luke, NAC member and Chairman during merger preparations. Auditor-General at RiR, from December 10, 2002
- Alison, NAC member and project leader for the NAC Organization Project, during merger preparations
- Bonnie, Director of Human Resources at RRV and responsible for information from the NAC during merger preparations
- Sophie, Auditor-General at RiR, from December 10, 2002
- Matthew, Auditor-General at RiR, from December 10, 2002 until August 1, 2006
- Brooke, Auditor-General at RiR, replacing Matthew from August 1, 2006
- Linda, Administration Manager at PA and expert in the NAC
- Tom, Manager for a department of performance auditors at RRV and later also at RiR, member of the RRV management staff, and expert in the NAC during merger preparations
- Ashley, Director of Information at RiR
- Olivia, Director of Human Resources at RiR, until October 31, 2004.
- Lauren, Director of Human Resources at RiR, from 1 February, 2005.

2.6.4 Time line with phases

Several of the themes in the empirical description run over a longer period than one year. Despite of this, I have tried to split the whole case study into five sections, each encompassing a period of one year. A benefit with this is that the tempo of events becomes more evident, and that phases can be compared more readily with this structure. On several occasions, the process has also changed considerably about the

same time as a new phase was started. Year 0 ends when the merger was implemented. Year 2 starts when results from the first employee survey are presented. Year 3 ends when the 3AG suggested a new (management) organization. During year 4 a new organization was implemented and one of the Auditor-Generals was replaced (in accordance with plans established already before the merger). The final year ends in June 2007, when the study in total has encompassed a bit more than five years. Years in the empirical description are split on the 30 June, see figure 3.

Note that Year 0 has been divided into two parts. Part I covers merger preparations from May 2002, until December 10, 2002. At this point in time, the 3AG were formally appointed, and the merger preparations process changed more or less directly with this new management. Part II covers merger preparations from this date, until June 30, 2003 – the last day before the merger. Figure 3 shows a time line for the PA/RRV merger process. Some important events have been noted.

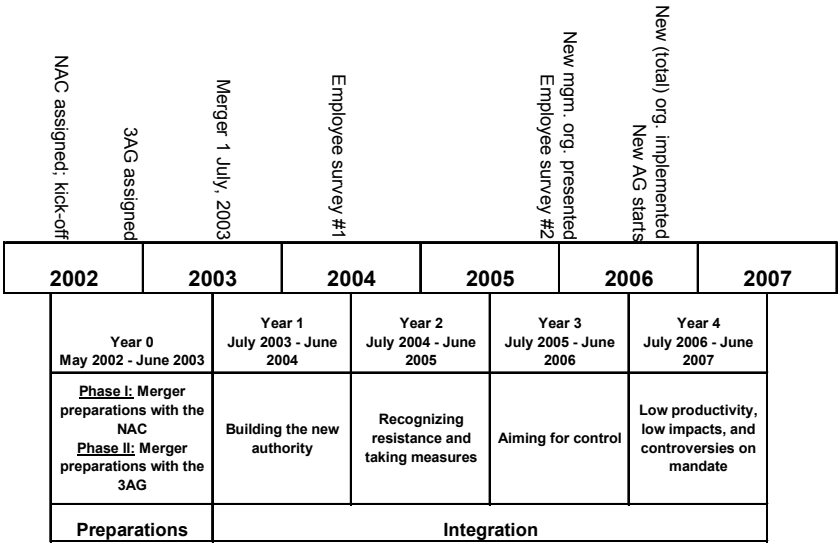

Figure 3. Phases in the RRV/PA merger process. Some milestones are highlighted.

2.6.5 Case study demarcations

The performance audit area is the primary focus of the study. The reason is that this was the part of operations where some degree of integration was required. The other large area at RiR was financial audit, but this was only found at RRV.

At RRV, mainly the Stockholm headquarters were studied. There were branches in other cities too, but these were only of secondary interest. Because PA did not have any branches outside Stockholm, integration would mainly take place there.

Merger preparations before April 4, 2001 are not included in this case study, other than as a background. Management claimed that, as regards organizational integration, these preparations would not be taken into account as the new merger preparations were initiated.

What stands in focus in the empirical description is the experience of personnel, and to some degree management. I will not enter a detailed analysis of whether or not their experience corresponds to some objective reality. Focus lies primarily on experience which is shared by many.

Quotes in the empirical description have been translated from Swedish into English. Sounds, pauses, and repeats have been excluded. Please note that the empirical description will also be a result of a primary analysis, where findings have been sorted into key categories and relevant aspects and quotes have been chosen.

2.7 Validity and the analysis of data

In the analysis of data, I have focused on opinions and attitudes that several different interviewees have reported separately. The ambition with this has been to avoid that a single person's experience is allowed to dominate part of the empirical description.

My survey in May 2002 allowed me to sort numerous statements into different categories or themes, where I could rather easily find what standpoints were shared by many. The surveys ordered by RiR

themselves, were also useful in this regard. These, and a number of other formal documents, were used to triangulate findings from my interviews, in order to secure the validity of my empirical description. Examples of such documents are union protocols, internal personnel magazines, and all kinds of documents from the intranet.

As concerns validity, I do not claim that all personnel share the same experience of the merger process, experience will always differ in such a large population. However, I try to describe the experience shared by many (and hopefully a majority of personnel).

In some interviews, answers have led me to believe that the interviewee rather described what he or she believed to be suitable given a private agenda or an agenda protecting what is perceived as the interest of management, or the general best interest of this organization. This is a risk in interviews, but in comparison with answers based on other techniques, it has still been possible to gain a good picture of the situation.

Given that the studied organizations are institutions of public interest, special precaution has been taken in the empirical description - a number of controversial events, that have not offered any important contribution to the analysis or conclusions, have been excluded.

In order to secure validity, four persons have been allowed to comment upon the empirical description in Chapter 4:

- A performance auditor from RRV, who had been part of the whole merger process, and who had remained in this role
- A performance auditor from PA, who had been part of the whole merger process, and who had remained in this role
- A performance auditor from RRV, who had been offered a severance package to leave after the merger
- A central person from merger preparations, with insight into the management decision-making processes

All these four people have been interviewed at some time in the merger process. According to their comments, they support the empirical description, with only minor corrections (of mainly formal data).

I have also chosen opponents at my three internal seminars (first, middle, and final seminar), who are specialists at both research and practice within M&A (Dr. Stein Kleppestö), within Swedish public administration and national audit (Dr. Gert Paulsson), and within organizational change (Associate Professor Jan-Inge Lind).

Chapter 3

Introduction to resistance in M&A theory

In this chapter, M&A theory focused on human aspects, and especially resistance, is introduced, based on the three identified perspectives, namely culture, communication, and career. Some theory on resistance in two related fields is also briefly introduced. Finally, the working definition of resistance in this thesis is introduced, together with the analytical framework. Additional theory is added in Chapter 6.

3.1 Personnel resistance in M&A theory

I will start with a general introduction of writings on personnel resistance, or personnel reactions, in M&A theory. After this, I separate between M&A theory where a culture perspective, a communication perspective, and finally a career perspective is adopted.

3.1.1 General introduction

During the 1980s, there were many reports describing how resistance was expressed in M&A. One of the most common personnel reactions in M&A, is exit (Löwendahl, 1997; Empson, 2000). Cartwright and Cooper (1992) describe this as the most extreme reaction in resistance. In a few unfortunate cases, M&A resistance has even resulted in suicide, according to Buono and Bowditch (1989). Other, less extreme and more commonly mentioned reactions, are communication problems, we/they-mentality, lack of commitment, and stress (Buono & Bowditch, 1989; Schweiger, Ivancevich & Power, 1987; Marks &

Mirvis, 1998; Empson, 2000). The list can be made long. Schweiger, Ivancevich and Power (1987) and Haspeslagh and Jemison (1991) describe an atmosphere of fight for survival and self preservation, leading to increased competition between individuals in the new organization.

Schweiger et al (1987) argue that resistance can be passively or actively expressed, but they do not discuss this distinction further or investigate it. The expressions that personnel resistance can take in M&A are, generally, rather thoroughly described, but suggestions regarding to a categorization scheme for the continued analysis of reactions in this setting, are lacking.

Furthermore, Schweiger et al (1987) claim that when employees can no longer identify with their organizations, they can experience a loss of ego, or damaged self image, causing them to passively or actively express their resistance. Reactions are described as irrational, dysfunctional, but still often as normal in terms of human behaviour. You easily get the impression that only management is rational and free from these "limitations" of the human mind, while personnel are subject to a number of more primitive, instinctive behaviours.

Why does resistance occur? According to Jungerhem (1992), explanations can be strategic or operative. Strategic reasons relate to the choice of merger partner. Operative reasons relate to how management has chosen to integrate the merging organizations and handle personnel. Traditionally, explanations have referred either to the financial field, or the strategic field (Buono & Bowditch, 1989; Larsson och Lubatkin, 2001). Since then, there has been, as mentioned, an increasing focus on the human side of M&A. Many researchers (e.g. Cartwright & Cooper, 1993; Nahavandi och Malekzadeh, 1988; Shrivastava, 1986) have claimed that the ability to integrate organizational cultures is a key to success. Culture, communication and career are three common themes for explaining resistance, as Chapter 1 indicated. There are, however, also explanations that do not fit very well into these categories.

Empson (1994) claims that an explanation for personnel resistance in M&A could be a fear of being exploited or contaminated. By exploited, she refers to organizational resources, and by contaminated she refers to

the two parties' reputation on the market. In a similar fashion, Panchal and Cartwright (2001) describe how personnel's attitude to M&A partly depends on their possibilities to improve social identity.

Larsson (1990) claims that trust is of crucial importance in M&A. In the first part of the integration process, it is often seen as the internal distribution of a big cake and therefore it leads to co-operation, but if confidence in the merger partner is damaged, the focus on the distribution will increase. Personnel will then find it better to strive for as large a piece of the cake as possible, rather than to work for an increase of the whole cake. The reason is that they do not know if the merger partner will only strive to maximize their own share.

Walter (1985) explains personnel resistance in M&A as a balance that is displaced. In an organization, he argues, wishes concerning human rights and wishes concerning property rights are balanced. M&A represent the exercise of power in the area of property rights and due to this, balance between the two extremes will be displaced. Humanitarian values, such as freedom, safety, right of self-determination, identity, have to step aside. Instead values such as segregation and being interchangeable increase and cause discomfort among personnel.

Haspeslagh and Jemison (1991:122ff) argue that lack of success in M&As normally can be explained with one or several of the following three factors.

- Determinism. Lack of ability to recognize that the initial strategic justification of the acquisition is no longer valid.
- Value Destruction. Loss of psychic and/or economic value for individual managers and employees, following the acquisition.
- Leadership vacuum. Lack of good leadership in the integration phase.

These authors argue that M&A will always result in loss of psychological values in the two organizations, in turn leading to a loss of motivation. The three factors provide a comprehensive overview of explanations presented in M&A theory. Issues of identity can be included in the second category.

Surprisingly, there are few studies focused on the formal organization of the merger process, including the decision making process, key actors, implementation schemes, preliminary groups. According to Gaertner (1986), the ideal merger is based on egalitarian status among participants. Blake and Mouton (1985), too, emphasize the value of autonomy for personnel. Liu and Fehling (2006) argue the opposite, claiming that a preliminary autonomy removal "constitutes an effective way to counter resistance". The adverse behavioural effects (reported by, for example, Gaertner, 1986), may actually be "side effects of the power asymmetries inherent in such strategy.", Liu and Fehling (2006:382) argue. Autonomy removal is described as "the restriction or outright elimination of post-merger autonomy from one or more of the participating organizations." (Liu and Fehling, 2006:362.

The concept of coping is sometimes used in M&A theory (e.g Fulmer & Gilkey, 1988; Liu & Fehling, 2006), but also in other parts of organization theory (e.g. Kinicki, Prussia, McKee-Ryan, 2000; Fried, Tiegs, Naughton, & Ashforth, 1996). It is related to resistance, in the sense that it forms its positive counterpart: a way for the individual employee to handle stress and uncertainty in a merger. Concept and theory have been borrowed from social psychology. Although this field in general has often contributed to M&A theory, the context of M&A has seldom been subjected to studies in social psychology (Fugate et al, 2002). Fugate et al (2002:906) write:

> Despite of the pervasive nature and widespread effects caused by mergers, little research has examined the process by which people cope within this highly relevant context.

Exceptions are, for example, Amiot, Terry, Jemmisson, and Callan (2006), Fugate et al (2002) and Terry, Callan, and Sartori (1996).

A concept closely related to coping, is adaptation. This refers to how employees adapt to changes in the work place in order to cope with uncertainty and stress (Lazarus & Folkman, 1984). Emotion and control are other phenomena that have been found to be of importance in this realm.

There are two types of coping strategies, say Latack and Havlovic (1992, according to Fugate et al, 2002): Problem-focused coping and

emotion-focused coping. The former strategy implies taking action to change what is found disturbing in the environment. With the latter strategy, the employee attempts to change his or her own emotional reactions. Lazarus and Folkman (1984) argue that perceived control has a strong influence on employees' coping strategies. The proportion of problem-focused and emotion-focused coping partly depends on how controllable the employee finds his or her job situation. Problem-focused coping is more likely in situations where there is some level of perceived control, as this control is a prerequisite for action (Lazarus & Folkman, 1984). Furthermore, problem-focused coping has been found to predict job satisfaction (low resistance) and also identification with the new, merged organization (Amiot et al, 2006).

As for changes in coping strategies, a merger study by Fugate et al (2002) did not support a hypothesis stating that relative levels of problem-focused and emotion-focused coping should change over time.

Depending on the level of analysis, resistance in M&A is often explained in terms of culture (collective level), communication (interpersonal level) or career (individual level). These three aspects are described in the following three sections.

3.1.2 Resistance in a culture perspective

The cultural aspects of M&A have gained increasing attention (Cartwright & Schoenberg, 2006). Some argue that they have been given too much attention. Lohrum (1996:3) writes[9]:

> It seems that the issue of culture has often been treated as an all-purpose variable or as a residual factor used to account for many of the problems that arise during post-acquisition integration.

In M&A theory, it has long been assumed that similar cultures at an initial stage of the merger process will smoothen the integration phase, making cultural fit a valid factor to predict future success.

[9] This excessive focus on culture as an explanation for various organization problems, has been subjected to criticism in the general stream of culture research as well (e.g. Schein, 1985; Alvesson, 1993).

As early as in the 1960s, Davis (1968) emphasized the importance of this, and as late as in 1993, Cartwright and Cooper (1993:60) wrote:

> the degree of culture fit that exists between the combining organizations is likely to be directly correlated to the success of the combination

In the same year, 1993, Larsson published the results of a study showing no correlation between initial similarities between cultures and low level of personnel resistance in M&As. According to Larsson (1993) and Kleppestö (1993), it is more important what you do and how you do it during the integration phase, to predict long term success. In 1996, Cartwright and Cooper toned down their earlier hypothesis and explained that with good management, problems due to cultural differences can be overcome. Despite of this, articles and books based on the previous assumption are still published and the cultural theme recurs regularly (e.g. Weber & Menipaz, 2003; Marks, 1999).

Some degree of integration is a goal in most M&A. Duncan and Mtar (2006) have found that resistance may be lower when integration efforts are held back, leaving the option open for managers to increase integration efforts at a later stage. However, usually the ambition is to achieve as much integration as possible. Traditionally, it has been said that the level of integration required depends on the type of M&A and its purpose (Haspeslagh & Jemison, 1991; Cartwright & Cooper, 1996). In this regard, there are different ways of categorizing M&A. Kitching (1967, according to Walter, 1985) maintains there are vertical, horizontal, and concentric M&A.

Another way of categorizing them is to differ between related or non-related M&A. In related mergers, operations in the organization are similar and you often see clear synergies in a merger. They require a high degree of integration of personnel (Cartwright & Cooper, 1996; Nahavandi & Malekzadeh, 1988). There is considerable risk of personnel resistance in these mergers, because the close contact between personnel can increase sensitivity to and intolerance for organizational differences, say Larsson and Lubatkin (2001). In non-related mergers, operations differ, and the main aim is to gain financial synergies, so there is normally not much need for integration (Nahavandi & Malekzadeh, 1988). There is a long term trend in the economy towards

more related M&As (Cartwright & Cooper, 1996) and correspondingly, in M&A theory, it is often assumed that an extensive degree of integration is necessary.

With regard to the cultural aspects of M&A, this integration is a central theme. It can be either cultural or organizational (Haspeslagh & Jemison, 1991), but because both are often intended simultaneously, researchers do not always specify which type of integration is discussed. Organizational integration covers the merger of organization schemas; cultural integration means the integration of values and assumptions (depending on the definition of culture[10]) in the two organizations. Here, culture is understood in accordance with Robbins (1996:687), who defines it as:

> the social glue that helps hold the organization together by providing appropriate standards for what employees should say and do

Another way of separating out different types of integration is suggested by Shrivastava (1986). He differentiates between the procedural, physical and socio-cultural integration levels. Leadership is included in the socio-cultural level. The close connection between culture and leadership is also emphasized by Schein (1985). The way that the merger (and personnel) is led and managed is an issue that has gained increasing attention over the years (e.g. Marks & Mirvis, 1992, 2001; Buono & Bowditch, 1989). Marks and Mirvis (1992:ix) write:

> Price, purpose, partner and timing: These are the 'business school' reasons why mergers fail. When you dig deeper into the human side of buying and selling, into the mind sets and motivations of people, and into the dynamics of the combination itself, another crucial factor emerges: how the merger is managed.

Cultural integration - or integration on a socio-cultural level, in Shrivastava's (1986) terms – is often called acculturation. This is described by Larsson (1990) as a "positive and gradual" adaptation. In M&A theory, it is, as the quote indicates, assumed to be a positive phenomenon, proving that the merger process has been successful. However, the acculturation process itself, is usually characterized by a

[10]For a discussion on different ways of defining culture, see for example Kleppestö (1993).

large degree of stress for personnel. Berry (1980, in Nahavandi & Malekzadeh, 1988:84) defines acculturation stress as ”individual states and behaviors that are mildly pathological and disruptive”. A high degree of such stress can cause resistance and make key employees choose to leave the organization (Nahavandi och Malekzadeh, 1988). Larsson and Lubatkin (2001) claim that prospects of succeeding with the acculturation process are best when management relies on social controls, meaning different socialization mechanisms. Some examples are introduction programmes, meetings in neutral places, shared celebrations. This way, personnel are encouraged to create a new culture by their own free will. Liu and Fehling (2006) make a similar suggestion. These mechanisms, Larsson and Lubatkin (2001) emphasize, must be autonomous, informal, and non-authoritarian. The more an organization tries to force its culture on to the other organization, the less acculturation is likely to occur (Larsson & Lubatkin, 2001).

3.1.3 Resistance in a communication perspective

Communication problems are common in M&A and the general importance of information to personnel has often been emphasized in M&A theory over the years (e. g. Boland, 1970; Holbeche, 1998; Betrand, 1987; Empson, 2000; Marks & Mirvis, 1997). Turning to practitioners, it is recommended that they keep information as simple and straight-forward as possible (Bertrand, 1987; Empson, 2000). In a case study by Schweiger, Ivancevich and Power (1987), almost every interviewee worried about the lack of quick and correct information. The prescription for success in M&A research is usually simply more information, rather than other forms of communication.

According to Empson (2000), the demand for straightforward and honest communication is especially strong in the services sector, where the individual has more knowledge and power. Schweiger et al (1987) claim that since information is often poor in M&A, rumours are common, bringing an increased focus on self-preservation and leading to negative competition between co-workers. Marks and Mirvis (1997) recommend that communication is started already at an early stage in the merger process. In reality, it is rather the opposite that occurs - during merger preparations, when personnel’s need for information is

at its peak, management often cancels it totally, seeing the phase as merely one of transition (Gaertner, 1986; Bertrand, 1987; Schweiger, 1987).

Although, at a closer look, only information from management to personnel is often intended, the concept used in M&A theory is communication. What is missing (e.g. Marks & Mirvis, 1997, Schweidger & DeNisi, 1991) is communication in the other direction, from personnel to management. Feedback from personnel to management is sometimes mentioned in terms of personnel influence instead, but scant attention is given to this issue. Influence also indicates that personnel are allowed to participate in the decision making process, while the concept of feedback more clearly states that this is merely a channel for informing another party on opinions or reactions. Hence, the concept of personnel feedback[11] will be used to describe communication from personnel to management.

The way that the concept of communication is used today, in M&A theory, personnel are often assumed to be mere receivers of management's information, and they are expected to accept management's decisions. An example is the following quote by Smith (2003:260), in advice to practitioners:

> Communication throughout the project is critical to developing and maintaining stakeholder support. As mentioned above, the sponsor needs to communicate his or her support for the change, and progress should be tracked and publicized. It is also important that people understand what they had to do in order to make the change successful. Conversely, failed efforts were characterized by people not understanding the reasons for the change, vague goals.

One reason for the general interpretation of communication as the only information (not feedback) could be the classical definition of communication by Simon, in 1945, saying (p. 154) that:

[11]The formal mandate to act and decide is always given management in an organization. Feedback is a response to action or other form of communication from management, but of course, personnel can communicate with management without such prior communication. The concept is therefore not totally eligible, and alternatives could be included in a more elaborated discussion on this.

> Communication may be formally defined as any process whereby decisional premises are transmitted from one member of an organization to another.

Although Simon (1945) describes communication as a process that takes place in all directions in an organization, he focuses on decision-making. He explains (p. 154f):

> Communication in organizations is a two-way process: it comprehends both the transmittal to a decisional centre (i.e. an individual vested with the responsibility for making particular decisions) of orders, information, and advice; and the transmittal of the decisions reached from this centre to other parts of the organization.

Buono and Bowditch (1990) claim that in M&A, communication is typically seen as a one-way process, and that success could be improved if it was seen as running in both directions instead.

One reason for the lack of attention given to personnel feedback, may be the dominance of the management perspective in M&A theory (Lohrum, 1996). From the perspective of a decision-maker, communication in the form of only information does not require a strategy for personnel influence.

Finally, I would argue that the interpersonal level must be understood not only as the level between individuals, but also a level between other levels of analysis and between entities on these levels (e.g. organizations, groups).

3.1.4 Resistance in a career perspective

If you wish to apply a perspective truly based on the individual, you need to see the organization as part of the individual's professional life, rather than the individual as part of the organization's life, claim Larsson, Driver, Holmqvist and Sweet (2001). Schein (1978) advocates a similar approach, saying career must be seen as part of the individual's total life. In the middle of the 20th century, March and Simon (1958) presented their inducement-contribution theory, saying that every employment must be seen as a balance between individual and organization, in the way that the organization's incentives are at least

equal to the individual's contribution. If this balance is disturbed, it will inevitably affect their participation and performance, they said. This line of thought has continued over the years. Appelbaum and Leblanc (1998) claim that matching organizational needs and the individual's needs in M&A, will contribute to minimizing resistance.

According to Schein (1978), the dominant profession in the organization matters for culture and management style. Especially, cultural values are very much influenced by the experience and personality of key employees. Schein (1978:11) writes:

> one might expect to find characteristic differences among companies that are dominated by financial people, lawyers, engineers, salespeople, or other occupational groups. Such differences, if and when they are found, are usually the key to the managerial style and assumptions operating in the organization.

Gouldner (1958, 1959, both according to Löwendahl, 1997) says that some employees can feel greater loyalty to their professional group than to their employer. He calls these people cosmopolitans. They are contrasted by locals - individuals who continue placing their main loyalty with the employer. While cosmopolitans are mobile internally as well as externally, locals are more focused on the internal situation in the organization. Cosmopolitans become increasingly common in organizations, says Löwendahl (1997). This flexibility is sometimes described (e.g. Brousseau et al, 1996; Mintzberg, 1993) as key for future success. Brousseau, Driver, Eneroth and Larsson (1996) point out that this flexibility must increase both in terms of physical mobility and in terms of ways of thinking.

In M&A, it is mainly employees with expert or linear profiles who are made redundant or choose to leave for other reasons, according to Larsson, Driver, Holmqvist, and Sweet (2001), who say this means that the organization runs a risk of losing leadership competence and knowledge. The expert and linear career profiles are two out of four types of careers in a model that was developed during the 1970s and 1980s by Michael J. Driver and Kenneth R. Brousseau (Brousseau et al, 1996). The other two career profiles are called spiral and transitory. Here, the individual's career profile is determined according to how often the individual changes employment or professional area, the

direction in his or her career movements and also career motives and incentives. The number of academic publications on this model demonstrates that it can be considered one of the leading career models in the world. (Brousseau, Driver, Eneroth & Larsson, 1996.)

Exits (in any form) are commonplace in M&A and a considerable amount of research (e.g. Gaertner, 1986; Hirsch, 1987; Larsson, 1990) has showed that M&As indeed tend to have negative effects on most employees' careers. The consequences for a career are normally one or more of the following: (i) dismissals and resignations, (ii) increased insecurity and fewer possibilities to advance for those who stay, and (iii) interrupted career planning (Larsson & Driver, 1993).

A study by Haspeslough and Jemison (1991) found that two of the four issues that worried personnel the most were related to their own career. The other two issues concerned whether or not the company president would remain and if operations would continue as before. Despite of this, personnel issues are often given low priority in M&As, says Holbeche (1998). He claims that one of the reasons for this is that senior managers feel threatened and therefore focus on protecting themselves and their careers, before focusing on other employees. The distribution of positions in the new organization is based on a new power balance and thus this constitutes high symbolic value. If personnel feel that they are not part of the winning team, they will react negatively, Holbeche (1998) argues. Cartwright and Cooper (1996), too, emphasize the importance of creating a win/win atmosphere in a merger and avoid competition. According to Larsson (1990), personnel support in M&As will decrease, as employment security and outlooks for rewards and promotion do the same.

However, findings by Covin et al (1996:139) indicate that only career expectations are not enough to prevent resistance;

> Findings from this study indicate that acquired firm employees experienced high levels of dissatisfaction with the merger despite of relatively high career future expectations with the acquiring firm.

The authors speculate that personnel may have given priority to the long-term growth or survival of the whole organization, in order to ensure their continued employment.

Large scale dismissals are common in M&As. Apart from this, we do not know much about careers in M&A, from a personnel perspective, since this area has not been given much attention in M&A theory. Is there, for example, a connection between the employee's wish to remain throughout the merger, and the choice of new organization schema? How much does it matter who is given key positions in the new organization? With a personnel perspective Hirsch (1987) concludes that the employee primarily should be loyal to him- or herself in a merger, and to preserve health and career the most rational action for the individual might be to leave.

Bligh and Carsten (2005) and Millward and Kyriakidou (2003) suggest that personnel and management share a psychological contract in M&A. The notion of this psychological contract is closely related to career. Herriot and Pemberton (1996:757) write:

> These contracts are based both on a perceived match between one's own wants and what the other has to offer, and on the exchange of promised offers. […] Responses to the contract by each party are based on their perceptions of its equity and of whether it has been honoured.

The psychological contract is a moral theory on a reciprocal obligation, based on implicit or explicit promises, between employer and employee (Rousseau, 1995). Based on promises from management, members of the organization raise expectations that are mainly governed by the psychological contract between employer and employee (Bligh & Carsten, 2005). It originates already in the interview preceding an employment (Dunahee & Wangler, 1974), and is closely connected with expectations. The importance of understanding expectations, when attempting to explain personnel resistance in M&A, has been emphasized by, for example, Frommer (2001) and Hubbard and Purcell (2001).

When referring to the relational type of psychological contract, as opposed to the more short-term type called transactional (Rousseau, 1995), the equivalence in moral philosophy of the psychological contract is the social contract. While the psychological contract is applied mainly on individual or inter-individual level, in the relationship employer-employee, social contract theory is applied on collective level, looking at society as a whole. In social contract theory,

the interests of each individual are equally important, and its aim is to make society function as smoothly as possible. Thus, a prerequisite for this contract is that everyone joins it and undertakes to follow the same rules. (Rachels, 2003.) The logic in an organization is similar. According to Rawls' (1999) "theory of justice", a type of social contract theory, no citizen in a society should be violated in terms of justice and his or her liberty should never be restricted for the benefits of other citizens.

Social identity is also an important theme, when trying to understand career (Millward & Kyriakidou, 2003). If previous career investments in an organization are abused or betrayed, the employee may not be as willing to invest in the new organization (Herriot, 2001). It has been found that maintaining identity from pre- to post-merger is critical for personnel to adjust successfully (van Knippenberg et al, 2002). Millward and Kyriakidou (2003) argue that the key to bridging pre-merger and post-merger identities is located in the concept of career. Career is closely connected to identity, as it helps the employee define her- or himself in the context of the workplace. However, career is not only about identity or definition of self, but it also aims at expressing and protecting this self to provide continuity, coherence, and esteem. It is when thwarting this self-protective function that resistances can arise. (Breakwell, according to Millward & Kyriakidou, 2003.)

In this section, the three levels of resistance in M&A theory have been discussed. We now turn to Change Management and Labour Process Theory, to see how resistance is understood in these theoretical fields.

3.2 Resistance in two related fields

The discussion on personnel resistance in two related theoretical fields is introduced here. M&A theory tends to limit itself to its own theoretical boundaries, but I would argue that it is important also to be aware of the line of thought in related fields concerning the same topic – namely resistance.

3.2.1 Change Management Theory, on resistance to change

In change management theory, resistance to change in organizations has been discussed for decades. This concept is increasingly being questioned by scholars (e.g. Dent & Goldberg, 1999; Piderit, 2000; Symon, 2005).

> People do not resist change, per se. People may resist loss of status, loss of pay, or loss of comfort, but these are not the same as resisting change.

Dent and Goldberg (1999:26) write. They point out that research then ought to focus on finding strategies to deal with, for example, loss of status, rather than simply labelling personnel's objections to this loss of status as resistance.

Dent and Goldberg (1999) trace the concept of resistance to change back to Lewin, in the 1940s, and argue that since then it has undergone a transformation in terms of how it is interpreted. It has changed from a systemic concept to a psychological concept, where attitudes and emotions of the individual employee are at the centre. Lewin borrowed the term resistance from the physical sciences, and meant it to signify different forces in the organization (understood as a system), arguing that these forces automatically strived towards an equilibrium.

Today, resistance to change has changed into a concept in which personnel resist management change initiatives (Dent & Goldberg, 1999a). This means that organizations are assumed to lack an inherent capacity for change. This runs in contrast to findings by Goldstein (1994, according to Dent and Goldberg, 1999b), saying that it is increasingly recognized that organizations have the ability to spontaneously self-organize, when a change a necessary. (Dent & Goldberg, 1999b.)

There are several consequences of the transformation as regards the mental model surrounding the resistance to change. One is that it has led to an approach where blame is central. Another result of this "mental model" is that management and personnel confront each other in a way that Lewin never intended. The rise of unions in the USA in

1950s, may explain why this dichotomy developed in theory on resistance to change. (Dent and Goldberg, 1999.)

Piderit (2000) builds partly on the article by Dent and Goldberg (1999), in her critique against how resistance to change is understood. Like many others, she focuses primarily on attitudes with the individual, causing him or her to be resistant to change, rather than on factors in the environment or situation. She suggests "a multidimensional view of responses to change", based on the classic tripartite view of attitudes: the emotional dimension, the cognitive dimension, and the intentional dimension (Ajzen, 1984, according to Piderit, 2000). Only the last category allows space for planned action on the part of the employee. "Distinguishing between intention and behaviour will allow more careful study of the connections between the two concepts.", she argues (p.787). This quote illustrates the dividing line regarding to the interpretation of the nature of resistance. As behaviour, resistance can be understood as unconscious, spontaneous. As intention, resistance is understood as conscious, and planned. The issue of rationality can be added.

Hirschman (1970) argues that exit and voice are the two main options for people, when they are not satisfied with a situation. After invoking an analysis where arguments from political science and from economics are put against each other, he argues that openly expressing opinions and objections (voice) is more loyal than leaving the organization (exit). This is mainly because it gives management the opportunity to correct whatever circumstances personnel may find wrong - if management chooses to listen to the criticism.

Based on Hirschman's (1970) conclusions, personnel reactions - when expressed in voice, rather than exit – can be understood as a fundamentally positive phenomenon and an expression of loyalty. This is also one of the points that Piderit (2000) makes. "Researchers have largely overlooked the potentially positive intentions that may motivate negative responses to change.", she writes. Armenakis and Harris (2002) and Atkinson (2005) hold a similar view, claiming that it is better to embrace resistance then to condemn it as it contains information that might facilitate the merger process. "Recognise resistance and welcome it as a healthy response." Atkinson (2005:15) writes, while emphasizing the importance of treating personnel with

respect. Watson (1982) argues that resistance should be understood rather as reluctance. Many researchers today argue that it is time to leave the concept of resistance to change (Dent & Goldberg, 1999; Krantz, 1999; Merron, 1993).

Resistance appears as a wide concept when scanning different fields of theory. It covers themes such as conflict management, stereotypes, identity. Before presenting a framework for understanding resistance, the discussion on resistance in two related fields will be briefly introduced. The first field is Change Management, and the second field is Labour Process Theory. Needless to say, theory from other fields could also have been introduced here. Conflict management theory and critical theory are two examples. Resistance-related discussions are also held, for example, in sociology and political science. In sociology, Tucker (1993) very concretely suggests the following list of types of expressions of personnel resistance: gossip, confrontation, resignation, toleration, theft, sabotage, non-cooperation (not performing required tasks), collective action, formal complaints, law, violence. It is rare to find lists of categories of resistance this way. Tucker (1993) argues that the first-mentioned four types are the most common ones. As I have explained, I claim that resistance is articulated differently in a context of skilled public professionals. Rather than sabotage, they articulate their opinions and seek a dialogue.

Let us now look at what Labour Process Theory[12] says about resistance.

3.2.2 Labour Process Theory, on power and resistance

Labour process theory, is strongly influenced by Braverman (1974), but also goes back to Marx. Today, class struggles and revolution is not in focus, but as Thompson (1990, according to Jermier et al, 1994) argues, there is still a radical intent underlying labour process theory. Braverman and Marx, however, take on a macro perspective, and do not discuss issues of subjectivity and resistance. Theory on this was

[12] This section is based primarily on the book Resistance and power in organizations, by Jermier, Knights, and Nord (eds) (1994). It gathers some of the most important thinkers in labour process theory, to discuss the theme of resistance. It also summarizes the history of this theoretical field.

developed in the 1980s and 1990s instead, and it "is now widely recognized that resistance is intertwined with subjectivity", Jermer et al (1994:6) write. They argue that this also makes theories on social identity central. In labour process theory, resistance is normally understood "as a reactive process where agents embedded in power relations actively oppose initiatives by other agents." (Jermier et al, 1994:9). Since the 1970s, debate on resistance in labour process theory has been limited and underdeveloped, and there is still no consensus as to the meaning or significance of resistance (Knights & Vurdubakis, 1994). This debate has also been very limited in social organization theory in general (Jermier et al, 1994).

Jermier et al (1994) argue that resistance should not be understood as a pathological condition, but rather as "the product of rationally coherent strategies and objectives". They advocate a more local perspective to labour process theory than that which has traditionally dominated the field of theory, and write (Jermier et al, 1994:21):

> No grand collective consciousness or shared interests or special proclivity for self-sacrifice need be posited. This view implies a somewhat particular methodological stance. Inquiry demands examination of the concrete local situation in which individuals find themselves. The expressions of resistance and the social actors at whom they are directed will vary widely over space and time.

Critical studies must include understanding how actors view the experience of domination and what meaning they ascribe to resistance, Jermier et al (1994) argue.

In social psychology, conflict in group dynamics has traditionally been regarded as dysfunctional. This categorization has been understood as a pathological phenomenon, an assumption that is currently a subject of debate. Brown and Gaertner (2001) is one of those who argue that this conflict and categorization are normal and sound in social life. In this issue, it seems as if social psychology and labour process theory are approaching a similar standpoint. However, in social psychology it is still common to discuss resistance in terms of job satisfaction, and to apply quantitative methods. A study by Covin et al (1996), is one example. Referring to Braverman, Jermier et al (1994:4) explain that what he opposed was

> managerialist social research that reduced the subjectivity of workers to statements of job satisfaction or dissatisfaction, or that took at face value questionnaire reports of class identifications.

Other central themes, closely related to resistance in labour process theory, are control and supervision (e.g. Weiss, 2005, who talks about overcoming resistance to supervision, in a study based on Foucault). Resistance is often understood as a reaction to control and lack of power in the individual work situation. But why is resistance then such a common phenomenon in M&A, especially in a context of highly educated professionals? In career theory, it is argued that in these environments, the ideal team member needs to be able to work without direct supervision, Brousseau et al (1996) talk of the decline of hierarchy. Without the need for this supervision and control, why does resistance still occur?

3.3 Public professional service organizations

Some writings concerning the context of professional services, and the context of public administration/national audit, are introduced in the following.

3.3.1 Professional services

Let us start with looking at the definition of professional services. Some characteristics of this context will then be described.

Morris and Empson (1998:610) define a professional service organization as

> an organization that trades mainly on the knowledge of its human capital […] to develop and deliver intangible solutions to client problems.

Maister (1993) holds a similar view, but claims that a professional service firm (PSF)[13] is also characterized by the high degree of

[13]In most cases, the term professional service firm is used, although this excludes the public sector. I would have preferred to talk about professional service

customization in the work, and the close interaction between employee and customer. Both these definitions are based on the character of the service provided, rather than the competence among personnel. This is a common approach today. Löwendahl (1997:16) provides support to the Morris and Empson (1998) definition, and writes:

> Professional services rely to a large extent on the interaction between knowledgeable buyers and highly educated service providers who engage in some form of joint problem solving activity.

The importance of knowledge, in terms of education, among personnel in a PSF is emphasized. PSFs tend to recruit highly educated personnel and for this reason the difference between definitions based on the service provided and definitions based on characteristics of the employee providing it, in reality may not be as big (Löwendahl, 1997).

Gummesson (1978) advocates another type of definition, one that focuses on the employee – or the professional – when defining PSF. In doing this, he provides a long list of professions. According to Löwendahl (1997), there are a number of problems with this approach. For example, it is difficult to say where to draw the line for which professions can be included in such a list. New professions are constantly being created, so it is also hard to keep it updated. Another objection that she presents is that a person with low formal qualifications can sometimes deliver qualified services, a problematic reality with Gummesson's approach. Then it must be the character of the services that must settle if they should be called professional or not, Löwendahl (1997) argues, and this is also the standpoint in the present thesis.

Furthermore, professional service organizations are understood as a subgroup of knowledge intense organizations, in accordance with suggestions by Löwendahl (1997). She divides the economy into knowledge intense organizations, work intense organizations and capital intense organizations. The first type is then split into three groups: Professional services (e.g. consultancy), non-professional

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organizations, PSO, instead, but the validity of published theories in this broader context is not clear.

services (e.g. gourmet restaurants, schools), and products[14] (e.g. IT software). The model is simplified and there will be some overlapping between categories. (Löwendahl, 1997.)

Although Gummesson's (1978) definition of PSF has not gained much support, professions and professionals are still of central interest when professional service organizations are studied. These are closely related to career.

"People do not join professional firms for jobs, but for careers", Maister (1993:6) writes. For example, when there is a lot of routine work, it is not suitable to allocate employees who demand intellectual challenges to perform it (Maister, 1993). A PSF must compete on two markets simultaneously. The first is the market for their output, meaning the services. The second is the market for their input, meaning the qualified employees (Maister, 1993). Leading a PSF means balancing demands from these two markets and the demand for profitability.

Mintzberg (1993) says employees in professional service organizations demand a very different way of working than has become the norm in organizations. Organizations will become increasingly dependent upon their experts, often gathered in temporary projects and focused on creative assignments, he argues. According to this author, the adhocracy organization structure will fit these experts the best. This is described as a common future organization, involving a high degree of horizontal specialization, co-operation, and innovation, and allowing a great deal of power to its experts. Information and decision-making processes are also much more flexible and informal than they are today. Mintzberg (1993:275) writes:

This is the structure for a population growing ever better educated and more specialized, yet under constant exhortion to adopt the 'systems' approach – to view the world as an integrated whole instead of a collection of loosely coupled parts. It is the structure for environments that are becoming more complex and demanding of innovation, and for technical systems becoming more sophisticated and highly automated. It is the only structure now available to those who believe

[14]Many products are today built on extensive research in development work and therefore demand knowledge intense organizations (Löwendahl, 1997).

organizations must become at the same time more democratic yet less bureaucratic.

The managers' role is also different in the adhocracy. The diffuse structure of authority in service organizations, which increasingly will need to adopt the adhocracy model, Mintzberg (1993) argues, increases the individual's autonomy, but it also decreases the managers' ability to control personnel. Lyttkens (1994) means that a competence developing leadership is required, and that this must be focused on making personnel motivated from the inside. In this way the individual employee will exercise his/her own free will to conform to an intention that he/she has personally established. Lyttkens (1994) differentiates between this and external motivation, the latter meaning that other people establish the employee's intention, saying that these tasks must be performed. Assignments that have been forced upon people always create alienation, he argues. Competence is defined by Lyttkens (1994) as the ability to act, thus putting our intentions into effect, and establishes that intentions guide all action. The competence concept, however, is a discussion on its own, which we shall not enter here. Instead, we move on to theory on public administration.

Some scholars (e.g. Haspeslagh & Jemison, 1991; Empson, 1994) claim that the integration phase of the merger process should be allowed to proceed gradually, in order to avoid resistance, and Empson (1994) emphasizes that this is especially important in service organizations, because of their dependence on the skilled personnel and also because of the pressure often put on these people. Employees can easily choose to leave, if they are not satisfied with the situation, and because services are perishable, service organizations are vulnerable (Mills & Margulies, 1980). This is valid particularly for professional services (Bowen, 1986). The key challenge in mergers of service organizations is therefore to succeed in convincing personnel to share their knowledge and relations, despite of insecurity and worries, claims Empson (1997). The question is how they can be convinced. What are the demands raised by professionals?

3.3.2 Public administration and national audit

The dividing line between the public and private sectors has often been discussed in theory, but there is still little consensus on this issue.[15] In organization science, it is common that ownership is used as a key determinant (Perry & Rainey, 1988). Brunsson and Lundin (1977) hold the same standpoint, and argue that what extinguishes public organizations is that they are politically governed. As Perry and Rainey (1988) point out, definition is more of a problem when ownership is mixed (private/public).

Just like Löwendahl (1997), the organization is used as a main category in this thesis, and private and public organizations as subgroups. Voluntary organizations could be another subgroup. However, Brunsson and Sahlin-Andersson (1998) do not sympathize with this. They mean that public administration does not fit into the definition of an organization, namely the three criteria identity, hierarchy and rationality.

Public administration is defined by Lundquist (1991) as the organization assigned to prepare and implement the government of national politicians"[16]. The way that public administration is managed and organized has very much become a political issue, says Rothstein (2001): Politics is organization, but organization is also politics. A reason is that public administration has considerable influence in preparing documents, based on which politicians make decisions. Rothstein (2001:11) writes:

> A well functioning democracy is not just about the occurrence of correctly implemented elections, the ability to create representative and strong governments and an extensive political participation, but it is just as much about the occurrence of an administration characterized by competence, openness, high ethics and professionalism.

The political debate on how the public administration best can be organized is called managerial policy (Swedish: förvaltningspolitik).

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[15]Perry and Rainey (1988) offer an overview and discussion of different ways of separating between public and private sector.

[16]See Bäck (1992) or Lundquist (1991) for a discussion on the meaning of the concept government (Swedish: styrning) in this context.

That, and in particular the research field (New) Public Management, is close to the field of business administration, and especially organization theory (Kettl, according to Rothstein, 2001).

New Public Management (NPM) is a concept used for ideas on how market mechanisms can be used as instruments to reform the public sector. Leadership and result orientation is in focus and the private sector often serves as an ideal.[17] One of the main thoughts is that the public sector should be made more professional in order to be able to compete on a market. There is an ongoing debate in research on whether a focus on results and goals is suitable for the public sector or not, but now an orientation towards results has become the primary management philosophy in this sector, just as in the private sector. (Rothstein, 2001.)

As New Public Management has grown strong, the basis for recruitment of officials and particularly recruitment to managerial positions in the public administration, has changed, says Bergström (1995). The importance of formal education for managerial positions has been ironed out, and instead leadership skills are requested. There has been an indirect influence from the private sector, since the contracted recruitment consultants are often used to working with private firms. In some areas, not only leadership skills, but also expert knowledge, are requested, and it can be difficult to find many candidates with both these attributes in the public sector. (Bergström, 1995.) Generally, it has become increasingly common that managers are recruited from the private to the public sector (Bergström, 2001). A challenge for these managers is to combine the visionary thinking and independence that they are used to in the private sector, with the values that are central in the public sector, for example accountability (Swedish: ansvarsutkrävande), open decision-making processes and citizen participation (Bellone & Goerl, according to Bergström, 2001). What is expected of managers in the public sector thus differs from those in the private sector (Bergström, 2001).

[17]It is sometimes mentioned that the private sector can also learn from the public sector in some issues. An example in national audit is provided by Brunsson and Lundin (1977), who argue that a similar type of audit should be done in private companies as well, to conform to the Swedish Companies Act (the Swedish Aktiebolagslagen).

These expectations also differ regarding to employees who do not hold managerial positions, Lundquist (1991) argues. The (public) official must take more relations into account at the same time (see Figure 4), as part of his or her ethics, than the private sector employee, who does not need to consider the wishes of politicians or other citizens.

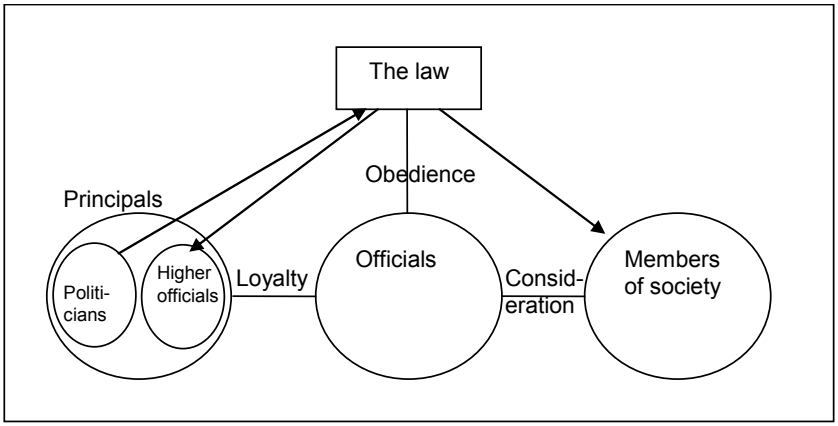

Figure 4: The ethical relationships of the official. Translated from Lundquist, 1991:59. (In Lundquist, 2001; in Rothstein et al, p.146, there is a simplified version of this model.)

Politicians establish goals and guidelines. Based on these, public sector officials then set their own operational goals. This means that strong managers can be a threat to politicians, as they may compete for power and media attention. (Rothstein, 2001.) There is a clash between politicians' wish for strong tools in their public administration managers, and their wish for these managers to act as their obedient servants (Bergström, 1995). The risk of officials gaining too much power – commonly called the reign of officials (Swedish: tjänstemannavälde) - is often mentioned in political science. In such situations, officials in society would be able to use their power to realize their own personal interests. (Bergström, 2001.) The democratic chain of governance is meant to shift from the citizens, via politicians and political parties, to bureaucracy/administration (Bäck, 1992). Utmost, the citizens should govern bureaucracy, but the risk is that the contrary would be the case; bureaucracy would govern the citizens (Bergström, 2001).

The reign of officials is especially feared when it concerns professional services in public administration, according to Bergström (2001:178):

> Politicians' dependence upon officials with expert knowledge risks leading to the political power in reality lying with the experts. This is especially the case when there are strong professional groups.

Officials directing their primary loyalty to the profession, make political accountability difficult (Bergström, 2001). It becomes increasingly common that employees are more loyal to their own profession (group of professionals), than to their employers. Brunsson and Sahlin-Andersson (1998), too, warn that economy and efficiency are not very important goals or norms in professions, and for this reason there can be differences between management and colleagues regarding to what they believe to be a good performance.

In national audit, there are in particular two strong professions: financial auditors, and performance auditors. National audit is a way for citizens to find out how the public administration works, and if it is efficient or not. Allowing citizens this insight and possibility to control the administration is important, because in this way they can hold politicians and officials in charge accountable. This control and accountability is important in modern democracy. If citizens are not informed about the situation in the public administration, and feel that they cannot control it, the legitimacy of the whole political system will most probably be hollowed out. Politicians, too, have an interest in knowing how the administration is being carried out, given the great degree of decision-making power that has been delegated to it. (Ahlbäck, 2001.) National audit is also an important part of the national governance of public authorities (Brunsson & Lundin, 1977).

Ahlbäck (2001) calls for more research, especially in political science, on the role and work of auditors in this context. They have a very important task in transmitting knowledge and making decision makers accountable, but still, they have not been subjected to much research. Independence towards both audit objects and politicians is a state of fundamental importance in national audit (Ahlbäck, 2001). This independence was also the main motive of the case study merger (see section 2.2.2).

Based on considerations in Chapters 1-3, I have developed a framework for understanding resistance. I shall now introduce this framework, as well as my resistance definition.

3.4 Framework for understanding resistance

In this thesis, personnel resistance in M&A is defined as *the opposition of a substantial group of personnel, relating to a merger or acquisition*.

This definition builds on a definition by Larsson (1990:220), saying that personnel resistance is "the opposition of acquired employees against the combination and subsequent integration of the joining firms". Opposition is at the core. The latter part of Larsson's definition is valid primarily for acquisitions, but such are rare in the public sector. Because part of the purpose of this study is to explore the content of resistance, I cannot at this stage specify further what resistance is directed "against". A revised resistance definition, based on findings in this thesis, is suggested in Chapter 7.

Figure 5 illustrates the analytical framework of this thesis. First, empirical findings are explored based on the three traditional levels of analysis (Chapter 5). Based on these findings, the content, process, and context of resistance are then explored (Chapter 6).

With this framework, a broad approach, in accordance with the purpose of this thesis, is established, and I have tried not to neglect any central aspects. The approach differs from traditional M&A theory, which tends to focus only on one level of analysis (Larsson et al, 2001), or on one or two of the aspects of resistance along the horizontal dimension in Figure 5 (Pettigrew, 1988). Such limited focus risks providing a bias to our understanding of resistance in M&A.

There will not only be a synthesis along these dimensions, but also with some previous findings and observations in M&A theory. With this framework, my hope is to achieve a valuable theoretical contribution to M&A theory on resistance.

Level of analysis	Aspect of resistance: Content	Process	Context
Collective/ culture			
Interpersonal/ communication			
Individual/ career			

Figure 5. Analytical framework for this thesis

Chapter 4

The RRV/PA merger

This is the story of the merger of two national audit offices in Sweden: RRV and PA. The reader is asked to note that this is only one of many ways that events and attitudes in this merger process can be described. Different individuals and groups will have different experience from these years. This story is based mainly on narratives by personnel, but narratives from top management, middle managers, and other parties, have also been included to provide contrast and nuance. Formal documentation such as survey data, protocols and reports have also been consulted, as the reader will note.

Some may find the description lengthy, but I can ensure these readers that the empirical material would have allowed an even far longer description. A five-year study inevitably leads to a vast amount of data. In order to allow other researchers to draw conclusions from this material, and in order to allow practitioners to reflect upon different aspects in the merger process, I have decided to keep the story this long. An important reason was also requests from Parliament. One of the benefits of my study, I was repeatedly reminded, was the documentation of this historic event in Swedish political history.

This description of events in the merger process has been reviewed and commented on by four people, before printing (see section 2.7). One of these readers had been highly involved in the merger preparations. Another reader had been employed as performance auditor at RRV, but was offered a severance package to leave soon after the merger. The third and fourth readers were performance auditors who had remained throughout the merger process, one from RRV, and one from PA. In general, they supported the description.

Let us start with looking at the merger history.

4.1 History

The two merging authorities had a long history of competition – but they also shared a history of merger discussions. A single national audit authority, totally independent of the political institutions, was requested. When merger preparations were finally started, a commissioner under the Government was put in charge of the process. When his results were presented, there was a wave of protests. Eventually it was agreed that Parliament, not the Government, should be in charge of merger preparations – and the process was re-started.

In this section, the historic relationship RRV/PA is briefly reviewed. The cancelled merger preparation process, and personnel's attitudes towards it, is introduced, and finally the primary merger motive is described.

4.1.1 Historic relationship RRV/PA

The merger of RRV and PA had been preceded by decades of political discussions. Isberg (2003) and Sterzel (2003) describe the path to the decision as lengthy.[18] It began back in the 1980s in Parliament, but the right-wing parties arguing for such a reform had no success at that time (Isberg, 2003:248). Therefore, personnel in both authorities were well prepared when merger preparations started, and all agreed that the reform was necessary. Many were relieved that it was finally taking place.

Many auditors described how a sense of competition – especially for media attention - had characterized the relationship between RRV and PA, in the field of performance audit. Their relationship over the last years had been strained, and this was partly explained by the equally tense relationship between the two Directors-General.

[18]See Isberg (2003) for a thorough description of events along the way towards the merger decision. Sterzel (2003) describes the constitutional aspects of the matter.

Until around 1999, these Directors-General, called Christopher and Rachel here, had met once or twice each year (interview with Christopher). Merger discussions had then been intensified, and following these discussions there had been a meeting between the PA Board of Directors and the RRV Director-General. This meeting resulted in controversies, as the RRV Director-General claimed that the PA was not independent enough towards members of Parliament, meaning mainly those on the PA Board of Directors. In an interview in December 2002, the Director-General at RRV, argued that RRV was more of an independent audit authority than PA, and explained:

> PA all this time wanted to compete saying that they were the independent audit authority. They have been out travelling in the world, meeting our sisters and brothers, instead of going to the audit committees in Parliaments, i. e. to see their political brothers.

A number of articles were published on this matter after 1999. After the meeting mentioned above, contact between RRV and PA continued with middle managers instead. Co-operation was limited to mainly checking that RRV and PA did not audit the same authorities.

While RRV had an extensive budget and approximately 275 employees, PA was much smaller, with only 25 auditors. Parliament emphasized, in documents preceding the merger decision, that this was not a difference based on any political priorities. PA only conducted performance audits, while RRV encompassed performance audits, financial audits, international projects, and so-called Special Audits (Swedish: Bolag och särskilda granskningar).

RRV was placed under the Government. They took assignments from the Government, but they also suggested and conducted their own audits, focused on problems in the public administration that RRV had identified themselves. PA was placed under Parliament. Just like RRV, they suggested audits themselves sometimes, but suggestions could also come from Parliament. It was Parliament who approved their audit plan. Both authorities wanted to claim that they in practice worked in a rather independent way (for a discussion on their relative independence, see Ahlbäck, 1999).

The first round of merger preparations process was characterized by a lack of personnel influence, and extensive cut-downs were suggested. The relationship between RRV and PA improved radically when the two authorities agreed in their criticism of these suggestions. The project was shelved in the spring of 2002, and after this, RRV and PA again started to co-operate on management level, according to Christopher (the PA Director-General).

According to Rachel (the RRV Director-General) the relationship between RRV and PA had always been good, although they had had different opinions on some issues.

Some employees at PA and RRV had personal friends at the other authority, and many had worked with someone from the other organization. On this individual level, the relationship between PA and RRV was good.

When personnel were asked to describe the historic relationship between RRV and PA, almost every interviewee brought up the subject of independence. It turned out to be central for how these authorities perceived – and, especially, valued – each other. Ron, an RRV auditor, explained (Dec 2002):

> A long time back, we regarded PA as a non-independent, very small authority, that was in the lap of members of Parliament, i.e. members of Parliament were in charge and we thought it was wrong that they should audit their own decisions. I think that there was a certain… both pride and conceit over RRV, in us being kind of… We were a tool for the Ministry of Finance, to audit that your money was spent in the best possible way and so on. And we probably regarded… At least in management, at RRV, there were some who regarded PA as a bit inferior to RRV.

This understanding of PA as less independent than RRV probably remains, he explained, "they are not as good as us". Furthermore, RRV has made larger and more extensive audits, while PA has looked more at details, he added. Here, the issue of competence came into the picture. Competence was also central when interviewees responded to questions on external reputation. These two aspects – independence and competence – would continue to be central throughout this merger process.

At the same time as RRV personnel, like this auditor, often described themselves as superior to PA, they also often argued that they thought PA felt superior due to their position under Parliament. Ron, the same RRV auditor as above, continued:

> Being employed by Parliament, you see, that is high-class. It is kind of the Parliament of the people in some way. You see that when you visit Parliament and then you visit RRV, it is all the difference in the world. Parliament is more luxurious, there are more rooms, chairs, furniture, cutlery, you have everything you want, library… They can treat themselves more on it and they have treated themselves during the years. […] It is high-class to socialize in the halls of power, in some way.

At PA, auditors described how they liked to work under Parliament, but at the same time they also described their audits as rather independent, despite of the relationship to members of Parliament. Especially, they emphasized that a broad, general competence and high productivity were important at PA. They were proud to describe that their productivity rates were far higher than at RRV, and argued that considering that it was taxpayers' money that they were spending, keeping productivity numbers up was a fundamental moral obligation for a national audit institution.

Most PA personnel were aware that Rachel and some other RRV employees claimed that RRV were more independent than PA. These matters are further described by Ahlbäck (1999).

What happened during the first, later shelved, merger preparations process? This will be addressed in the following.

4.1.2 Cancelled merger preparations

On 2 December, 1998, a parliamentary committee (Swedish: riksdagskommitté) was assigned to audit and revise a number of questions regarding to parliamentary work processes. On 13 June, 2000, a proposal was handed over to the Parliamentary Board (Swedish: riksdagsstyrelsen), suggesting that RRV and PA were merged into a single new Supreme Audit Institution, SAI.

The Parliamentary Board suggested that Parliament should request the Government to assign an investigation for this purpose, focusing on constitutional and organizational aspects around the formation of this new authority. This was formally requested on 15 December, 2000. In May, 2001, a commissioner was assigned by the Government.

Initially, attitudes towards the commissioner and his work were positive, especially from RRV. Gradually this changed. In December, 2001, a report on the necessary constitutional changes was presented, and three months later (March 4, 2002), a report on the organizational aspects (called "Riksrevisionen – organisation och resurser") was ready. The same day as it was handed over to the Speaker (Swedish: talmannen), an information meeting was held for the personnel from RRV and PA, at "Polstjärnan" in Stockholm. During this meeting, the objections that had been raised for some time against the commissioner's way of working and reasoning, culminated. The dispute concerned the approach applied in the investigation and the way that the analysis was conducted. In interviews, employees (managers as well as non-managers) at RRV and PA, explained how they experienced that their input had been ignored. The commissioner's suggestions had not been sufficiently anchored to personnel, although instructions from the Committee on the Constitution had said that expertise from both RRV and PA should be engaged (Sveriges riksdag, 2000/01:KU8, p.7).

Ron, an RRV auditor, described the feeling when he, along with his colleagues, left Polstjärnan after this meeting:

> I remember when we left that damn Polstjärnan, it was as if a wet blanket had covered the whole assembly somehow. Dammit, it was as low as it could get. We didn't know where to go, if we should get drunk or go home and save a prayer.

The commissioner had suggested extensive cut-downs, while personnel had expected a much more generous approach, since it was a new, important authority that would be established. The strong sense of disappointment after this meeting was described by personnel at both RRV and PA in numerous interviews. From saluting the merger, personnel now started to doubt that it was such a good idea. An RRV auditor explained that it felt as if the commissioner had already decided that RiR should not be a large organization.

Rachel (the RRV Director-General, interview 5 December, 2002) described the atmosphere after the report had been presented as "incredibly depressing". She had raised objections especially to the approach that the commissioner had had in handling personnel and organizational issues, and she talked about "the double lack of responsibility", meaning that the commissioner had no responsibility in either the current organizations or in the future one.

After a week of discussions, on 13 March, 2002, the Parliamentary Board decided that the Government should be contacted in order to request a transfer of responsibility for the continued investigation from the Government to Parliament. The Parliamentary Ombudsman (Swedish: Justitieombudsmannen, JO) had pointed out that responsibility for organizational issues in the merger should lie with Parliament, not with the Government, as the new authority was to be placed under Parliament. [19] A delegation (Swedish: beredningsdelegation) from the Committee on the Constitution was assigned to arrange with the continued/new preparations for RiR.

On 4 April, 2002, responsibility was formally transferred from this commissioner to the Parliamentary Board. On May 29, 2002, the Parliamentary Board assigned a committee, called the National Audit Committee, NAC (Swedish: Riksrevisionskommittén, RRK), to prepare for the merger.

The informal version at RRV and PA, regarding to why responsibility was transferred from the sole commissioner to the NAC, was that people were not content with the results that he presented, and that they were not content with his authoritative management style in merger preparations. George, who was a member of the secretariat in both these merger preparation processes, explained (October, 2003):

> Nothing would have prevented authorizing this commissioner and the Government to make decisions on behalf of Parliament, it would not have been a problem, but at the same time there was extensive lobbying courting in the corridors of Parliament, because people did not like the commissioner's investigation, since it was rather tough – it wanted to cut down, it wanted to terminate international operations, it wanted to close the Uppsala office, and so on. This was the true motive for

[19] See, for example, the press release from Swedish Parliament, 13 March, 2002.

> Parliament to take over. Parliament wanted control over implementation.

He confirmed that the commissioner did not seek support, "instead he decided on his own", but argued that on the other hand, he was very efficient.

To change the constitution, as necessary for the merger, there had to be two parliamentary decisions with an election between. In June, 2002, the first decision was made. In September, 2002, there was a general election and a second decision was made the same autumn.

Figure 6 shows the last years of decision-making before it was finally agreed that the merger would take place (it actually started off already in the 1980s). It also shows the later cancelled process of merger preparations.

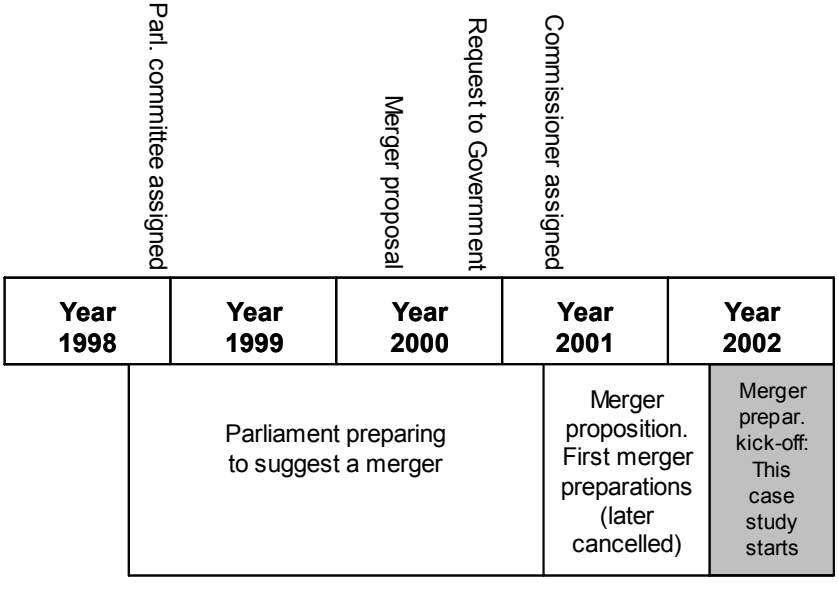

Figure 6. Time line showing the last years of preparations for a merger decision in Parliament, and the following - later cancelled - merger preparations.

Before entering the saga of the RRV/PA merger, I shall describe the main merger motive, namely independence, in greater detail in the next section.

4.1.3 Merger motive: Independence

The primary intention with the merger of RRV and PA, was to form a SAI complying with international standards. The reform was considered a milestone in Swedish political history. The new authority would become an important democratic tool for citizens and a key instrument in Parliament's power of control (Swedish: riksdagens kontrollmakt). It was not only a historical reform because Sweden would have its first truly independent SAI, but also because this was the first time in almost 200 years (since 1809) that a new authority was to be established under Parliament. Especially during the first part of the merger process, this historical aspect of the merger was mentioned very often.

The parliamentary power of control is based on five instruments[20], meant to allow Parliament to supervise Government activities and the public administration[21]. This supervision is one of Parliament's main tasks, according to the constitution (Regeringsformen 1 kap. 4§). Until the merger in 2003, PA was a central instrument in this supervision in Sweden - for citizens it was even the only such instrument available. [22] The purpose of PA was to promote an efficient use of and good way to economize with state fundings. (Ahlbäck, 2001.)

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[20]Apart from RR, these instruments were (1) konstitutionsutskottets (KU) granskning av regeringen, (2) misstroendeförklaring mot statsråd, (3) riksdagsledamöters interpellationer och frågor till statsråden samt (4) the Parliamentary Ombudsman (in Swedish: Justitieombudsmannen, JO) (internet: riksdagen.se, September 3, 2003). RR and JO were the only instruments the general citizens could use, the others were available only for members of parliament (Internet: www.riksdagen.se, June 26, 2003).

[21]Source: the Internet, www.riksdagen.se, September 3, 2003.

[22]Since the Parliamentary Ombudsman (In Swedish: Justitieombudsmannen, JO) is focused mainly on the individual citizen's interests, rather than supervising Government, in reality RR was the only instrument available for citizens to control Government and public administration (Ahlbäck, 2001).

RRV was the corresponding instrument for the Government's power of control of the public administration. Until the merger, there were two such instruments available for the Swedish government: RRV and the Attorney General (Swedish: justitiekanslern). The state budget also gave some control possibilities. (Ahlbäck, 2001.)

Independence was the main motive of the merger. According to the Committee on the Constitution (Sveriges riksdag, 2000/01:KU8, p. 19), distinguishing features in national audit should be a consistent and professional method and independence towards the objects studied. The Committee on the Constitution argued that independence was of crucial importance for the legitimacy of the new authority, and that objects of audit must never be chosen under political influence. Neither RRV nor PA was independent. RRV was placed under the Government and "acted as a form of instrument for internal control of a public administration that, just as the audit authority itself reported to the Government" (Sterzel, 2003:47). PA was placed under Parliament, but its board was appointed by Parliament (Regeringsformen, Chapter 12), leading to an independence issue - especially given the fact that these members of parliament influenced the choice of what to audit. Members of the PA board were appointed by the political parties according to their relative number of seats in Parliament.

When PA and RRV were merged, the new authority would have a totally independent position under Parliament. Just as the Bank of Sweden and the Parliamentary Ombudsman (Swedish: Justitiesombudsmannen, JO), the new authority would "be placed under Parliament, but not politically governed" (Sveriges riksdag, 2000/01:KU8, p. 11).

4.2 Year 0, part I: Merger preparations with the NAC (2002)

Year 0 stretches from May 2002 to 1 July, 2003. Because the assignment for the National Audit Committee (NAC) was only to prepare a basis for later decisions by the Auditors-General, merger preparations came to be divided into two phases. Phase I was focused primarily on planning. It stretched from the kick-off on 15 and 16

May, 2002, to 10 December, 2002. Phase II aimed at decision making and hands-on implementation. It took its start on 10 December, when the three Auditor-Generals were appointed and responsibility for merger preparations was passed on to them. In practice, it was later explained, the NAC more or less ceased to exist from this date. Year 1 started as the merger took place on 1 July, 2003.

4.2.1 Enthusiasm at kick-off

The (new) start of merger preparations was characterized by enthusiasm and a high spirit. The two authorities shared a dislike of the previous merger preparation process, which just had been cancelled. Now, the process would involve personnel much more, and there would not be extensive cut-downs. The kick-off in May 2002 illustrated this initial enthusiasm very clearly. Some of the promises that were made, and expectations that were raised during these days, were later neglected, according to personnel.

The merger preparations kick-off took place at conference facilities in Nynäshamn, just outside Stockholm, on May 15-16, 2002. More or less all personnel from RRV and PA participated. Expectations on the new merger process were high. One reason was that it had been agreed that the two organizations would be allowed more influence in this process than the previous one. Another reason was that it had been agreed that there would not be considerable downsizing, as suggested in the previous merger preparations process. The delegation (Swedish: beredningsdelegation) assigned by the Committee on the Constitution (Swedish: konstitutionsutskottet) first held a presentation, where they reassured personnel in these two matters. “We will not go berserk.”, they explained. They emphasized the importance of everyone participating in the process, and sharing their knowledge, opinions and ideas:

> We are dependent upon you to see what is necessary in the organization. […] Don’t let anything grow, that is on its way of going wrong.

During the kick-off, there were many references to the previous merger preparation process. The Director-General at RRV said in a speech that:

> May 15 is a turning point after what has been, for example March 4, the 'Wet Blanket Meeting' at Polstjärnan.

Polstjärnan (in English "the North Star") was a conference facility where results from the previous preparation process had been presented. As I have explained, these results were met by heavy criticism. The expression the "Wet Blanket Meeting" (Swedish: våta filt-mötet) was used repeatedly and most employees appeared to agree in their dislike of this process and especially the way that it was managed.

"It shows that these people are really committed", said Rachel (the RRV Director-General) about the delegation. She also explained that:

> It is good when Unckel and the others say that they do not know, because they don't. Unckel was full of insight when he said that we do not hide anything, we have no hidden agenda, because we haven't.

Unckel was one of the two senior men in the delegation. Personnel appeared happy to hear this. However, Rachel, also emphasized that it was necessary to anticipate some trouble: "We cannot predict what will happen here.".

Christopher (the PA Director-General) expressed support for this standpoint, and so did Bonnie (Director of Human Resources at RRV), who led the kick-off. Bonnie emphasized that even if the merger process would sometimes appear heavy and troublesome, it was important to remember that:

> It is about love – to the job, the work place, connections. Therefore it is wrong to say 'such boring people that have objections'.

In group discussions, personnel summarized their wishes and thoughts, concerning the merger preparations. Out of the 23 groups, 16 had mentioned choice of offices as an important matter.[23] In many of these,

[23]Summary from kick-off, addressed to the Secretary-General of Parliament Anders Forsberg, from the RRV and RR Directors-General (May 24, 2002).

it was explicitly requested that all employees should have their own, individual office. The importance of these was also affirmed by the in-house survey, using mentometers.

Other issues that were often emphasized were the importance of a generous budget for the merger and for the new authority, the importance of involvement or influence (Swedish: delaktighet), dialogue and openness in the merger process, and the importance of competence in the new authority. Many expressed relief that the new authority would not need to start by cutting down.

An in-house survey was conducted (composed mainly by Bonnie), using mentometers. One of the questions was:

> How important is it for you that decisions regarding to operations and the organization are anchored with all employees?

Almost half of all employees who responded wanted to participate in decisions concerning their own part of operations, and 38 per cent wanted to participate in every kind of decision. Only 2 per cent did not want to participate at all. See Table 2.

Table 2. Votes from PA and RRV personnel, regarding to influence, in an in-house "mentometer" survey May 16, 2002

Survey question: "How important is it for you that decisions regarding operations and the organization are anchored among all employees?"	
1. Very important, I want to be part of everything.	38%
2. It is enough that managers and unions are part of the decision process.	12%
3. I only want to be part of what concerns my part of the business.	48%
4. I don't care, the tasks are most important.	2%
	100%

Another question concerned what employees found motivating in their work, see Table 3. Interesting assignments was the most important motivator for 56 per cent of respondents. Another option was similar, but referred to the development of the employees' own competence. Together, these (options 2 and 4 in the Table) were summarized to a total of 72 per cent, all considering interesting and developing work assignments as the most important factor.

Table 3. Votes from PA and RRV personnel, regarding to motivation, in an in-house survey May 16, 2002

Survey question: *What motivates you in your work?*	
1. The salary	17%
2. Exciting and interesting work assignments.	56%
3. Contributing the societal development, and that citizens find our work useful.	11%
4. Feeling that I can develop my competence.	16%
	100%

The relationship between RRV and PA personnel and managers appeared to be very good at the kick-off, and there were both high expectations on the process, and an awareness that the process would have its share of problems. At the dinner following the first day, a PA employee said:

> It is as if we in the little family come to visit our big bunch of relatives. Or as big brother and little brother.

People around him, from both RRV and PA, smiled and agreed.

To sum up, personnel at RRV and PA came together in their aversion to the previous merger preparations process, and this also united personnel and management. In sharing this dislike, and wishes for a participative merger management model, all parties came together. The parliamentary delegation was aware of this and promised a new process, where personnel's wishes would be taken into account. They emphasized at the kick-off that "each of you is important".

Because RRV and PA were the only two authorities in the country who conducted national audit, it was easy to relate to each other as a family - especially the individuals conducting performance audit. One reason could be that they often shared a similar educational background.

4.2.2 Merger preparations management

A preliminary merger management team was established on May 29, 2002, as the National Audit Committee, NAC (Swedish:

Riksrevisionskommittén) was appointed by the Parliamentary Board. The NAC consisted of the following three primary members[24]:

Luke. Luke had a degree in law, and he had served as an expert in the cancelled project for merger preparations. For many years, he had been the chairman of the Board of Auditors (Swedish: Revisorsnämnd) in Sweden. He had also been a Deputy Director-General (Swedish: överdirektör) at the Swedish National Tax Board (Swedish: Riksskatteverket). Today, he was the President of the Administrative Court of Appeals (Swedish: Kammarrätten) in the city of Sundsvall.

Alison. Alison was intended to be responsible for "the soft values" (interview with the Secretary-General of Parliament, 3 December, 2002) in the NAC, especially the amalgamation of the two cultures. She had experience of mergers in similar environments, and also from the establishment of The Swedish Research Council (Swedish: Vetenskapsrådet).

Ryan. Ryan had a degree in law. He had just retired. Previously, he had been Head of the Administrative Department (Swedish: expeditionschef) at Parliament and Director-General at the Swedish Agency for Public Management (Swedish: Statskontoret).

According to the Secretary-General of Parliament, the intention of these appointments was to have three people who complemented each other. He had requested a participative management approach, according to personnel at RRV and PA. Apart from these three NAC members, there were three experts in the NAC:

- Linda, Administrative Manager at PA.
- Tom, Manager for a performance audit department at RRV, and member of the RRV management staff (Swedish: stab).

[24] They were called members (Swedish: ledamöter) in the merger process, but to provide anonymity to individuals in NAC in this empirical description, the general concept of "NAC members" is used to signify any of the individuals (including experts) in the NAC, while "primary members" signifies the three regular NAC members.

- Anthony, Administrative Director at the Committee on Finance (Swedish: Finansutskottet). He represented the parliamentary administration.

There was also a secretariat, with 2-3 people, and finally Bonnie (Director of Human Resources at RRV). Bonnie was responsible for keeping personnel at both RRV and PA informed about what was said and happened in the NAC and its projects. In this role, she too participated in all NAC meetings.[25] Bonnie, along with the secretariat, constituted a Program Office (Swedish: programkontor), supporting the NAC. During phase I of merger preparations, Bonnie led most of the seminars for RRV and PA personnel.

In the summer of 2002, the NAC presented a project organization, allowing personnel to be involved in merger preparations. It was structured as a temporary project organization, see Figure 7. Seven NAC projects, with employees from RRV and PA, were established. Two projects were led directly by NAC members, the others were led by employees. The two projects that were considered especially strategic and important, concerned the role of the new authority (project no. 1), and organization issues (project no. 2). Due to this, it was agreed that two of the three primary NAC members would lead these - Ryan for the first project, Alison for the latter. Projects were staffed with personnel from RRV and PA, in more or less equal proportions.

The Organization Project included a culture study. Alison explained that the aim of this project was to understand each culture, in order to be able to "take the best of each of them and bring to the new authority". This was communicated often, and preliminary results from this group were presented at most RRV/PA seminars. Personnel were invited to share their opinions on matters of organization structure and culture, and numerous employees were interviewed.

[25]This was announced in the staff magazine RRK-nytt 2002/01, dated June 26, 2002

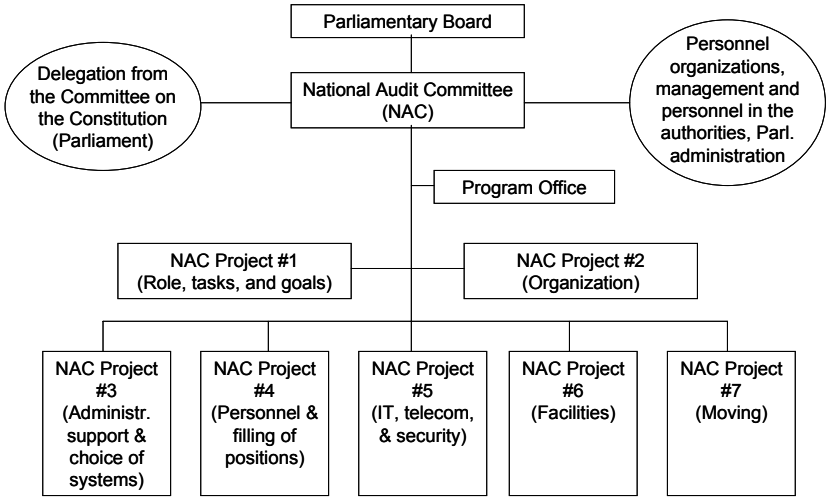

Figure 7: NAC project organization, English version of the one presented by NAC in the news letter issued 18 September, 2002 (RRK-nytt 2002/01, p.2)

Projects were conducted at different points in time. The one concerning the role of the new authority was conducted already in the beginning of the autumn of 2002, while the project concerning transfer of offices was not conducted until the spring and summer of 2003. Most project leaders were asked to summarize conclusions and suggestions in final reports, and to present these to the NAC. Reports would then be passed on to the Auditor-Generals, when they had been appointed towards the end of year 2002.

According to instructions from the Parliamentary Board (Swedish: riksdagsstyrelsen), NAC's assignment was to prepare a basis for later decisions by the Auditors-General regarding to organization structure, staffing and managers in the audit organization, and regarding to the audit plan.[26] Only in a limited number of issues was the NAC allowed to make decisions. One of these was the office issue, described in section 4.2.5.[27]

[26]See RRK-nytt 2002/01, p.1 (issued 26 June, 2002)

[27]NAC was also meant to prepare for the graphic profile of the new authority, and suggest guidelines and goals (Swedish: anslagsdirektiv, verksamhetsföreskrifter

The key groups during this first part of merger preparations are illustrated in Figure 8.

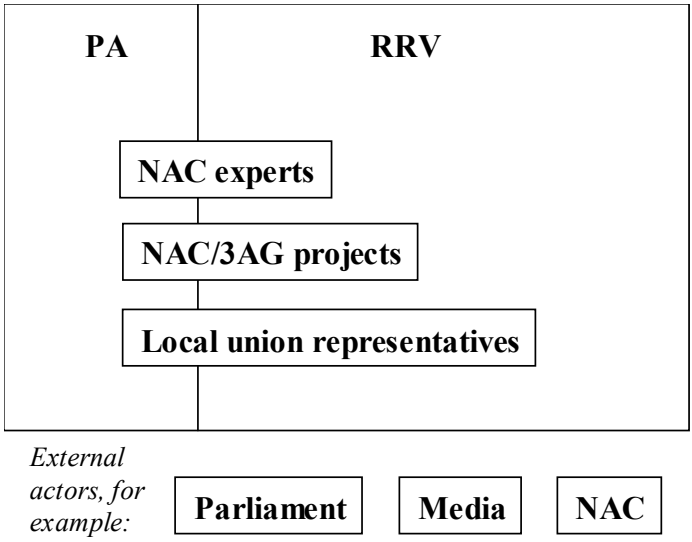

Figure 8. Key groups during phase I of preparations for the RRV/PA merger.

The NAC had their first meeting in June, 2002, and continued around mid-August (interview with Alison). Parliament set a start-up date for the new authority: 1 July, 2003.[28] Alison, one of the three main NAC members, was very confident about the phase ahead in an interview just a week before the announcement of the names of the three AG (3 December, 2002). It was not until now, she explained, that things would become really interesting:

> Then our work too will be made more concrete and detailed, it will be much more exciting. So far we have done mostly investigating. […] It will be a fun phase this spring!

och mål) for the different professions (RRK-nytt 2002/01, issued 26 June, 2002).

[28]Press release from the Swedish Parliament, 29 May, 2002. Previous start-up date was 1 January, 2003.

The Directors-General at PA and RRV continued with their normal assignments during this period. Rachel explained that her task was merely "to retain organizational capacity".

4.2.3 A participative approach with equal influence(?)

Merger preparations should be led with a participative approach, that is to say an approach where personnel were very much involved[29]. This had been requested by representatives for Parliament, especially the Secretary-General of Parliament. Representatives for the Committee on the Constitution promised personnel at the kick-off in May 2002 that such a participative approach would be adopted. Members of the NAC had also agreed on this.[30]

As part of this participative approach, the importance of information to personnel was emphasized. Numerous channels for information from NAC to personnel were therefore established already at an early stage. Some of these channels were also intended for feedback from personnel, or personnel influence. The main channels were:

- the NAC intranet, for RRV and PA,
- local information meetings (organization or department specific),
- seminar days (for both RRV and PA),
- the NAC newsletter, called "RRK-nytt",
- billboards for information, one at RRV and one at PA,
- the NAC experts (Tom or Linda), and
- union representatives.

In practice, information was often spread via informal channels instead, in conversations between colleagues or between members of the two

[29] As it turned out, it was not clear whether this involvement only included the preparation of a basis for decision-making (a kind of advisory function), or the actual decision-making as well.

[30] According to interviews, for example with NAC Members and with the Secretary-General of Parliament.

authorities. It was acknowledged among many RRV auditors that PA had more information about what happened at NAC meetings than RRV did, as Linda (the PA representative) had a more open approach to information than Tom (the RRV representative). Some talked directly to members of NAC projects. Bonnie explained that it was difficult to make these project members share information, and argued that this tended to give them very much power. Many employees also complained that they knew too little about what happened in the NAC projects.

Toward the end of phase I, personnel increasingly complained that there was too much information - it became hard to handle. Many meant that the problem was that there was not much to say, as few decisions could be made by the NAC, and argued that this made information rather worthless. A PA auditor meant that there was not really much to inform personnel about, but NAC "pretend that there is", adding that "people see through this and it annoys them."

Some requested better channels for personnel influence, not only a lot of channels for information. According to an RRV auditor, the information overload had

> evoked a certain irritation and fatigue on these seminar days with only RiR on the programme. When you leave, everyone knows that a three page e-mail could have had provided us with the same information that it took a whole day to communicate, a day that you could have used for production instead. More than one have expressed this reaction.

Apart from extensive information, another part of the participative approach, was the NAC project organization, where employees were highly involved. However, it was not clear how the project members had been chosen, and those not involved often wondered why certain individuals had been preferred over others as project members. In interviews, the three primary NAC members could not explain on what basis appointments had been made.

It had been agreed in Parliament, that the two authorities should have equal influence as the new authority was formed. The main reason for this was political, as PA represented Parliament and RRV Government, and none of these institutions should be given more influence than the

other. At the same time, it was emphasized, that the new authority would be totally politically independent.

Because RRV was much larger than PA, some RRV auditors later started to argue that they rightfully should have more influence than PA. There were circa 10 times more employees at RRV than at PA. In performance audit, the field that PA was focused on, there were circa 3 times more employees at RRV than at PA. This difference in size was one argument that was often used, when claiming that RRV ought to have more influence than PA. Still, the aim continued to be equal influence.

As time went by, an increasing number of auditors at both RRV and PA became convinced that RRV in practice had far more influence in merger preparations than PA did, and reacted against this in interviews. A problem in the NAC was that Linda (the PA representative) and Luke (the NAC chairman) did not work very well together. She argued that her comments were being ignored by him in the NAC, and the issue was raised with him. This was also a problem in the relationship between Bonnie and Luke. A third NAC member explained that he had promised to try to improve in this respect, but that yet little had changed. Tom and Luke often took the same stand in issues, NAC members explained. Partly as a result of these dynamics, the experience was that PA was not allowed as much influence in merger preparations as RRV was.

Many employees, especially at PA, described merger preparations as messy. They explained this by referring to documents from the NAC projects and other parts of merger preparations, saying it was hard to find the time to read them all, or to know which documents to give priority. Towards the end, phase 1 was called “a period of vacuum”, or “swimming without water” (Swedish: torrsim), because the NAC did not have the authority to make decisions in the most important questions. Furthermore, employees did not know if all their efforts in the NAC projects would have been in vain, as the case would be if the 3AG chose to ignore their recommendations and opinions.

4.2.4 Increasing competition and conflict RRV/PA

Conflict between RRV personnel and PA personnel gradually increased during phase I, while the relationship between personnel and the NAC generally was good. This changed with the office issue, which is described in the next section. I shall first talk about the increasing competition and conflict between RRV and PA.

The main arenas where conflict arose between RRV and PA personnel, were the NAC and the NAC projects. John, an RRV auditor, was part of a NAC project. When the projects were started, there was almost no conflict at all, but this gradually changed, he explained. In interviews, auditors described how they tried to defend structures and values from their own organization. John explained that it was a problem that there was no one there to solve conflicts in these projects, when such arose.

Several people argued that managers fuelled conflict between RRV and PA (e.g. Kimberly, Bonnie). It was asserted in particular that Rachel (the Director-General at RRV) was highly critical about PA and expressed these opinions freely at RRV. Her criticism primarily concerned political influence in the PA organization, and she argued that this influence also affected results in PA reports. This was denied by the PA auditors, who saw themselves as highly independent in practice, despite of the formal structure, just as the RRV auditors did. An RRV employee proudly explained in an interview how he had been able to manipulate key people in order to gain extra influence for RRV. He described himself as very loyal to Rachel, and argued, just like an RRV department manager, that RRV rightfully should have had more influence than PA, given both their size and their better understanding of the importance of independence – the goal of the reform.

There had been conflict between the Directors-General at RRV and PA for many years (Section 1.1; Ahlbäck, 1999), and some meant that this still affected the relationship between RRV and PA. Bonnie explained (memo from Bonnie to the 3AG, dated 3 April, 2003):

> Some ambitious attempts to gather managers from both organizations for mutual reflections were made during the spring 2002. They did not lead to any fruitful co-operation, but rather reinforced annoyance and negative attitudes towards each other, which was sad.

Many performance auditors, especially those who were not involved in NAC projects, described themselves as very similar to performance auditors in the other organization. They were considered to generally be "the same kind of people". An auditor at RRV (Kimberly) argued that PA's experience of working under Parliament would be useful at RiR, but not all RRV employees agreed in this – some rather saw the PA relationship to Parliament as a problem, as did Rachel.

Competence was another central theme in merger preparations. This was often perceived as linked to independence, and for some RRV employees it was also perceived as being linked to the size of the organization. RRV maintained that their (claimed) relative independence was a sign of competence. At PA, auditors claimed that they were independent in their audits, but they could not deny that their institutional structure involved members of Parliament. Still, they argued, they were very competent, and they also pointed to their productivity numbers as evidence for this. Productivity was seen as a moral matter at PA, where they emphasized that they were spending tax payers' money and that this must be done efficiently. PA produced more reports per auditor than RRV, who responded by saying that PA's productivity could be explained by poor quality, partly because some of the PA reports were produced by one single auditor, while RRV worked in projects. RRV argued that their reports were of much higher quality and that the size of their organization made them more suited to suggest solutions for the new authority, which would be about the same size.

Thus, there was competition for influence, and competition to be recognized as the most independent and competent authority. As the office issue arose, this changed and focus moved to the relationship between the merger preparations management (NAC) on the one hand, and personnel at both RRV and PA on the other hand.

4.2.5 The office issue

The office issue came up as the NAC on 18 October, 2002, signed a contract for a new office building for RiR. When this was announced, it became clear that not all personnel would have individual offices. This had been a recurring request from personnel, very clearly

conveyed, for example, at workshops during the merger preparations kick-off in May, 2002. With the new office building, the NAC aimed at 80 per cent of employees having individual offices, and 20 per cent being placed in office landscapes (NAC meeting, 25 October 2002). Both unions and personnel objected loudly, and this question came to dominate the remainder of phase I.

At first, this choice of office building led to conflict between RRV and PA. Some RRV employees now blamed PA, for having "forced" them all to move into a new building. There would have been space for them all at the RRV office but PA had simply refused this possibility, it was argued at RRV. This was also argued in the media, where it was highlighted how costly moving would be.[31] At PA, personnel responded by emphasizing that the decision to move had not at all been theirs.

Very soon, the criticism took a new course. It was now directed towards management level - the NAC - instead. Both RRV and PA personnel were discontented, and the NAC had been responsible for the choice of office and office design. For reasons of principle, and to symbolize that RiR was a totally new and independent authority, a new office building had been necessary, it was argued already during the later cancelled merger preparations process.[32]

According to personnel, the NAC had promised to honour their request that everyone was to have their personal office at RiR. NAC argued that they had never made such a promise.[33] Now the NAC had

[31]For example in the SVT news broadcast Aktuellt, on 10 February, 2003. After an introduction, the journalist explained: "This concerns just over 200 people from RRV and circa 30 from PA, who should share space in the same facility. Although RRV has appropriate facilities at Drottninggatan, not far from here, staying here has never been an option – although it would be both more practical and cheaper than moving 200 auditors a couple of kilometres away. No, the motive behind moving is that only new facilities can create a new spirit in a new authority." In the interview, Luke responded: "Of course it is very important that the new authority has a new identity, that there is something new being created, not just a continuation of the old." The costs for moving were estimated to more than 80 million SEK in the broadcast.

[32]Letter from the union ST/RRV to the NAC, dated 5 February, 2003.

[33]No documentation can be found either, to prove such a promise. However, what can be found is documentation from the kick-off, where workshops resulted in requests from most groups, concerning individual offices.

signed a contract for an office building that was too small for each employee to have his or her own office. Union representatives explained that they had been promised that all employees would have individual offices, referring to formal correspondence and protocols.

At the same time as these promises were made, in the spring of 2002, an assignment had been placed with the Swedish Agency for Public Management (Swedish: Statskontoret), to look for an office building where 60 per cent of employees would have individual offices, and 40 per cent work in office landscapes:[34]

> As union representative, ST notes with disappointment that personnel have not had any sympathy for its demands in this matter, which for many is considered to be the most important one, to achieve efficiency and comfort.

Union representatives were called in to negotiate with the NAC. The solution that had been suggested would not lead to the proportions 80/20, unions argued, after calculations. Instead, only 57 per cent of personnel would have individual offices, and 43 per cent would be placed in office landscapes, according to the suggested solution. Standpoints in these calculations differed between the NAC and unions.[35]

Now, the unions, by means of an electronic questionnaire to its members, set out to put pressure on the NAC in this issue. A large majority (97 per cent of respondents from SACO, and 81 per cent from ST) replied that they wanted an individual office.[36] They were also asked to rank the importance of this matter. According to results, it was of very high importance (among SACO members the average was 4.6, on a scale from 1 to 5).

The main argument for individual offices was that this was necessary for an auditor's daily work – telephone calls, sometimes telephone

[34]Letter from the union ST/RRV to the NAC, dated 5 February, 2003.
[35]Letter from the union ST/RRV to the NAC, dated 5 February, 2003.
[36]Letter from the union ST/RRV to the NAC, dated 5 February, 2003.

interviews, and analytical work demanded a calm and private environment, personnel explained.[37]

Finally, the NAC agreed to change the office solution, in order to allow more auditors personal offices. The final solution was approximately 60 per cent in individual offices, 40 per cent in landscapes.[38] Personnel were still upset with the way that the NAC had argued and acted, not admitting their previous promises, and they were upset that some of them still would have to work in an office landscape. The office issue would continue to be discussed during the years to come, and there were often complaints about the office building, for example concerning the lack of soundproofing, lack of privacy, and lack of conference rooms.

4.3 Year 0, part II: Merger preparations with the 3AG (2002/2003)

Part II of merger preparations started on 10 December, 2002. On that day, the names of the three Auditor-Generals (3AG) were announced, and they formally took on their positions. In practice, all of them were not available full time until 1 April, 2003. The period ended with the implementation of the merger on 1 July, 2003.

4.3.1 Mixed reactions following the appointment of the 3AG

The Committee on the Constitution was in charge of the recruitment of the three Auditor-Generals.[39] The recruitment process took place

[37]Source: Interviews and the SACO-S/RRV letter to NAC on 15 January, 2003. A quote from the latter (p.1): "The work consists of much more than project meetings and conversations with colleagues. The work environment must be worded in a way that makes it possible to write, talk on the phone and think – without being disturbed. Members emphasize that peace for work is important for efficiency.

[38]Letter from the union ST/RRV to the NAC, dated 5 February, 2003.

[39]After a number of statements where a group of Auditors-General were recommended, the Committee on the Constitution decided, in the spring of

behind closed doors. As the national audit institution is a key control instrument for citizens in a democracy, voices were raised against this secrecy, and many argued that the recruitment process ought to be more open. In an editorial in the national daily newspaper Svenska Dagbladet (11 December, 2002), the Auditor-Generals were called "super auditors":

> Not least, the choice of super auditors, this time chosen in the greatest possible secrecy, ought to be open for scrutiny. Thus, the premier auditors of the nation should henceforth be appointed in an open recruitment process.

In, for example, Denmark, Finland, and Canada, the AG positions were always advertised publicly, so that anyone interested could apply, another journalist noted (Dagens Nyheter, 28 November, 2002), while criticizing the closed recruitment process for RiR in Sweden. Rachel, too, argued that this should be an open process, as did many auditors in interviews.

The appointment of the 3AG had been subjected to speculation both in the media[40] and at the two authorities, for some time. It had been emphasized that these individuals must not have a background in any political party, as there must be no doubt about the independence and neutrality of a supreme audit institution.

Auditors explained that they hoped that competent people, preferably such already known in the media, would be appointed to Auditor-Generals. They requested charismatic people, who could gain respect both internally at RiR, and externally. A PA auditor explained that the worst thing would be if these individuals had made their career by being obedient, explaining that "It must be people with integrity.".

2002, that RiR would be led by three Auditors-General. The formal purpose was "to achieve a lower degree of vulnerability and a broader competence, without the organization losing clarity or efficiency" (Sveriges riksdag, 2000/01:KU8, p.18). Informally, many spoke of the solution as "a political compromise". This was what was conveyed in an article in the newspaper Svenska Dagbladet (11 December, 2002).

[40]See, for example, Svenska Dagbladet, 26 November, 2002.

Expectations were high among personnel, so the atmosphere was optimistic when the announcement was finally to be made at a seminar on 10 December, 2002. Regardless who were appointed, the merger process would now enter a new phase, one where decisions would finally be made. Alison (one of the 3 primary NAC members) explained that now things would become really interesting.

When the names of the 3AG were announced, reactions differed considerably. All personnel were gathered. Many employees did not know Sophie at all. Matthew was known primarily to RRV, where he had been worked for many years. The appointment of Luke came as a surprise to everyone. It had been emphasized by the Committee on the Constitution, when merger preparations began in May 2002, that the intention was not to make him an Auditor-General. This is otherwise a rather common procedure, in committees under Parliament, as concerns the chairman. Luke had not only been the chairman of the NAC in 2002, but he had also been part of the previous, later cancelled, merger preparations process.

The general reaction among personnel was disappointment. This was especially evident with those from PA. At RRV, many were contented or neutral.

In interviews, personnel explained that one reason for their disappointment was that these individuals were not known to the general public or the media (many had hoped for civil officers with a high profile in society). Many asked themselves how these people would be able to create the headlines in newspapers that the authority would need, in order to gain response to their reports.

Another reason for the disappointment was how personnel at PA had experienced Luke in his position with the NAC. Personnel from PA had heard from Linda, during phase I, how he treated her in the NAC – and thereby PA as a whole, as it was interpreted. Rachel was a personal friend of Luke's, and many argued that this affected his attitude towards PA. At PA, personnel claimed that they were being given very little influence in merger preparations. Matthew, coming from RRV, was unknown to many, but with his background, PA auditors expected that he would rather safeguard the RRV interests than PA's interests. For PA, therefore, all hope rested on Sophie.

There was a break for lunch. The PA personnel gathered at a table, and sighed openly that the only thing they could do now was to start looking for another job. All agreed, and the atmosphere was very depressed. A PA auditor said, in the survey April 2003, regarding to the assignment of the 3AG and the issue of relative influence, that:

> On top of all this come three Auditors-General with close relationships to RRV. Matthew employed there, Sophie member of the Council, Luke with contacts via the Auditors' Committee. We can only give up, unfortunately!

Among RRV personnel, reactions were more mixed. Rachel explained at the seminar that she was "extremely happy" with the choice of Auditor-Generals, and emphasized that they were "very competent people".

As the names of the 3AG were announced, responsibility for merger preparations was formally transferred from the previous NAC constellation to them. According to the Committee on the Constitution, the NAC would remain; it would merely take on a new form. Formally, the three primary NAC members (apart from Luke) became experts instead, as they were replaced by the 3AG. In reality, the concept of the NAC was rarely used in this sense at RRV and PA during phase II, and former NAC members explained how it more or less ceased to exist.[41]

4.3.2 From a slow start to an extremely rushed process

Personnel at RRV and PA had looked forward to a process with swift decision-making and a lot of action, directly after the 3AG had been appointed. Those disappointed with these appointments, chose to hope that merger preparations would go well despite of this, and many of them explained that they put a lot of hope to Sophie in particular.

Expectations for a swift decision-making process were not met. The appointment of the 3AG was followed by a period of almost complete "silence", as personnel called it. In the beginning, personnel argued that

[41] In this text, NAC therefore only signifies the group that led merger preparations until 10 December, 2002.

the 3AG probably just needed time to co-ordinate and get to know each other. According to the staff magazine (RRK-nytt, 1/2003), the 3AG met every week to discuss issues. Toward February, 2003 frustration among personnel was extensive, and they referred to the limited time remaining before the merger.

Alison (one of the former three primary NAC members) explained that preparations had come to a rather sudden halt after phase I. She explained that they had been moving fast during the autumn of 2002. Alison explained that she understood that the 3AG needed time to get an overview, but that this took about 2½ months of very important time, "when the work came to a complete halt for us leading the projects". (Alison here referred especially to the Personnel Project and the Organization Project.) During the spring of 2003, she had even considered leaving the new NAC constellation altogether, since "in reality" they were not part of the process anyway, she argued. However, she still wanted to be "at their disposal", in case they should need her assistance. Other NAC members reasoned the same way, she claimed. Luke admitted, regarding to previous NAC members, that "the operational work came to be run increasingly by ourselves. […] We ourselves took command."

A NAC member said:

> We were very surprised, all of us, I must say. And we actually did meet some time informally, to kind of ask each other what was happening, because it just died all of this work. It came to a total stop, everything.

In interviews with the 3AG, they later explained that a problem during this period had been that they were not able to carry out their duties on full-time until March/April 2003, due to commitments in their previous positions. According to Luke, Matthew started working full-time on 1 March, Sophie about a week later, and he himself on 1 April, but occasionally they met before this as well. Luke and Sophie said afterwards that they regretted that they had not had more time for preparations at this early stage.

Sophie explained (20 November, 2003) that she thought Alison had found the change of the NAC somewhat sad, because she had a way of bringing people together (Swedish: en sammanhållande kraft) - but

"now we had entered the scene to make decisions". Meetings had had a tendency to aim at informing the former NAC members, rather than requesting their advice, after the 3AG had been appointed, Sophie confirmed. She added that she still thought that it was good that the group was still "formally" intact.

From 1 April, 2003, all 3AG were in place full-time, to lead merger preparations (RRK-nytt, 5/2003). These now became extremely rushed. Personnel described the period that followed as characterized by a kind of state of emergency decision making. "Preparation work enters a new phase", was the top headline in the internal newsletter, issued on 11 April, 2003 (RRK-nytt, 5/2003, p.1). It continued:

> It is now less than three months to the start of RiR. An intensive period remains for the Auditor-Generals and everyone else who is involved in the preparation work. Recruitment of managers to the new organization is proceeding at full speed. The detail organization is being shaped and the rebuilding of the office at Nybrogatan is running according to plan.

In March, 2003, a project organization was set up, to prepare the details of the RiR organization, to elaborate an audit plan valid during the autumn of 2003 and to suggest how RiR should work with this plan in the future. Seven projects were drawn up under the 3AG.[42] Employees with experience from each of the areas were included in the groups. (RRK-nytt 2003/04.) The projects covered:

- Financial audit
- Performance audit
- International assignments
- Companies (limited) and special audits
- Quality assurance and development of methods
- Administration
- Audit plan

[42] These projects were called assignments (Swedish: uppdrag) by the 3AG, but the informal wording was project and they also functioned as such.

Often, leaders of these projects did not discuss issues much with personnel prior to forming their suggestions to the 3AG. Nor did they always inform personnel about their conclusions. This was a problem, Bonnie explained, because it allowed them a great deal of power. They had not been elected by personnel, so they really did not represent the organization - the project leaders of the 3AG projects had been appointed by the 3AG. (As described in Section 4.2, the situation was similar in the NAC projects.) Still, personnel expected them to act as representatives for them, and therefore waited for these project leaders (or project members) to provide them with information and ask for their feedback.

The 3AG projects often became a forum for conflict between RRV and PA, just like the NAC projects. Partly due to the lack of time, conflict from the 3AG projects were not communicated much in the organization. The growing frustration with the 3AG leadership and the lack of personnel influence in general, tended to evoke stronger reactions than any former antagonism between the two merging organizations did.

During the late spring of 2003, an increasing number of auditors complained that they had noticed that the 3AG did not care much what the 3AG project groups had suggested, just as they had not cared about suggestions from the NAC projects. Bonnie confirmed that frustration and distrust grew rapidly during this period. An auditor from RRV (Daniel) explained that the project organization was:

> more of a pacifying measure than an attempt at democracy. […] Rachel too has played a democracy game every now and then, created development teams and then ignored their conclusions - she has her own ideas anyway.

He added that those involved in the projects, however, probably thought that it would be good for their career.

From May, 2003, there was a period of state of emergency decision-making. Unions complained that they were not being involved in these, due to the lack of time. Afterwards, there were many decisions that needed to be revised, and the first year with RiR was described by a

manager as characterized by "constant extinction of small fires everywhere", as issues became acute.

4.3.3 Limited personnel influence and increasing discontent

During phase II of merger preparations, personnel perceived their influence in management decisions as very limited. Discontent and frustration with the 3AG also grew, during this period. Many of the decisions they made, did not have the support of personnel. It also became increasingly evident that suggestions presented in the NAC projects often were disregarded. An example of this was the choice of organization design, where the 3AG agreed on a totally different organization than that which had been suggested by both personnel and the NAC Organization Project.

In a seminar held for personnel on 10 February, 2003, the 3AG announced that they had made their choice regarding to organization structure. It turned out that the 3AG had chosen a totally different design than that recommended by Alison and the Organization Project, a design that had also gradually gained the support of many employees during the autumn of 2002. The choice by the 3AG was seen as an indication of a management style where personnel's opinions were not taken into account, and where conclusions from NAC projects were ignored. Personnel were surprised and disappointed, and there was a wave of objections.

The new organization was described as very flat, and focused on audit areas. There were 6 departments for financial audit and 6 departments for performance audit. These were "mirrored" in terms of audit area, meaning that they were focused on the same area in the public administration and society. All 12 audit departments were placed directly under the 3AG. So were the 5 support functions and the 3 special functions. The organization is illustrated in Figure 9.

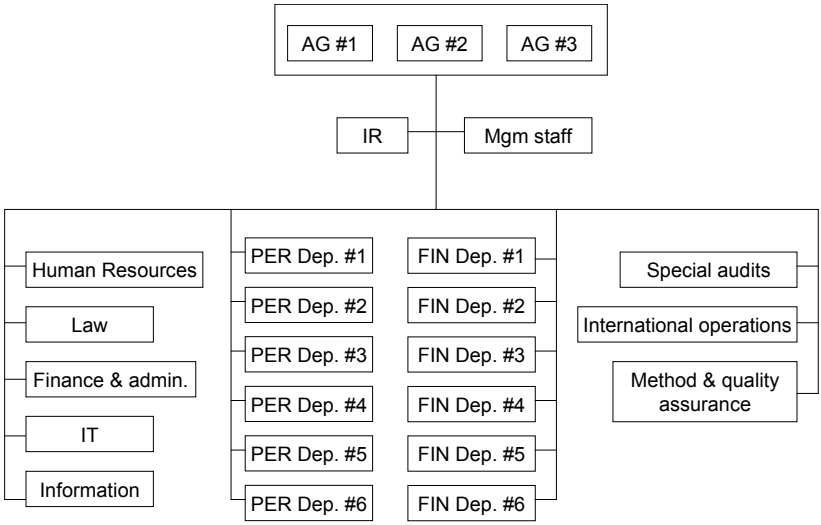

Figure 9. The RiR organization, as suggested in February, 2003. PER: Performance audit. FIN: Financial audit. (Source: Documentation from presentation at a conference for personnel on 7 March, 2003)

Personnel had many questions regarding to the new organization design, and some of them were answered in the internal staff magazine issued on 18 February (RRK-nytt, 2/2003). An information meeting for RRV and PA was held again on 7 March 2003. At this meeting, the design of the RiR logotype was also announced, and the 3AG's project organization was introduced, along with the names of those who had been assigned to participate in each project.

Despite of this project organization, personnel did not perceive that they had much influence. Disappointment from the lack of feedback on the NAC reports lingered, and as the 3AG announced new decisions that personnel had not been involved in, there was a growing consensus that they obviously did not care much about their opinion. In the projects, there were lively discussions, and in the project focused on performance audit, personnel from RRV and PA often stood on different sides. An auditor (John, 9 April 2003) explained:

> It started pretty bad. A lot of the tension that only emerged discretely before, emerged totally as these groups were gathered and people had to start talking. It probably worked to various degrees, it was often

> difficult, but from what I hear, however, people started to get along, to understand each other more.

Conflict between RRV and PA clearly decreased during phase II, at the same time as personnel became increasingly frustrated with the 3AG - their decisions that often lacked the support from personnel, and their leadership style, which not allowed much personnel influence. Both RRV and PA were also frustrated with the 3AG's initial "lack of" (or late) decisions, and the time pressure that this resulted in towards the end of merger preparations.

At the seminar for personnel on 7 March, 2003, four words that should be characteristic for RiR were presented. These were quality, entirety, comradeship, and proximity (Swedish: kvalitet, helhet, kollegialitet, nära).[43] The 3AG referred to these for a couple of months, but as discontent and practical issues increased, they gradually disappeared from the agenda.

4.3.4 Controversial dismissals

Already at the kick-off in May, 2002, personnel were informed that nobody would be made redundant, except for some administrative staff. The Committee on the Constitution referred to legislation, called "the transition rules", that would guarantee this.[44]

> All employees are covered by the transition rules and will thus be given employment with the new authority.

This was written in the internal staff magazine RRK-nytt (no. 2003/02, issued on 18 February, 2003). A union representative explained in January, 2003, that the 3AG were very discrete about redundancies among the administrative staff – "people count on being transferred".

In March, 2003, an RRV auditor (Rose) explained that there was a rumour about a "Black List" of auditors who would be made redundant:

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[43]Documentation from presentation at a conference for all RRV and PA personnel 7 March, 2003. Title: "Riksrevisionen – Den nya organisationen växer fram."

[44]Regler om övergång av verksamhet, §6b Lagen om AnställningsSkydd (LAS)

> In strange ways it has turned out that there is a list of people who will not be part of the new organisation. […] This means that they try to get rid of people they do not want, as they arrange with the new organization. This is rather difficult to deal with, for they do not want to discuss it openly.

The auditor explained that RRV had a history of searching for scapegoats, and saw this "Black List" as yet an example of such a notion:

> There is always a number of individuals, that they think everything will become better without. But at this place it will not become better when they are gone, for then there will just be new scapegoats, and then it is better if they are gone… So the situation is very bad at the moment.

As this rumour spread, personnel became increasingly worried. An auditor explained that there were cases where single auditors were being subjected to mobbing, as he perceived it. This was probably aimed at making this auditor leave before the merger, he reasoned, while emphasizing that it was a competent auditor, so he really did not understand why he would have to leave.

In June, personnel had been assigned to positions with the new organization, and managers had been appointed. A number of them had not been given a position. According to protocols from negotiations with unions (10, 13, and 19 June, 2003), there were 12 people within the administration who were given notice due to lack of assignments (Swedish: arbetsbrist). Apart from these, there were a number of people who had not been given a position in the RiR organization for other reasons. Some of these, it was argued, did not meet the formal requirements for auditors at RiR that had been established in the spring of 2003. Some of them were former managers, who would not become managers at RiR.

On 12 June, 2003, there was a conference for RRV personnel, followed by a gala dinner at the City Hall in Stockholm. This was called a "Grande Finale", and would mark the end of the RRV era (staff magazine Insaid, 2003/04). An RRV auditor (Rose) explained how she, and a number of others, had been taken aside during the conference to a meeting where they were notified that they would not continue to the new authority. The celebration in the evening totally lost its glimmer,

for these employees, she explained, adding that it was humiliating that they were given this message on this special day and occasion.

Many employees were annoyed that it had taken so long to decide who would be made redundant. Rose explained:

> They waited until people left RRV, so that no one could react, that is my conclusion. It can also be a general incompetence, that they could not get this done in time. But they started to look at this already in the autumn.

Just after the "Grande Finale", Midsummer was celebrated in Sweden, and many employees then went on vacation. Those who had applied for positions as managers, but did not have one, were also annoyed that it was not until the Midsummer week that they had received response to their application. These former managers were not given a formal position with RiR, and this was taken as a sign by many that they were no longer wanted there. After RiR had been formed, many of them were also invited to negotiations, where they were offered monetary compensation to leave.

The remaining personnel described, long after the merger, how they had been offended by these dismissals. In the employee survey May 2004, a RiR employee wrote:[45]

> In the transition to the new authority people were dismissed on arbitrary grounds. It was quite obvious that it was more about lack of loyalty than about the alleged lack of competence. With such a damaging propaganda you do not create an environment that makes people openly express what they think. We all know that we can be the ones to go the next time.

Fear to express objections was a problem at RiR during all the years following the merger.

[45]The Swedish word "draksådd" was used in this quote, it is translated with "damaging propaganda". This means the spreading of damaging opinions/doctrines, or an act that has fateful consequences.

4.3.5 Controversial appointments

The positions as Human Resources Director and Information Director at RiR had been advertised and a professional recruitment firm handled the process. The position as IT Director was never advertised. Instead, the current IT Director at RRV later continued to the same position with RiR.

As time went by, employees became increasingly annoyed with still not knowing which managers they would have at RiR, or what area they were going to work with. Furthermore, some people involved in projects did not know if these would be cancelled or continue to RiR, a fact that affected their sense of commitment and productivity in a negative way. They did not know if their work would be in vain. Some meant that other organizations in the public administration were currently trying to recruit people from RRV and PA, because they knew personnel were not content with this uncertainty. Charlotte, who chose to accept such an offer, explained that she had not known what she chose between, because RiR mainly provided "a great question mark".

In May, 2002, towards the end of merger preparations, the process became extremely rushed. According to personnel, they had extremely little influence in decisions at this time. Referring to the extreme time pressure, however, they settled with knowing that at least the most fundamental issues would now finally be solved. Some argued that the lack of time towards the end was no excuse for the 3AG not to allow more influence from personnel. An RRV auditor (Kimberly) meant that it was merely a matter of "taking the time", especially at an earlier stage, but meant that they obviously had not found this important.

In the middle of June 2003, only 2 weeks before the merger, the names of the new department managers at RiR were announced. About the same time, it was announced in which department each employee had been positioned. Most of them had been placed according to their requests. Auditors, and especially former managers who had hoped for a new managerial position, were very disappointed with the fact that this was announced so late. Keith, a department manager at PA, had been informed on 18 June (2 weeks before the merger) that he would not become a department manager at RiR. It was not until the week after this, that the names of the new managers were announced. He had

been told that other applicants had been more qualified, an explanation that he had accepted;

> This is not something that I am disappointed in, but rather, I am disappointed that there was nothing else, that they did not show any interest. Instead they only said, in principle that 'you did not get this and now we do not care anymore'. If they had offered something else, then…

He described this as a kind of insult. The 3AG had said that they wanted to discuss other assignments at RiR later on, but then they had nothing to offer Keith;

> There was never even a discussion. He went on vacation for some weeks and returned around 1 August. First, no Auditors-General were there, after a week one of them came to the office, but no one took the initiative to talk to me about what I should do. I was placed at an office floor far away from all the others, together with a former manager from RRV, who also just sat and waited for something to do.

On August 15 Keith had got a new job and handed in his letter of resignation. His experience was that the 3AG were very happy about this. There were several similar stories among personnel, about or from personnel who had been "put aside", with diffuse or very limited assignments.

When the names of the managers for RiR were announced, it came as a total surprise to personnel that none of these was recruited from PA. At PA, personnel were extremely disappointed and sad, and even at RRV, auditors found it "unjust" and "strange". Several of the new managers came from RRV. This matter would also be criticized in the media. Both RRV auditors and PA auditors tended to come together in the matter of both dismissals and the appointment of managers, both arguing that it would have been more just and better for the organization (due to their experience from Parliament), if some managers had been recruited from PA.

Linda, a former manager at PA explained (Sep 15, 2003) that recruitment felt like a blow against all personnel at PA:

> I talked to the auditors during lunch, and then they said that 'since you are believed to be unqualified as managers, we feel unqualified as auditors, because it is you who have chosen us.

Objections, both internally and in the media, were met by the 3AG with the argument that recruitment had been based solely on competence, thus implying that RRV managers were more competent than those at PA. This was taken as an insult by the whole of PA, since auditors perceived their individual qualifications as related to the quality of both managers and organizational structures.

Many auditors and former managers were critical of the merits on which external applicants had been recruited to managerial positions, as compared to the merits of other applicants. One of the new managers was recruited from the Budget Department at the Ministry of Finance, where Sophie (one of the Auditors-General) came from, and this raised a question mark among personnel. Still, in 2007, it was argued that too many of those who had been recruited came from the personal or professional (especially the Ministry of Finance) sphere around the 3AG.

The 3AG's reference to competence was found surprising by personnel at both RRV and PA, especially because one of the PA department managers, Norah, was extremely qualified. Norah was around 60 years of age, she had extensive experience in performance audit and a PhD in political science. For the last three months before the merger, she had served as substitute Director-General at PA, when the former Director-General had retired. Norah had applied for a position as department manager at RiR. The fact that she had not been given a new position there was highlighted in the news broadcasts in the Swedish Television, where it was argued that RiR was taking on extremely high costs in redundancy settlements (e.g. Aktuellt, 8 October, 2003). Still, in 2007, auditors referred to Norah as a proof of poor management by the 3AG, and it was argued that she was a highly competent auditor that RiR would have had good use for.

4.4 Year 1: Building the new authority (2003/2004)

The merger took place on 1 July, 2003. Year 1 was the first year for the new authority, stretching from this date until 1 July, 2004. Year 1 with RiR was described by most employees as chaotic and wearing. The 3AG aimed to start the authority totally anew, so there were extensive changes. Very soon, criticism arose against the lack of routines, policies and fundamental structures, and against the 3AG leadership. Issues were described as beginners' problems, by the 3AG and other managers.

4.4.1 A chaotic start and no sense of welcome

On the first day at the new authority, neither managers nor 3AG greeted personnel welcome. Many employees were on vacation, but some had chosen to take part in the "historic moment", as they called it, when the doors to RIR were finally opened. A few days later, one of the 3AG walked around and shook hands with employees, but many were not in their rooms at this moment. In interviews, personnel described how annoyed and disappointed they were over this sense of not being welcome. One of the Auditor-Generals, Sophie, was on vacation when RiR started its operations, a fact that many found especially annoying. It was even mentioned in a critical article in a national daily newspaper (Svenska Dagbladet, 1 July, 2003). A few days later, an internal welcome letter was published on the Intranet, where the Information Director greeted everybody welcome and apologized for the delay.

Personnel were also disappointed and annoyed over the lack of routines, policies and structures. No documents were to be copied from RRV or PA, it had been announced, as it was important to show that it was a matter of the establishment of a totally new authority, different from the previous ones. Despite of this, employees were sometimes given policies marked RRV.

After a few weeks, the official inauguration took place, when prominent guests from Parliament, the Government and the public administration were invited. The 3AG asked personnel to remain in their offices during this event, so that these external parties could see them at work. This caused great anger among personnel, and auditors declared that

this meant they would sit there "like monkeys", for these people to watch through the glass walls separating offices from corridors. There had not been a welcome party or kick-off for personnel yet, but this proved that external parties and appearances were more important to the 3AG than the RiR personnel were, auditors argued. Due to the heavy criticism, the 3AG changed plans and invited all personnel to participate. In October 2003, there was a formal kick-off also for personnel.

Anne at PA, explained that what had happened in merger preparations played a central role in emotions after the merger. At PA, personnel felt indignant and upset for how they had been treated by the 3AG, she explained;

> It may seem ridiculous, but the stirred up emotions that preceded the inauguration, did not improve things. The recruitment of managers, when we at PA did not feel well treated, respected - first by RRV, then by the 3AG, who have made a lot of statements in newspapers saying that they probably will start with auditing the Government, something that we have been doing for years. What we have done does not count, it is not worth anything, it is not professional, and so on.

Auditors in projects that continued from RRV or PA did not know if these would be closed down or continued, as it took time before the 3AG reached a final decision on this. In some cases, they were closed down, and the work that auditors had conducted for many months was thereby wasted. This annoyed personnel, both those directly concerned and their colleagues, who found it unjust and a sign of poor management. An auditor (Jennifer) described the first two years with RiR as "rather horrible", and explained that it took time to get over the fact that her project had been discontinued, after she had worked with it for two years. It was "so horrible that it cannot be described", she explained, crying.

In November, 2003, an Auditor-General (Sophie) explained that the big shortcoming at RiR was internal communication. "We feel that we have not succeeded there", she said, and explained that they had therefore invested heavily in the Intranet, and that they had arranged a number of meetings for the whole of RiR. Sophie added:

> The more people know, the more they want to have a say and participate, so at the same time, it is a question of priorities.

The 3AG had had three priorities, Sophie explained. The first was to inform themselves about current audit projects and decide which should continue. The second was to arrange with internal structures for management control, for example concerning the many new managers. The third was external contracts, but Sophie thought that many employees felt that the 3AG rather should have focused internally, and socialized with personnel;

> I think they feel a big need to meet us more. [...] Still, I think that we are perhaps more present than the previous management was - at least at RRV, where it was more hierarchical.

An auditor, (Maria, 8 October, 2003) described how she felt that she had been "shovelled into" (Swedish: inskyfflad) RiR, adding that her manager knew nothing about what she was doing and that they had still not had a meeting. In an ordinary recruitment process, they care about what you have done before, now it appeared to be worth very little all of a sudden, she explained.

4.4.2 Negative media

RiR had considerable negative publicity in the media during its first year. It first concerned expensive dismissals of competent personnel, then limping accounting routines and expenditure in general during this phase. RIR employees became angry with the 3AG for being unable to avoid this type of criticism, and unable to respond to it in a professional, decisive way, as they saw it. The 3AG, not knowing this, assumed that personnel felt guilty for not living up to expectations, and tried to comfort them in meetings, saying that they should not be take it personally and explaining that they did a great job. Personnel were surprised by this, because they had assumed that the 3AG felt guilty - the blame was "obviously" on them, they argued.

The fact that no manager had been recruited from PA continued to be highlighted in the media. On the day of the merger, a headline in a newspaper (Svenska Dagbladet, 1 July 2003) said "Big fight at the new RiR", referring to this. It was mentioned in the article that Rachel and

Luke knew each other since before, and in this context the journalist asked Luke if RRV had been favoured over PA. "It was managers at PA who audited and criticized the generous deals at RRV. Has this had any influence?", asked the journalist. Luke certified that managerial recruitments had been handled in a strictly professional process.

In an article in a major Swedish newspaper (Dagens Nyheter, 3 July, 2003), the recruitment of managers to RiR was highlighted again. There was a lack of experience from auditing the Government, among the new RiR managers, it was argued – an experience that managers from PA would have had. A member of the independent board also expressed criticism of the lack of auditing experience among the 3AG. Furthermore, this article reported on liaisons between some RiR managers and the Government. For an authority whose independence was perceived as key, this was hardly appropriate. Members of the RiR board issued this criticism, according to the article, but auditors had also reacted strongly in this matter, arguing that it was embarrassing and wrong. The article also reported on connections between one of the 3AG and the Government office;[46]

> One of the three Auditor-Generals, Sophie, was recruited directly from the Ministry of Finance, where she was a Budget Manager. She has now recruited and taken with her the Assistant Undersecretary NN from the same budget department. As new manager of performance audit, NN will audit the Government office and her former colleagues. But her new department shall also audit her common-law spouse, who has become the new Budget Manager, after Sophie.

An Auditor-General (Sophie, 20 November, 2003) explained that she was happy with the recruitment of managers, despite of the debate in the media.

In the article, it was mentioned that Luke had taken assignments from the Government office during the past years. For a decade, until the elections in 2006, there had been a left-wing Government in Sweden led by the Social Democrats. During the years from when RiR was formed, there were auditors who argued that the 3AG shared the same political preference. These speculations increased after the general

[46]Sophie's real name has been replaced with her code name in this quotation, and the manager's name with NN.

election, but they were only expressed anonymously, in interviews, never out-loud.

In a television news broadcast (Aktuellt) in Swedish Television on 8 October, 2003, the costs of dismissals following the merger, were highlighted. "Dubious agreements at RiR", was the title.

> The new RiR, that is responsible for the audit of state affairs, is now accused of themselves having drawn up dubious agreements with people who have been given notice by the authority. These people will cost the state more than SEK 20 million during the years to come – although these people were no longer working.

It was explained in the broadcast that those who had been given notice had been paid their salaries for up to 20 months in severance packages, and that some of them would thereafter be transferred to a retirement programme (Swedish: avtalspension). However, as concerned for example Rose, she explained in an interview that she had had more than four years with full salary, after which she would retire.

Auditors explained that at the same time as they were embarrassed over the negative media attention, they felt that it "served the 3AG right" to be criticized.

Resistance increased rapidly, but the 3AG claimed that it was mainly a small group of individuals who were dissatisfied. In the newspaper Dagens Nyheter, on 5 November, 2003, RiR was described as "almost paralyzed by internal fights". It was highlighted that RiR had not yet issued a single (performance audit) report (but this soon changed);

> The work has been paralyzed by, among other things, widespread discontent among personnel concerning both the physical and social-psychological work environment.

According to the article, personnel were also critical since it felt completely disregarded by management, as it was "not allowed to participate in the establishment of operations". Auditor-General Sophie (20 November, 2003) explained that she became angry when she read this article;

> I do not recognize it at all, I was pissed off when I saw it, when you think about how hard people struggle, how loyal personnel are and so

> on. So I do not at all recognize that things should be paralyzed and characterized by internal fights. I do not know if you have seen anything like that. Of course this is an organization where people discuss, analyze, criticize, have opinions, this is what we want it to be, we want this to be an organization where people have opinions. [...] Then there can be single individuals who think that 'yes, there are internal struggles and they seem to disagree with them' and so on, but this is not characteristic for how we experience the organization, it is not anything that I have heard.

On 6 November, 2003, a headline in Dagens Nyheter (DN) said "Eight managers were bought out by RiR" (Swedish: Åtta chefer köptes ut från Riksrevisionen). It was explained that RiR had paid 15 million SEK to be rid of some former managers. The article continued:

> Criticism of the new authority RiR now comes from more directions. The work is described as paralyzed by internal struggles and discontent. Critics argue that operations are ticking over. Furthermore, new information reveals that the authority, that should make sure that other state authorities and departments do not waste our tax money, itself does not practice what it preaches. Only since the start the three Auditors-General have authorized generous compensation for eight managers, fully fit for work, to leave. In total 20 people have been given notice with costly redundancy payments as a consequence.

In the article, it is stated that all of the RRV managers who were appointed to managerial positions with RiR, had a general 15 per cent rise in salary when they started at RiR.

In the spring of 2004, RiR continued to have bad publicity. In a news broadcast (Aktuellt, April 6, 2004), it was described how RiR had violated legislation on representation in their book-keeping. It was reported that the authority had spent 1.7 million SEK on representation only for the first six months, equal to SEK 5 800 per employee. Apart from this, several employees have "let the state pay also for family members to participate in representation abroad" (Svenska Dagbladet, 7 April, 2004). RiR issued a press release, saying that the internal control would be improved and that it was carelessness, rather than deliberate cheating, that was the reason. Because RiR was in charge of auditing other authorities' expenditures on representation, this was considered especially grave.

In a news broadcast two weeks later (Aktuellt, 22 April, 2004), new issues with book-keeping were reported. It started:

> RiR let money for development assistance in the third world finance an exclusive internal language course, Aktuellt reveals tonight. Not until Aktuellt has audited the matter, RiR has returned the money to SIDA.

In the broadcast, it was explained that RiR had let a former manager, who had been made redundant after the merger, take a language course in Portuguese in Portugal. This education had cost more than SEK 80 000. The broadcast continued:

> But, the expense was not entered under the account changeover costs, as it should have been, but instead it was hidden in the book-keeping, under an account for international operations. Furthermore, Aktuellt's audit reveals, a bill for the full amount was sent to the development assistance organization SIDA. Aid money thus paid for the employee's language education. Monday, RiR decided to refund the full amount to SIDA, 80 976 SEK. But when Aktuellt today interviewed Auditor-General Matthew, he claimed not to know anything about it.

Following the disclosure by the media, the 3AG were interrogated in Parliament on April 27, 2004. They admitted that there had been lacking routines for control and book-keeping, and ensured that these would be improved immediately. (Svenska Dagbladet, April 27, 2004.)

Personnel described how they were embarrassed to visit authorities after this negative publicity, and claimed that RiR had lost a great deal of its credibility, especially concerning audits on representation. Many auditors now felt ashamed to work at RiR. At the same time, many of them experienced that media's criticism was correct (see e.g. employee attitude survey May 2004) and an auditor (Carrie, 16 October, 2003) described the feeling as "a bit like -Yes! Let them have it!". According to her, many auditors shared this feeling towards the 3AG.

4.4.3 Questions following continued dismissals

Dismissals of former managers and other employees at RRV and PA continued, after the establishment RiR. Most of the former managers, who had not been assigned to a new managerial position, had not been offered any other position in the new organization schema. A former

department manager, Keith, explained that there were many who were "moved aside", as he was;

> There were many who had had very diffuse job assignments or nothing at all. One sat opposite to me, some were placed out elsewhere, some with job assignments that were enough for about one day a week.

While those who were laid off described a sense of disappointment, especially over not being wanted any more, other employees described a sense of anger with the 3AG for disposing of these, (as they perceived it) often very competent people, who could have been of good use to RiR. An aspect that was often referred to by personnel, in this regard, was that these dismissals were very costly, and that this was tax-payers' money.

It was only Norah who appealed against the managerial appointments. After negotiations with RiR, she agreed to withdraw this appeal in return for a generous severance package. In a news broadcast in Swedish Television, on 8 October, 2003, this was highlighted:

> A high official with a genuine list of merits, appealed against RiR's decision not to give her a managerial position. She has now been given notice. In exchange for withdrawing her appeal, she accepted a generous deal with RiR. It gives her full pay, that is 56 000 SEK a month, until 1 June, 2005. Thereafter, from the age of 60, a contractual retirement pension of more than 37 000 SEK a month, until the day she turns 65 years old. And this payment is guaranteed, regardless any other income she may have at the same time, as the agreement states […]

Norah was the only person who appealed against the appointments. You can do this when you want to obtain redress and have nothing to lose, a former manager explained;

> A person who appeals against appointments – even if he or she wins and turns out to be right – is stamped as a troublemaker and will have problem when applying for other jobs. […] So I do not think that anyone, who feels that they have more of their working life ahead, wants to do that.

Those who agreed to leave, with severance payment, described how they felt highly indignant that their competence and contribution were

no longer wanted at RiR. At the same time, they explained that they were very happy with the financial compensation.

There were three categories of people that were laid off, Auditor-General Sophie explained (20th Nov 2003). The first category covered redundancies, as the two organizations were merged. The second category covered individuals who did not meet the "competence requirements" at RiR, for example academic degree, co-operation, being able to represent the authority. She described these as "old personnel problems";

> The people who did not meet these requirements were people who were well known at RRV, who they had been working with for a longer time.

The third category was former managers who did not become managers at RiR. There were more than 400 applicants for 22 positions, she emphasized. There were eight former managers from RRV and three former managers from PA who did not have a new managerial position.

Auditors did not find all dismissals very well motivated, and this affected their trust in the 3AG. An auditor explained, in October 2003, that people at RiR were disappointed:

> It is partly a matter of the appointment of managers, partly a matter of what people they have got rid of. These are sensitive issues that evoke question marks and wondering, but decisions are made in secret. They have got rid of quite a deal of senior, and seemingly very competent people, without explaining why.

4.4.4 New audit approach with poor support

When RiR was formed, the 3AG announced that a new audit approach would be applied. The approach was new in several senses.

- Performance audit would aim at providing a basis for holding someone responsible (Swedish: ansvarsutkrävande). It would also be based primarily on established norms and regulations.[47]
- Co-operation between financial audit and performance audit should be intensified, as mirrored in the organization design.
- A "concern perspective" should be adopted, where more general conclusions should be drawn in the yearly reports.
- Improved/increased quality assurance.
- New templates and a new process, where projects would only continue if the pre study (Swedish: förstudie) indicated that there were severe issues at the audited authority.

With regard to these five aspects of the new audit approach, personnel requested guidance as to how they were meant to be implemented in practice. Neither department managers, nor 3AG could provide such guidance. While waiting for this, auditors continued to conduct audit as before.

> Everyone talks about the new mandate, and there are rumours saying that the Auditor-Generals want something else, but we still do not know what they want, they have not really communicated it.

an auditor (Carrie, 16 October, 2003) explained, adding that it felt as if auditors had no freedom any more, since they did not know what the new approach meant, and also because department managers stood more in focus than auditors.

These five aspects would continue to cause debate throughout the years to come, except perhaps for the matter of templates.

Auditors claimed that an audit based on formal norms and focused on pointing out someone as responsible (see RiR business plans 2004-

[47]According to the RiR Business Plan (Swedish: verksamhetsplan) for year 2004, p.14. This was repeated in the business plans for all the following years. In the RiR business plan for 2005, the RiR "undertaking" was defined (p.9): "We shall conduct audits of high quality and in accordance with good practice, which promotes insight and provides a basis for decisions and for holding someone responsible"

2007), was not what had been intended by Parliament when RiR was formed, nor did it comply with the role that they meant national audit should play in society. They also argued that this type of audit would make their profession a mere matter of trivial compliance audit. Few auditors would be interested in such rather simple tasks. The debate on the RiR mandate continued throughout all four years of this study, following the merger.

Concerning co-operation between professions, both financial auditors and performance auditors found it difficult to identify ways to co-operate. It was argued that in most projects, such co-operation would either not be feasible, or not be fruitful. Towards year 4, seminars were arranged to discuss how this co-operation could be implemented, and examples of successful co-operation projects were presented in the staff magazine.

With regard to the concern perspective, a Challenge Project (Swedish: bågspännarprojektet) was established by the 3AG in May, 2004. On the Intranet (14 May, 2004), it was announced:

> The three Auditors-General have together decided that RiR shall take up the challenge to draw comprehensive conclusions from different audits when it comes to how the Government runs authorities and companies and how the Government reports to Parliament. Bow-drawing shall take place by including, already in operations planning, to prepare for complete conclusions to be drawn about the Government steering and reporting to Parliament.

To what extent the 3AG should form conclusions like these was also subjected to debate through the years. Personnel increasingly argued that the 3AG just wanted media attention, and claimed that reports should stand in focus. According to auditors, it was difficult to draw trustworthy, reliable general conclusions simply from these reports.

The striving for media attention could be explained partly by the structure surrounding RiR, where RiR partly was dependent upon politicians and the media for reports to have any impact. However, many auditors also emphasized that this impact often could be accomplished already by the fact that an authority knew it was being subjected to a performance audit.

The 3AG announced that there would be improved routines for quality control, because quality had varied in reports from RRV and PA. This quality control would primarily be conducted by the 3AG themselves. After some time, auditors started to object to this routine, as they sometimes got different advice from the same Auditor-General, from different Auditor-Generals/managers, or they found the criticism poorly substantiated. None of the 3AG had worked much with performance audit on a concrete level, and this was being increasingly questioned by auditors, who claimed that they did not understand the way they worked. The definition of quality was questioned, and auditors started to argue that, due to the lack of support in this ambition to increase quality, it was rather a matter of quality control than quality assurance or support.

Auditor-General Luke (20 November, 2003) explained that financial audit was already "rather tightly controlled", but performance audit was not. It could be conducted in many different ways, he said, and continued:

> Now, we enter a new phase. […] We mean that we take a grip and lead these operations as Auditor-Generals in a way that they have not done before. And if you consider that they have been allowed to decide themselves very much before, what to audit and forms for audit, depending on the project, project leader, and employee, to all of a sudden there come requests from above and outside on what to audit, only this is a major change.

With regard to the lack of directions for the new approach in performance audit, the 3AG often referred to personnel themselves for finding ways to implement this approach. Luke explained (20 November, 2003):

> Many employees want a very high degree of participation, but they want very, very clear answers and directives about everything that is to be – and that is not really compatible. You have to participate yourself in formulating the way to work.

In year 3, the VÄGEN project was formed to discuss the formal mandate of RiR. Around March 2007 (year 4), a member of the VÄGEN project explained that they thought they actually had been able to influence the way that the 3AG reasoned in the matter.

4.4.5 Less autonomy and a growing discontent with management

As bureaucracy increased, professionals lost benefits such as autonomy and status. Throughout year 1, auditors spoke of how they experienced a lack of respect from the 3AG for them both as individuals, and as professionals. At the same time, they admitted, they themselves did not respect the 3AG much, due to what was considered to be poor management in many areas.

Soon after RiR had been formed, the 3AG issued a contact policy. In this document, it was declared that auditors were not allowed to contact upper management at authorities, ministries, etc themselves. Instead, this would be done either by the 3AG, or by a department manager. Auditors explained that this was not possible, and even department managers agreed, and argued that the policy was not feasible. Objections reached the 3AG and the policy was changed to encompass only the first contact with the authority. An RRV auditor, Natalie (27 September, 2004) explained:

> We are used to going out and meeting Directors-General. We have a power position when we are out there conducting an audit and then it is very strange if you suddenly have a policy saying that someone who is not as well-informed about the audit should have this contact.

The organization increasingly came to be perceived as bureaucratic, centralized and hierarchical, despite of the flat organization design. Personnel were asked not to approach the 3AG with their concerns or questions, but to follow the line of command. They were to turn to the department manager in such matters. When personnel, despite of this, approached the 3AG with questions, they were sometimes corrected rather harshly. When the 3AG gave feedback on drafts for reports, they only wanted to do this to the project leaders, not to any others in the group of auditors, they announced. Auditors, as well as project leaders and often also department managers, were surprised by this hierarchical leadership style and disliked it. At both RRV and PA, it had been possible to have a dialogue with the Directors-General.

Quality control was also increasingly being experienced as bureaucratic. A group of reviewers (Swedish: lektörsgrupp) was eventually introduced for quality assurance, but it was not clear how these individuals had

been appointed (interview with Maria, October, 2003). Hence, the ethics of the 3AG was questioned, as were their managerial skills.

Annoyance with the lack of feedback on reports from merger preparations continued. For quite some time, there were employees who still hoped to have this feedback and perhaps some kind of reward. Instead, there were individuals from these projects who were made redundant, or who were simply put aside, not having been assigned to a position with RiR. The 3AG had sent out a general thanks to all project leaders for their work, one of them (Maria, 8 October, 2003) explained:

> …but we have not had any feedback founded on facts, and I find that strange, considering the effort that was invested, both in quantitative terms and in qualitative terms. I do not think that the 3AG realize that this is having a wearing effect on the organization.

Anger and disappointment with the 3AG in the general matters of managerial appointments and dismissals remained. Not least, this concerned Linda, who had taken on an important role and a big work load in a project under the 3AG in the spring of 2003. This did not only cause grievance with her, but also among other auditors among personnel, who became angry with the 3AG on her behalf. She had spread information to both RRV and PA. Discontent with the 3AG increased as the authority was exposed to negative media attention.

Many of the actions of the 3AG, like these dismissals, were considered unjust. The greatest injustice made by the 3AG, as perceived by personnel, appeared to be the limited influence that they had given the former PA organization. Most employees agreed that RRV had had far more influence in the merger process than PA. This did not only annoy former PA employees, but also many former RRV employees, who believed that PA had not been treated in a just way. They referred especially to the fact that no manager had been recruited from PA, but several from RRV. Many of the interviewed auditors described how they experienced that they had been insulted by the 3AG on a personal level too, sometimes just based on the way that they had been treated or spoken to at meetings.

Salaries was an important issue during this period. Due to time pressure, salaries were settled without much discussion or consistency,

causing loud objections from auditors. After some time, they were adjusted further, but the structure was not perceived as just, and the Equal Opportunities Authority (Swedish: Jämställdhetsombudsmannen) was involved, due to unsatisfactory wage mapping (see section 4.5.4). The office issue also continued. There were problems reported by employees both in individual offices and in landscapes, and personnel continued to question how the NAC – or the 3AG, as they said (Luke being the chairman of the NAC, already in the autumn of 2002, when this choice was made) – could have made such a poor choice of office building.

Most of those interviewed described the first year with the new authority as very wearing, or chaotic. The personnel manager, Olivia, was one of these: "One is a bit tired after this year. It has been an incredibly tough year. And a very exhausting year." (interview, 30 September, 2004)

At the Financial Department, PA employees explained that they were being subjected to mobbing, and the relationship with this department manager was strained. She had previously been the head of the Financial Department at RRV, and there had been controversies between her and Linda, the Administrative Manager at PA, already during merger preparations. After book-keeping issues had been highlighted in the media April 2004, problems at this department increased, and a new (temporary) Financial Director was appointed in May, 2004.[48] The former department manager was later moved to a non-managerial role in another administrative department.

Partly following policies hindering them from contacting the 3AG, personnel hesitated to contact them also to express concern or to object to decisions. The growing resistance against the 3AG was directed primarily to department managers, union representatives, and colleagues.

Despite of this, when asking managers, they claimed that there were no major issues in the organization. Sophie explained (20 November, 2003) that "Generally, things have worked well. We have succeeded with the overall assignment."

[48]Protocol from board meeting, SACO-S/RiR, 14 May, 2004

She referred to the lack of time in merger preparations, and repeated that "given these conditions", things have gone well. Luke (20 November, 2003) argued the same way, and said that there had to be a running-in period (Swedish: inkörningsperiod) for the authority, before everything was in place. Asking a department manager how things went at RiR, almost five months later (7 April, 2004), she replied: "I think things are going terrifically. In general things are going terrifically."

When pressured on this matter, with reference to employees saying the opposite, this manager waves issues aside, saying it is beginner problems, they are natural "and can be handled", it is nothing big - "It is a new organization, what do they expect?".

Unions had informed the 3AG that there was a growing discontent among performance auditors, but they meant that it was hard to make the 3AG listen. An Auditor-General (Luke, 20 November, 2003) argued that it was difficult to tell if unions truly represented all of personnel or only certain groups of individuals;

> I see participation in two ways, because it is not just unions that you negotiate with, but personnel have to participate. [...] If I have my negotiations with union organizations, I need to know for sure that they represent personnel, and that they do not only represent their own interests and opinions.

Asking Luke if he thought the unions did represent personnel, he answered that he did not know, and that he did not dare to answer that question. He emphasized that young and old people, for example, may have different opinions, and that the opinion of the younger employees perhaps is not reflected much in the unions. Therefore it is important to discuss things at each department.

A number of SWOT-analyses, showing strengths, weaknesses, opportunities, and threats, were conducted in the spring of 2004. All personnel participated. When results from these analyses were presented, it became clear to the 3AG that discontent was widespread and focused largely upon their leadership, many auditors and managers

explained. In a summary of all SWOTs[49], weaknesses were described this way:

> Departments mostly have opinions on different aspects of management and leadership. Opinions concern both the top management of the authority (3AG) and the managerial level beneath this. […] Furthermore, it is argued that the competence of personnel is not fully used. Personnel do not experience that they can participate and they do not experience that decisions are anchored in a suitable way in the organization. It is considered a weakness that operations are run in a hierarchical way and that they are considered to be managed top-down.

A manager described how the 3AG had reasoned in their discussions, as results were presented, explaining that they had argued that a limited number of discontented employees had probably influenced these results too much. Unions and the 3AG agreed that an extensive employee survey should be conducted. In May 2004, an employee attitude survey was conducted, by the Swedish Statistical Bureau (SCB). This is one of the largest statistical bureaus in Sweden. Results were presented on 7 September, 2003 (see section 4.5.1).

4.5 Year 2: Recognizing resistance and taking measures (2004/2005)

In an internal letter from the 3AG to personnel, at the beginning of year 2 (just after the summer of 2004), the headline was "Time to get started again". The 3AG wrote:

> Our first year was incredibly interesting and instructive, but also turbulent and tough on many of us. Now that we have entered our second year, we hope that this will be a more stable year and that results from our build-up work shall become evident.

[49]Document from the Strategy Project, p.6f. The document was dated 7 June, 2004, and results were reported at an information seminar for all personnel on the day after. Title: "Riksrevisionens nulägesanalys. En första summering av samtliga avdelningars SWOT-analyser – en aktivitet i strategiprojektet. Avrapportering på myndighetsdagen den 8 juni.".

Year 2 stretches from 1 July, 2004 to 1 July, 2005. During this year, resistance was openly recognized. Despite of many signals from personnel, the 3AG and some of the managers had hesitated to understand or admit that this resistance was widespread. As results from employee survey no. 1 were presented, it stood clear that RiR had severe problems with discontent among personnel, and measures were taken to improve the situation. Many formal structures were also still halting, as year 2 was entered.

4.5.1 Employee survey no. 1 confirms extensive resistance

On 7 September, 2004, results from employee survey no. 1, conducted in May, 2004, were presented. It confirmed what had been indicated in the SWOT-analyses the same spring. The survey report from SIFO explained in the introduction:

> The summarized picture of RiR is constituted by values that are below external reference values […] The often low values are confirmed by open responses, where also constructive viewpoints are articulated.

According to the survey, co-operation on department level worked rather well, but there were issues concerning RiR on organizational level. Leadership and governance issues stood out as fields where personnel were discontented:

> The survey reveals that confidence in the 3AG is very low and that employees have a poor understanding for decisions made by the 3AG. According to the open responses, many employees are met by distrust from 3AG, as concerns employee competence. (SIFO report, p. 1)

Human resource management, co-operation and general work climate, were other problematic areas.

Only 6% agreed that the group of managers worked satisfactorily, while 76% stated that they did not agree. In total 6% agreed that there was a well functioning organization structure at RiR, while 80% did not agree in this. A total of 13% agreed that quality assurance functioned well at RiR, while 53% maintained that it did not. Only 20% stated that they had confidence in the 3AG, while 56% stated that they did

not. Confidence was greater among managers and employees who did not come from RRV or PA. An analysis revealed that RiR had a considerably lower "people retention index" than other organizations in the same context: 30, compared to 53 - the risk of personnel leaving the authority was high. In total 30% felt proud to work at RiR.

A number of positive factors were also mentioned, mainly on department level. For example, knowledge about legislation affecting RiR was good, personnel were contented with their concrete work tasks and with co-operation and information within the group or department, and they felt respect for their colleagues. Personnel also appreciated possibilities to take responsibility for children and family, at the same time as they fulfilled their assignments at RiR. They perceived the stress level as rather low, and there was not much mobbing, sexual harassments or other kinds of discrimination.

At RiR, a total of 9% agreed that integration of operations from previous organizations worked well. In performance audit, this figure was 13%, while 50% declared that it did not work well. According to interviews, auditors at both RRV and PA meant that PA auditors' experience was not being used as much as it could have been, and they also agreed that PA had had too little influence in the merger process. An increasing number of RRV auditors explained in interviews that it was not until now they had understood the value of PA's knowledge about Parliament and Government.

Another reason why the integration of RRV and PA was perceived as poor, could also be that many PA auditors had gathered in the same department (called EFF1), while there was especially one department that had been passed on to RiR from RRV with only a few changes among personnel. An RRV auditor (John, 7 April, 2004) explained:

> At the quality function, there are only former RRV employees and that has some influence. It is largely a matter of interest. We have not tried to stop PA to join, but they have not been very interested in development issues here, instead most probably want to work with audit, this is the impression I get.

Another RRV auditor (Kimberly, 2 October, 2003) meant that it was rather a case of former PA employees "falling behind", and not having

positions in important groups. They have been "badly treated" all the time, she argued. Many PA employees felt the same way:

> As I interpreted it, PA lost the power struggle between RRV and PA, because they had no managers. Well, it feels as if they have very little influence at all now over how things are shaped.

Among performance auditors at RiR, only 3% believed that human resource management (personnel politics) at RiR was characterized by an overall perspective and consistency. The corresponding number at RiR in general was 9%.

Possibilities for communication and discussion at RiR were perceived as satisfactory by 15% in total, and by 11% of performance auditors. Employees described how there was an atmosphere where they were afraid to speak their mind (Swedish: "lågt i tak").

Results from the survey were reported in both news broadcasts on television and in newspapers. On 8 September, 2004, a headline in the large Swedish daily paper Svenska Dagbladet announced: "The Auditor-Generals sharply criticized by personnel". It continued:

> In an internal survey, managers are criticized for centralization, poor communication, and for being indistinct. Confidence in the three Auditor-Generals is very low. […] The atmoshphere at RiR is described as hierarchical, indistinct, bureaucratic, closed, and it is said that the top management lacks confidence in their personnel.

The 3AG reaffirmed that they took the results seriously and that action would be taken to deal with the issues. Sophie explained (28 September, 2004):

> We can just establish the fact that we have not lived up to personnel's expectations, they were disappointed. […] I actually do not think that there is anything wrong with our organization. I think it is a darn strength to be three, and I also think it is good that we have a flat organization, but we have not yet made use of the potential in this organization. I do not think there is any major problem with our organization, but I think that what is surfacing exists in every organization. […] But at the same time it is good that it becomes clear and I think that perhaps it will urge development in the organization.

An auditor from RRV (Natalie, 27 September, 2004) described how she hesitated as to how the 3AG would handle personnel's attitudes and feedback in the survey:

> They can easily just wave it aside and say that it is personnel who are stupid, averse to changes, and obstinate. […] Of course, they would not say it officially, but based on some of their statements, I think you can interpret their attitude this way.

At the same time as Sophie (28 September, 2004) defended the organization structure, she also admitted that the 3AG could have chosen an "easier" organization:

> Of course, we have not chosen the easy path; we chose a more difficult one. The easiest thing would have been one department for financial audit, one for performance audit, one department manager, and unit managers under this, maybe even a general secretary and then us, perhaps a bit higher, floating away from operations. But this is not the way that we have chosen to work.

In open comments in the survey, many employees requested an organization more like the one Sophie sketches here. Integration of financial audit and performance audit was not feasible, despite of the organization, at least not to the extent that the 3AG expected, personnel argued.

A performance auditor (Carrie, 27 September, 2004) explained that she was so contented with her manager that she would stay with RiR:

> I think that year 2 will be better. After this employee survey they have to understand that they must change their attitude. I think that they previously thought that there were just people complaining in general.

4.5.2 Measures for improvement

A central group was assigned to lead the work to improve workplace conditions, when survey results had been presented. This was called the ABA Group (in Swedish: Arbetsgruppen för bättre arbetsplats). The ABA Group was made up Auditor-General Sophie, the Information Director (Ashley), an auditor (Gregory) in charge of co-ordination with the Strategy Project, a representative for the Human Resources

Department, two representatives from each of the two unions involved[50] and the RiR safety officer Hannah.

Employees were invited to meetings in each department, to suggest concrete action to improve the situation at RiR. The areas where action plans were requested by the Auditors-General were:

- involvement and communication,
- development of leadership and co-workership (Swedish: medarbetarskap),
- Human Resource policies (Swedish: personalpolitik),
- organizational efficiency - management structures and work forms,
- physical work environment.

The meaning of co-workership is not specified in the documents that have been studied. Under the headline "Development of co-workership", in the ABA action plan (suggestion for comments), it says (p.10):

> A fundamental paragraph in the Work Environment Act is that employees should have the possibility to participate in shaping their own work situation and in change and development work concerning their own work. It is important that the interplay between leader and co-worker works. At the same time as leadership develops, so shall co-workership at RiR be noted and clarified. A central issue is, for example, what is expected by an employee at RiR.

Other issues concerning co-workership were, for example, introduction programmes for newly hired employees, competence development programmes, forms for dialogue with the individual employee, follow-up on work forms in projects.

[50]SACO-S (the Swedish Confederation of Professional Associations) and ST (Swedish Federation of Civil Servants). According to the staff magazine "8 månader" in March 2004 (p.11), about 180 employees were members of SACO, and about 60 employees were members of ST.

On 11 November, 2004, an action plan had been established and it was sent out to personnel for comments. It concluded (p.1) that a major problem at RiR was a lack of involvement:

> A central issue is involvement. Many experience a lack of involvement in both preparation of matters, and in how the organization is being developed. Attitudes and approaches towards employees have been experienced as lacking in trust, respect and interest. Many request communication and dialogue concerning essential issues in the organization. Many mean that their experience and competence are not being used in the organization.

The areas covered in the action plan were the following:

- Organizational development (Swedish: verksamhetsutveckling)
- Organizational efficiency
- Management and involvement – leadership and co-workership
- Communication
- Office etc.
- Human Resource policies (Swedish: personalpolitik)
- Co-operation at RiR

As concerns co-operation at RiR, co-operation between employer, personnel organizations (unions) and safety organization (safety officer etc) is intended. Under this headline, the action plan states (p.17):

> According to legislation and agreements, there should be specific procedures in the authority, to support co-operation between the parties and the involvement of personnel in issues concerning the work environment in a wide sense. These procedures presuppose that there is a climate for co-operation, built on confidence and trust. The action plan as a whole serves to solve the trust issues that have been presented. Measures shall be implemented with consideration to high demands for involvement

Olivia, the Director of Human Resources, explained that union representatives initially felt completely disregarded:

> When we started, the relationship was not at all good and they thought we, the employer, essentially had just disregarded them and made our own decisions, ignoring them.

She explained that one of the two unions now had its third chairman in a year, and that this affected co-operation. She added: "Start-up processes take a lot of time and probably should be allowed to do so."

Vagueness and insecurity (Swedish: otydlighet och otrygghet) were described as two words characterizing the situation at RiR, in the action plan. This stated that most measures shall be undertaken within 1½ years and that a new employee survey shall be conducted during the autumn of 2005.

In parallel with the ABA project, there was a Strategy Project, focused on vision, goals and strategies for RiR. Results from this project were presented on 27 September, 2004.

Towards the end of December, the 3AG agreed on a final action plan. This encompassed measures on both central level and department level.

The Director of Information, Ashley, was put in charge of the ABA Group and the co-ordination of measures for improvement. From February, 2005, she was assigned to allocate 50% of her time for this. Ashley listened to personnel, and employees expressed trust in her. Her assignment included "coaching or making things happen and also acting as some kind of controller, making sure that all strategic projects retained direction and speed", she explained (20 January, 2006).

4.5.3 Growing administration and increasing bureaucracy

A number of "development projects" were started during the spring of 2005, and a Deputy Director-General (Swedish: överdirektör) was appointed. This managerial level was added by the 3AG, despite of protests from managers of several administrative departments – departments that he would be put in charge of. These were the departments for Information, Finance, Human Resources, IT, Law, as well as International Projects.

With a Deputy Director-General, they would no longer report directly to the 3AG, but to him instead, and thus they would no longer be part of the management group. The managers argued that it would be difficult finding competent people for these positions in the future, given this structure. They also agreed that the 3AG had not handled the process around the choice to change the organization design very well;

> I think leadership was very bad in this particular case. […] They meant that they had a problem with co-ordination, then they solved the problem themselves, and presented a complete solution and in the next minute you talk about involvement. It is a very good example of how you should not act. In that case you say that 'we do not think that this works, have you any suggestions regarding to how it can be solved?'.

said one of the managers.

Several managers claimed that a risk with appointing a Deputy Director-General was that their functions became understood as administration, rather than as units of strategic importance. Human resources was one of these areas. Lauren explained (13 October, 2006) that there would be nobody in the management group with competence in this specific area. She also added that it was a totally new situation for her, not to be part of the management group, and she described it as "a step down":

> When it comes to strategic issues I have had direct contact with the Auditor-Generals, but now I am no longer allowed to have that.

There were also protests when Bill was appointed to the position. Protests were raised by administrative department managers. The personnel who had got to know Bill during his years as a manager at RRV described how they were very surprised to see this appointment, and he did not have much support among them either. Again, protests were ignored. His mandate expired 1½ years later, and despite of new protests from both unions and department managers, the 3AG chose to extend his employment contract. (The newly appointed Auditor-General Brooke explained in interviews how she had not supported this decision, but had to submit to it, as she was outvoted by her fellow Auditors-General in the matter.)

During the spring, personnel became increasingly annoyed with what they meant was a rapidly growing administrative body. It was highlighted in the first employee attitude survey, and the issue was also discussed in the March, April and May issues of the internal newsletter KURiREN (2004/03, 2004/04, 2004/05). In the first issue (KURiREN 2005/03), Bill (the Deputy Director-General) responded to the criticism, saying that they were rather under-staffed in the administration, and that more resources were necessary to make sure that all routines and processes functioned well. He explained that there should, however, be room for streamlining and saving in the administration "after the building period". Management often referred to organization problems as start-up issues, indicating that it was just a matter of normal problems once a new organization is started.

In KURiREN 2005/05 (p.7), a financial auditor had written a letter to the editor, saying:[51]

> I read in our staff magazine that 'Overhead costs constitute about 52% of total costs. At the same time last year they were 61%. The two largest items are Management and support within the department, and Offices.'. This statement can be put in relation to the ESV investigation in the area. According to their new report […] it is stated that all overhead costs, in percentage of total costs for authorities, have a mean value of 26%.

The Finance Director responded to the letter, referring to different ways of calculating overhead costs. "Of course it is not good to have an overhead exceeding 50%", she argued, but just like the Deputy Director-General, she claimed that establishing new routines in the authority required considerable overhead costs:

> Other factors that affect the mutual overhead costs is that RiR is still in a build-up phase. The ambition is to act as an example in the public administration, meaning that we continue to develop our routines and guidelines and that we spend a lot of time on this.

[51]Note that ESV stands for the Swedish National Financial Management Authority (Swedish: Ekonomistyrningsverket)

4.5.4 Salary issues

Another matter causing resistance was salaries. This had arisen already during year 1, but the lack of a working salary structure at RiR became increasingly acute during year 2. When summarizing discussions in negotiations with the 3AG, following the Codetermination Act (Swedish: Medbestämmandelagen), toward the end of year 1, unions wrote:[52]

> ST brought up the question why the 3AG has not responded to the mutual letter from ST and SACO that had been addressed to them in connection to the salary audit. The question concerned information that there should be more room for salary rises than the employer had allotted. The 3AG meant that they had delegated salary issues and therefore had not responded to the letter. NN considered this to be a reasonable explanation for why they had not responded while the salary audit was going on, but not to why the 3AG had not responded after the audit had been finalized.

Personnel were annoyed with the salary increases and salary structures that were perceived as unjust. Many of them also meant that department managers had been given salaries that were too high when RiR was formed. Olivia (the HR Director) explained that she could agree that these salaries perhaps ended up a bit too high:

> We have a very expensive management group. Our overhead on management costs is much, much more expensive that it was before, so it is a costly organization that we have too.

A manager explained that the reason for these raises probably was that the 3AG wanted the gap between their own salaries, which were considered to be very high, and the next level in the hierarchy, to be smaller.

The EOA, Equal Opportunities Authority (Swedish: Jämställdhetsombudsmannen, JämO), had requested that RiR handed in a salary survey (Swedish: lönekartläggning) by November, 2004. By the end of September, 2004, Olivia left her position as Director of Human Resources at RiR. The new Director in this position, Lauren,

[52]Protocol from a board meeting, SACO-S/RiR, the 14th of May, 2004. I have replaced a name in the text with NN.

described how she was called for by the EOA during her second week with RiR. They had explained that RiR would be brought to the Equal Opportunities Commission (Swedish: Jämställdhetsnämnden), because the salary survey had not been satisfactory. Certain improvements were requested.

Despite of discussions, the RiR management and the local unions could not agree on how the new salary survey should be conducted. Therefore, unions were not part of the process, and they handed over a formal reservation to the EOA regarding to the salary survey that RiR finally sent them. Lauren explained how a stereotyped rise in salary had been carried out for personnel – "it gave us temporary peace and quiet". However, it annoyed personnel considerably, as they could see no connection between salaries or salary increase and performance, experience or education.

In February, 2005, the EOA rejected this salary survey as well. A new person was recruited to take care of the salary survey, and in the staff magazine (KURiREN, 2005/02), personnel were informed about the situation. Now, EOA requested that RiR was to be ordered to pay a fine (Swedish: man yrkade vitesföreläggande), unless a proper salary survey was presented before the summer.[53]

These salary issues continued through years 3 and 4. In a union (SACO-S/RiR) protocol from May 2006,[54] it was established that the RiR work with a salary model and salary reviews had violated collective agreements (Swedish: kollektivavtal), the Swedish law on codetermination (MBL), and the ABA plan for a better work place at RiR. The union described how they had been left out of the process. In a protocol from a meeting a couple of weeks later,[55] it was explained:[56]

> The employer tried to disregard personnel organizations and pit them against each other. Managers were asked to press employees into an unfinished model, that had not been negotiated according to MBL legislation. Matters of salary surveys, salary model, and equality work,

[53]SACO-S/RiR, Annual Report for 2005, p.6-7
[54]Protocol from board meeting with SACO-S/RiR, dated the 2nd of May, 2006.
[55]Protocol from board meeting with SACO-S/RiR, dated the 15th of May, 2006.
[56]JUSEK is a Swedish union with the English translation Swedish Federation of Lawyers and Economists

> which according to the JUSEK should be kept apart, have been jumbled together by RiR.

Around August 2006, it was suggested that RiR should join a system for classification of work tasks, called BESTA. RiR was the only state authority that had not yet taken on this system. During year 4 this was agreed.[57]

4.5.5 Objections to organizational inefficiencies

There was a growing consensus among personnel that the atmosphere at RiR was not particularly open (Swedish: inte högt i tak), that they were afraid to voice their opinion to the 3AG. The 3AG explained that they could not understand this. In the internal staff magazine (KURiREN, 2005/04, p. 2f), they were interviewed on this matter. Sophie commented:

> It is not open enough, this is a fact. It is important for the organization that personnel feel that they can say what they think. But I do not know really what they are afraid of? Is it us in the management group, is it their department manager or is it their colleagues? It is important that we listen to each other, questions must be highlighted from different angles. At the same time I think it is a matter of definition what an open atmosphere is. It must not be confused with a constant questioning. There must be fixed rules and frames, but with a lot of space within these frames for both managers and employees.

Luke says, in the same article:

> It is regrettable if personnel are afraid to voice their opinion. We emphasize to all new employees that it is important that they say what they think. Oppenness increases too, once you get to know each other. Another matter is that the decisions that have been made shall be followed.

Most personnel and department managers agreed that the organization design was not very good. A flat organization requires very clear roles and responsibilities, they argued, and these were not yet in place. Many performance auditors argued that, in practice, the organization was very

[57]Protocol from a board meeting, SACO-S/RiR, 21 August, 2006.

hierarchical, and not at all flat. A manager explained that a reason for this could be that the 3AG did not have the time to talk to individual employees, due to their wide control span of managers. The 3AG did not want auditors to get in touch with them directly. Instead, they were to talk to their department managers. However, at the same time, the 3AG were highly involved in reports and had many comments on each version of the audit reports. Many, if not most, employees maintained that they had far too many comments. Auditors did not always agree with the 3AG's feedback either. A manager explained that it was not at all strange that auditors sometimes tried to contact the 3AG directly, given this involvement from their side. The 3AG did not want to take in a leadership consultant, a manager explained, adding: "I do not know if they would see that as a failure."

Some of the department managers were not auditors and this resulted in legitimacy issues, as personnel meant that they could not add much value to their work. Resistance was, however, mainly seen to be between personnel in general (both managers and auditors) on the one hand, and the 3AG on the other hand.

The 3AG had requested increasing co-operation between financial audit and performance audit, but there was no structure for this co-operation. Both professions asked themselves how this could be done in practice, arguing that their work was very different and there were few natural synergies. The 3AG could not advise. Because of this, personnel requested, especially in the survey, that performance audit and financial audit were separated in the organization schema, just like they had been at RRV. The 3AG did not approve of this, as the action plan revealed. In this action plan, this suggestion from personnel was accordingly overruled. (KURiREN 2005/04)

On 30 September, 2004, the Director of Human Resources left RiR for another job, after only a year with them. She explained that her job had not become as strategic as she thought it would, since she had had to spend most of her time getting routines and structures in place. Personnel often argued that the Human Resources Department was too invisible. She agreed, and explained:

> It is true, I think so too – because we have done partly the wrong things. That is, we have done what we had to do to keep our heads

> above the surface, but we have not had the time to be out in the organization very much. […] We have had very, very much to do in the practical build-up. This has taken enormous amounts of time and I do not think they really understand this, I had not expected it once I started here.

She explained that many things had had to be done all over again, when solutions had not worked.

The Finance Director at RiR was replaced after about half a year in this position. She was given a (non-managerial) position with the Human Resources Department instead. The appointment of her from RRV, had been controversial. This was partly because the PA Administration Manager had applied for the same position, and argued that her formal qualifications were superior, and partly because many former RRV employees were critical to the past performance of their Finance Director.

Routines for quality assurance were debated among personnel. Auditors expressed a frustration with comments from the Auditors-General, because they sometimes did not support these, because comments could be extremely detailed, and sometimes they changed over time. Personnel were annoyed with the lengthy internal processes in general, arguing that it affected productivity. The audit approach requested by the 3AG (see section 4.4.4) continued to cause debate.

Many auditors described how they meant that they personally had been badly treated by the 3AG, and also how colleagues of theirs had been badly treated by them. They also described how they did not support the way that issues were handled by the 3AG, neither in terms of routines, nor in terms of decisions.

4.6 Year 3: Aiming for control (2005/2006)

Year 3 extends from 1 July, 2005 to 1 July, 2006. It was a year when management aimed to improve control over both structures and discontent among personnel. Bureaucracy increased. Towards the end of this year, the audit process was considered inefficient and lengthy, productivity numbers were low, operations in general costly and

inefficient, according to personnel. Employee survey no. 2 revealed that the situation had not improved much. Auditors explained that focusing locally, at department level and on their work at hand, was the only way for them to cope.

4.6.1 Many development projects

After employee survey no. 1, a number of ABA projects were initiated to improve the situation in each problem area. These projects continued during year 3. In September, 2005, there were in total 14 such projects, according to the staff magazine (KURiREN, 2005/09, p.3). Ashley was in charge of these, and from January 2005 a performance auditor, Gregory, had been appointed Development Secretary (Swedish: utvecklingssekreterare), to assist her in this. Gregory described (20 January, 2006) how he worked full-time coordinating development projects, assisting the forum of department managers, and with strategic planning;

> I often come in as a kind of diplomat and negotiated between the Auditors-General and the forum, so I am some sort of interpreter too.

During year 3, personnel increasingly argued that the 3AG had lost control over the ABA projects and other development projects, and that too many resources were spent on these, with very little result. In 2007, the local unions noted that many measures that had been agreed, based on the ABA plan, had not been implemented, and that this was especially the case in the areas that had been subjected to the most extensive criticism.[58]

In KURiREN, the latest progress in different development projects was reported during the whole of year 2005. As the financial year 2004/2005 was ended at RiR, a summary of these projects was provided in the staff magazine (KURiREN, 2005/09, p.2ff). It said:

> The development projects that are running shall also be completed. Now, in December 2005, there are 14 authority-embracing

[58]Annual report from SACO-S Riksrevisonen, called "Verksamhetsberättelse för SACO-S Riksrevisionen perioden maj 2006 till maj 2007". Date: 10 May, 2007. Page 5.

> development projects. Five of these will be completed this year. Six projects will be completed during the spring and three will continue throughout the whole of 2006.

4.6.2 External versus internal focus

Personnel had argued, for some time, that the 3AG were too focused on the external environment.

In the autumn of 2005, a consultancy bureau was assigned to review the RiR organization. They were asked to review the whole period from the merger on 1 July, 2003, and they came to the opposite conclusion, namely that RiR had been too focused on internal matters, rather than external ones (report issued 14 December, 2005). In the February 2006 issue of the staff magazine (KURiREN 2006/02), there was an article about the consultancy report. The headline was "RiR needs to develop its external contacts". In the report, it was argued that RiR worked too little with its external relations (KURiREN, 2006/02). The consultant in charge of the report was interviewed in this magazine, where he explained:

> RiR, if anyone, should also be interested in running a value for money discussion. With this I mean that RiR regularly should measure and improve processes in order to have quick processes, high quality and a production that costs as little as possible.

He also concluded that cultural differences between financial auditors and performance auditors dominate, rather than differences between former RRV employees and former PA employees (KURiREN, 2006/02).

This report later formed part of the basis for the 3AG's choice of new organization structure (see sections 4.6.5 and 4.7).

A year earlier, an auditor (Carrie, 27 September, 2004) had explained in an interview that the 3AG were now aware that they had focused too little on internal aspects;

> Sophie has admitted that they had the wrong focus in the beginning, when they focused externally. We should have focused more inwards. It is good that she is honest.

This corresponded to what Sophie stated in an interview towards the end of year 2003. This attitude later shifted, and the 3AG again argued that they had attended too little to external contacts. Increasing their opportunities to focus externally was also part of the purpose of the new organization implemented in year 5 (interview with Sophie, 20 April, 2007).

4.6.3 Employee survey no. 2 reveals only local improvement

Results from employee survey no. 2 were presented on 7 January, 2006, by the company SCB, who had conducted the survey. Data had been collected via the Internet from 16 November to 1 December, 2005. In total 304 employees had been asked to complete the survey, and 272 employees had responded, resulting in a response frequency at 89%. Out of the 304 employees, 97 worked in performance audit departments, and 85 of these had responded to the survey (88%).

According to survey results, the work situation in groups and departments was perceived as much better than that at RiR in general. Co-operation, work climate, personnel politics, and especially matters of management and governance, had "unsatisfactory values", according to the summary in the SCB report. Statistics from similar surveys in other authorities were used as external reference. An extract from the summary in the SCB report (p.2f) is provided in the following:

> Matters of management and governance
>
> From the survey it is clear that confidence in the management group is very low and that employees to a low extent sympathize with the decisions that are made by the 3AG. From the open responses it is clear this time too, that many employees are met with disbelief by the 3AG, as concerns employees' competence.
>
> As concerns governance, it is clear from the survey that RiR's strategy is unclear, that RiR's delegation does not work well, that the 3AG do not pose clear demands on the organization, that communication between the 3AG and employees is not good, that information in general from the 3AG has become better but still is not good, and that the organization structure does not work well. Management and

governance issues constitute the area that shows the most modest positive development. Dissatisfaction with this situation thus remains.

Work climate

Similarly to co-operation, the work climate at the personal department/function is considered to be good, while at the RiR level it has a low grade. Thus, according to survey results, development climate, openness and involvement at RiR level, get low grades. Open responses concern work climate directly to a lower extent. However, there are arguments, for example, saying that there is a non-tolerant climate, and that the 3AG could delegate more to departments. 'The Knutsson effect' is still perceived as affecting the organization in a limiting direction.

From the survey it also stands clear that many employees have considered/consider leaving RiR. Salaries and development opportunities are the main causes behind these considerations. Even though these factors tend to be at the top in comparative employee surveys, results should, just like the former year, be given a more serious interpretation, considering that although RiR's attractiveness index has increased it is still clearly below reference values.

The Knutsson effect refers to the negative media attention that RiR had in Swedish television, soon after the authority had been formed, following disclosures by a journalist named Knutsson.

It is concluded in the report that involvement at organizational level, management issues, co-operation/integration issues and matters of organization/quality, should be given priority to make employees more content with their work situation.

Selected statistics from the report are presented in the following. Results from employee survey no. 1 (year 2004) at RiR are stated within brackets.

Organizational inefficiencies were again stated as a problem area.

- RiR has a clear strategy for future operations. 15% (6%) External ref. 25%.
- At RiR, we live up to the demands that we put on our audit objects. 24% (15%)

- The group of managers functions well. 8% (6%)
- At RiR we have a well-functioning organization structure. 9% (6%)
- At RiR, you feel involved in the organization's vision and culture. 17% (8%)
- Quality assurance of operations works well at RiR. 21% (13%)

A number of questions were posed both for department level and organizational level, and these revealed clear differences between the local situation in departments and the more general situation at RiR. The department level worked rather well, while there was severe criticism of the situation at RiR in general;

- At my department/function, we have a positive development and change climate. 60% (45%)
- At RiR, we have a positive development and change climate. 20% (11%)
- At my department/function, I can openly express my opinion on different matters. 72% (65%)
- At RiR, I can openly express my opinion on different matters. 38% (26%)
- I feel involved in what is done and decided at my department/function. 60% (43%) External ref. 71%.
- I feel involved in what is done and decided at RiR. 14% (12%)
- Employees at my department/function support and help each other in their work. 75% (64%)

In interviews, auditors maintained that personal development was important for them. This development often appeared to be possible at RiR, and employees appreciated each other;

- My work assignments are developing for me. 67% (61%)
- I am given the competence development that I need. 68% (56%)

- I am comfortable with and have fun with my work colleagues at RiR. 78% (64%)

Co-operation between financial audit and performance audit had been requested by the 3AG since RiR was formed in 2003. The organization design also aimed at making this co-operation possible, but auditors had asked for concrete advice on how this co-operation should be implemented, as it was far from obvious where synergies could be found or how they could work together;

- Co-operation between professions works well. 12% (11%)
- Integration between previous operations[59] works well. 31% (9%)
- Managers take responsibility for making co-operation between departments/functions work. 15% (11%)

Criticism of the 3AG leadership was extensive. In total 24% (compared to 20%) state that they feel confidence for the management group, a number that has decreased somewhat since the previous survey;

- I sympathize with decisions made by the 3AG. 18% (19%)
- I feel confidence in the management (the 3AG) at the authority. 24% (20%)
- My Auditor-General puts clear demands on the organization. 25% (22%)
- My Auditor-General communicates well with employees. 24% (22%)
- I experience that the 3AG has a shared understanding concerning important matters of operations. 21% (26%)

[59]It is not clear if RRV and PA is intended here, or financial audit and performance audit. However, in interviews, most employees agreed that there was little or almost no resistance between former PA employees and former RRV employees. Most agreed that there were considerable difficulties implementing co-operation between financial audit and performance audit.

According to the report, information was the area that had developed the most, and this now had results equivalent to external references. However, it was concluded that there was still a clear potential for improvement as concerns communication, and regarding to information from the 3AG. Another conclusion was that the attitude towards the 3AG was more positive among those with another organizational background than PA and RRV.

There was still a negative perception of personnel politics:

- My salary is, in a clear way, connected to my performance/work effort. 21% (22%)
- Personnel politics at RiR are characterized by a holistic approach and consistency. 15% (9%)

However, there were very few respondents who had been exposed to sexual harassment, mobbing, or discrimination. Stress levels were also low, even lower than for officials in public sector in general (2% experienced stress symptoms every day, as compared to none in survey no. 1 in 2004).

According to the interviews, several auditors considered seeking employment elsewhere, due to the situation at RiR. However, they argued that it would be difficult to find a job more interesting than performance audit. In general, many employees at RiR could consider changing employer, according to the SCB survey:

- I would stay with my current employment at RiR, even if I was offered a job in about the same position, salary and benefits with another employer. 37% (31%) External ref. 50%.

Higher salary and better outlooks for personal development were important factors behind this. Other interesting results in this respect were, for example, the following:

- I would be glad to recommend a good friend to seek employment with RiR. 46% (31%) External ref. 54%.
- I feel proud to work at RiR. 53% (30%)

Many respondents had taken the opportunity to suggest improvements for RiR in the space for open comments at the end of the survey. These comments did not differ much between professions, according to the report. This was consistent with observations from interviews, where financial auditors and performance auditors gave the impression of sharing the same attitudes and opinions regarding to leadership and other organizational matters. There were rarely any critical comments about the other profession. Increased involvement of personnel was suggested as a measure for general improvement of the work climate at RiR.

A total of 41% (30% in 2004) of employees stated that they were satisfied with their work situation. The external reference was 57%. Managers were generally more contented than other employees (p.7 in the SCB report).

4.6.4 Employee contribution for improvement

A full day seminar for all personnel, a so-called Dialogue Day (Swedish: dialogdag) was held on 19 January, 2006. Ashley led this seminar. Workshops were held during this day with personnel. In these, they were requested to suggest how they themselves could contribute to improve the situation at RiR. Since early year 2004, management had adopted this approach. It was communicated, for example, in the staff magazine (called "8 månader") in March 2004, where already the top headline on the first page emphasized that all employees are responsible in a process of organizational change. This message was communicated even more are results from employee survey no. 1 had been presented, usually by Ashley and the 3AG. With this approach, focus was moved from management to personnel, as concerned organizational problems, despite of the fact that the criticism mainly concerned management issues. I shall return to this matter in the analysis in Chapters 5 and 6. Employees had stated in the survey that they enjoyed each other's company very much and found the atmosphere between colleagues satisfactory.

During the Dialogue Day, a commissioner had been invited to speak about how investigations can focus on responsibility – which was at the core of the audit approach that the 3AG had requested since RiR had

been formed. His speech was appreciated, but still many argued that this was not the correct focus for performance audit, or they requested guidelines concerning how this approach was meant to be adopted in practice.

In the staff magazine (KURiREN, 2006/01) that was issued two weeks after survey results had been presented (26 January, 2006), the Dialogue Day was mentioned, but survey results were not discussed. An auditor explained that she thought that Ashley and the 3AG had tried to communicate that now things were much better, despite of the continued resistance to the 3AG's leadership and key factors on organizational level. What had become better was rather the situation in the departments, and in interviews, auditors explained that focusing locally like this was their way of coping with the otherwise seemingly hopeless situation at the authority.

Ashley wrote a column in the January issue of the staff magazine (KURiREN 2006/01, p.2), where she expressed her "disappointment" with employees' contributions in the workshops during the Dialogue Day:

> When protocols from your workshops came in, I felt a bit disappointed. There were not many concrete suggestions as to how we can improve organizational efficiency. Perhaps it was a stupid reaction… you had approached the task with commitment and written down your thoughts and suggestions. It is difficult to say how we can improve involvement in the development of RiR. Of course, the management group has formal responsibility. At the same time, we cannot just point at Sophie, Luke and Matthew and lean back waiting for them to solve everything. Perhaps a formal cooperation agreement can be a way forward?

In observations during workshops, it was clear that many auditors reasoned that it was hard for them to come up with solutions, where the 3AG leadership and RiR governance were the main issues. Again, just as it was during merger preparations and after employee survey no. 1, an organization separating performance audit from financial audit, similar to that at RRV (PA only had performance audit) was requested by personnel, who argued this would be much more efficient and natural.

4.6.5 Increased hierarchy in new organization design

A new organization design was suggested by the 3AG in February, 2006. Several management layers were added and departments were merged. In a union protocol it was concluded that the new organization "looks about the same as today, but with more hierarchical levels".[60] This was also a central argument among personnel, who strongly disagreed with the suggested model.

The 3AG wanted to settle the new design as soon as possible, to be able to implement the new organization on 1 October, 2006.[61]

Personnel objected to the new organization design, arguing that it was too hierarchical, with a long distance between auditors and the 3AG, and that it was too messy with all managerial levels. Who should they turn to in different matters? What would the quality assurance process look like? Many had hoped that the two audit professions would finally be separated, but they were still blended in each audit area in the new organization. Union organizations made formal reservations, but noted that the 3AG had chosen to leave this "without taking any measures".[62]

Although personnel and union representatives were asked to comment on the new organization design, very little in the initial plan was changed. They objected to both the procedure for the decision regarding to the new organization design, and the suggested changes. By taking the organization review in two stages, it was not possible to have a holistic perspective, it was argued. The unions were opposed to this process.

Under the 3AG were the Deputy Director-General and an Audit Manager (Swedish: granskningschef). There was an Assistant Audit Manager and under the Audit Manager, three Audit Area Managers (Swedish: granskningsområdeschef). Each of these audit areas consisted of a group of performance auditors and a group of financial auditors,

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[60]Protocol from a board meeting, SACO-S/RiR, 14 June, 2006.

[61]Protocol from a board meeting, SACO-S/RiR, 21 August, 2006. Quote: "the employer wants to move forward quickly in the matter of the new organization, so that it can be valid from 1 October. At the MBL negotiations on 29 July, the employer made it clear that negotiations ought to take place in August."

[62]Protocol from board meeting with SACO-S/RiR, 24th April 2006.

each led by an assistant audit area manager. A unit for quality assurance and methodological development was formed, called PKE, the Unit for Planning and Quality (Swedish: Planerings- och kvalitetsenheten). There would also be Programme Leaders, working horizontally in the organization. Requests for projects could come from any managerial level, and this should form a link between the project and the relevant Auditor-General.

The departments of information, IT, human resources, law, finance, as well as the division for international operations, would all report to the Deputy Director-General. Thus, none of these department managers would any longer be part of the management group (Swedish: ledningsgrupp).

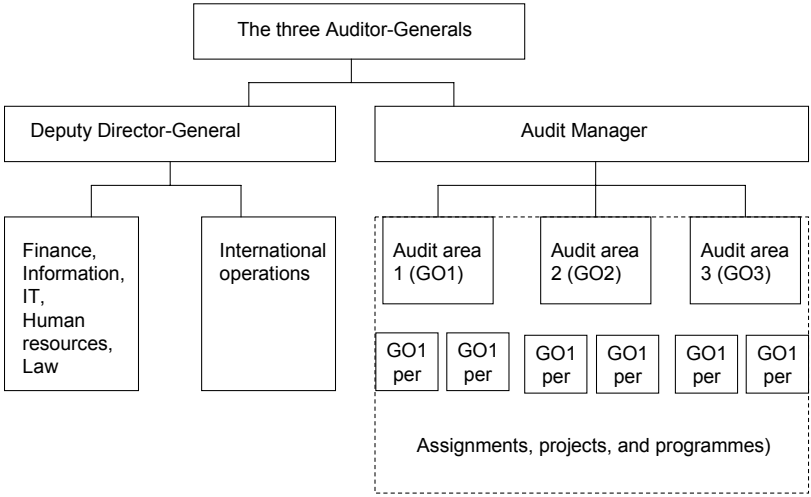

Figure 10. New total organization for RiR, as presented in KURiREN, 2006/08

The audit organization is presented in the right hand part of Figure 10. Auditors experienced that the new organization was even more hierarchical than the former one, and described it according to Figure 11. Responsibility for the personnel was carried by the Assistant Audit Area Managers, and in an interview (Carl, 21 March, 2007), one of these explained that he could see little point in the two managerial layers between himself and the Audit Manager.

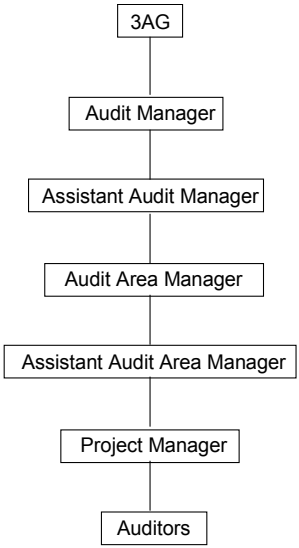

Figure 11. New audit organization for RiR, as described by the auditors.

An argument, from the 3AG, was that the new organization would make sure that the transition between Auditors-General every other year, would come about as smoothly as possible (e. g. KURiREN, 2006/02). They also argued that this was only the first part of the planning process for the new organization design, and it covered only the top layers. Personnel would be involved more in the planning process for the remainder of the organization.

Three new dimensions were added to the quality assurance process in the new organization: legal quality assurance, language audit, and control by the new group PKE. Unions argued that this ought to lead to a more lengthy quality assurance process and this complaint was also increasingly raised by personnel after the new organization had been implemented.

4.7 Year 4: Low productivity, low impact, and controversies on mandate (2006/2007)

During year 4, resistance continued. This year extends from 1 July, 2006, to 1 July, 2007. Low productivity numbers within performance audit and continued organizational inefficiencies were questioned, and so was the new audit approach. This approach did not correspond to the formal mandate of the authority, personnel argued. While the 3AG increasingly tested the limits of this mandate, auditors described how they felt ashamed. As they saw it, the 3AG did not understand the new authority's mandate and role and the limits of these, and they argued that this was very obvious to most people in their environment. Authorities being audited were also becoming increasingly annoyed, as did members of the Committee on the Constitution, on some occasions.

4.7.1 Issues of cooperation among the 3AG

On July 1, 2006, Brooke, a new Auditor-General, took up her position. Matthew had been appointed for a period of three years, and this time had now expired. Brooke had been appointed by the Committee on the Constitution. Previously, she had been the Director-General for National Board for Consumer Policies (Swedish: Konsumentverket). There, she was known as a manager who cared very much for personnel.

Expectations were high, when she joined the 3AG, given the auditors' discontent with the leadership of the previous team of Auditors-General. At first, they described that little had changed since she took on her position, but that they were still hopeful. After a year had past, they still perceived her as low key. According to rumour, however, she had trouble making her voice heard in the team of Auditors-General, as she was in minority in many decisions, and Sophie and Luke tended to be in agreement. These issues of co-operation were confirmed in an interview with Brooke (20 April, 2007). She explained that her conviction was that personnel ought to be much more involved in decisions than they were today, but emphasized that her power to affect decisions in this team was very limited. Instead, she had decided she

would keep a low profile, while waiting for Luke's appointment to expire in July, 2008, hoping that the Auditor-General who replaced him would be more co-operative and have the same management ideas as she had.

Brooke, as well as many others, was critical to the structure with three AG, instead of one. Luke and Sophie, however, supported it in interviews, arguing that there were several advantages.

4.7.2 Low productivity and low impact

Auditors repeatedly emphasized that RiR was producing too few performance audit reports, given the number of auditors. They argued that management issues affected productivity, and that the process for pre studies (Swedish: förstudier) and quality assurance in the final stages of the writing process, was too lengthy.

Projects had extended beyond initial deadlines, and it was hard to keep up production, auditors explained (e.g. Tyler, 13 October, 2006). Some meant that project plans were unrealistic; some claimed that the 3AG hindered a swift process, "by placing new orders during the course of the project". Auditors were also annoyed that the 3AG commented on details in drafts for reports.

Quality assurance was mentioned by auditors as a part of the process that took too much time. This had become rather a matter of control, than a matter of support, personnel complained. The routine was perceived as slow, inefficient and de-motivating.

The 3AG did not see productivity as a problematic area (DN, 30 November, 2006; KURiREN, 2007/01; interview with Brooke, 20 April, 2007). Brooke (20 April, 2007) argued that the ratio number of reports per year in reality was not very interesting - their quality and impact was a more interesting measure. With impact, the extent to which RiR reports resulted in action from Parliament, was intended.

On 20 September, 2006, a memorandum was issued by the board's secretariat, reviewing the three years that had passed since the authority had been formed. In this document, controversial issues concerning

productivity and impact, but also concerning the authority's formal mandate, were highlighted. The memorandum was meant to serve as a basis for discussion at a board meeting. Because the RiR mandate was debated in it, Sophie asked for the document not to be spread within the authority, but to be classified as an internal document.

Two months after the meeting, the newspaper Dagens Nyheter (30 November, 2006) referred to the PM in an article that was highly critical about RiR. It became public and was spread to all the employees and to Parliamentary committees. This article had the headline "RiR an expensive and inefficient authority" (Swedish: "Riksrevisionen dyr och ineffektiv"). It continued:[63]

> Inefficient, hierarchical and expensive. The task of RiR is to audit how efficiently the state manages its operations and citizens' money, but an internal memorandum reveals that the auditors themselves have major problems.

In the memo (p.28) it was calculated that each report from RiR had a cost of 4.1 million SEK (about 450 000 EUR), during 2005. This was also highlighted in the article, where this figure was compared to the equivalent figure at PA of 1 million SEK and at RRV of 2 million SEK. On average each performance auditor thus produced one report every third year, the article explained.

According to the memo, performance audit reports also had a limited impact in Parliament. In total 52 reports had been passed on to Parliament during the three years since RiR had been formed. Only 7 of these had been sanctioned (Swedish: bifall eller delvis bifall). In 20 cases they had been turned down, in 17 cases they had simply been filed (Swedish: lagts till handlingarna), and in 8 cases they not yet been taken up for consideration (p.33).

Both the memo and the article, being highly critical, caused debate within RiR. Many auditors expressed their appreciation and support for the memo by the board secretariat. In a weekly personnel meeting, an Auditor-General (Sophie) said about the article that:

[63]The Swedish word toppstyrd is translated with hierarchical in this quote.

> Many of us feel that it gives a misleading picture of what we are doing – even if there may be others who think they recognize the criticism. […] It is important that we – co-workers as well as Auditors-General – stand up for the authority and say that 'Yes, we have had a grant from Parliament, we have established goals for how much we shall produce and on the whole, we have reached the goals.' If we shall have quality in what we do, it must be allowed to cost some.

Sophie explained that she did not agree with the cost that was stated in the article (and had been calculated in the memo) for each performance audit report;

> If you split costs for performance audits last year with the number of reports, you end up with 3.7 million SEK. If you look at the time spent on each report, the sum is about 2.5 million SEK. But these figures must always be related to what comes out at the other end. Four million SEK is not very much for a qualified basis on which decisions, leading to large improvements of efficiency, can be made.

It takes time and costs money to build up competence to audit new areas, and this must be seen as an investment, she argued, and added that at the same time "we all must be self-critical;

> We have had problems with efficiency, we have not quite reached our goals and we ought to be able to arrive a bit quicker. We shall not conceal that.

In interviews personnel explained that their experience was that the 3AG merely waved this important criticism, in which many of them agreed. At the meeting, Sophie explained that she did not worry much about the DN article;

> As for me, I did not feel very worried when I saw DN yesterday: I do not think that we have that much to be ashamed of – we do a good job at this authority.

At the same meeting, an auditor explained that 40 per cent of their time was spent on pre studies, implying that this may not be a very efficient use of time and resources. He also questioned the mid-review on the quality assurance process, suggesting that it was abolished. Sophie responded that it was needed.

An event in the beginning of the fourth year, around August 2006, was the debate concerning a report about the AMS, the Swedish National Labour Market Board (Swedish: Arbetsmarknadsstyrelsen). Extensive criticism was expressed in the report about how the authority was managed, and the report was given a lot of attention by the media. This media attention continued as the Director-General at AMS reacted strongly against their results. Personnel experienced that RiR, in this case, had made a very important contribution, and that they stood out as a very competent authority in the media. Reactions among auditors were positive.

Impact was otherwise a problematic area for RiR. Opinions on impact differed considerably, but there was a growing consensus that this was a problem. A report was ordered by a consultancy firm, looking at how external parties perceived RiR and their reports. The results, presented in January, 2007, could be interpreted in different ways. While many auditors described the report as highly critical, the 3AG tended to take it as evidence that the authority played a key role and that they did have an impact.

At a personnel seminar in December 2006, a professor had been invited to talk about RiR and its role. According to the RiR staff magazine, he "presented a discouraging picture of Parliament's relative lack of interest" in RiR, and argued that RiR needed to find new, more efficient ways to reach out with their results. He also explained that the general image of the RiR reports unfortunately was that they have "weak legitimacy, are shallow and lack a more thorough analysis".

4.7.3 Different interpretations of the RiR mandate

A matter that was very much highlighted in the memo from the board secretariat concerned the RiR mandate. Notes from the board meeting September 2006 indicate that the board was very hesitant to deal with this question. However, the matter was subjected to debate at RiR already from the start. It became especially urgent during year 4, when the 3AG published a couple of reports that many auditors considered to be totally out of bounds for the authority.

There were two standpoints in this matter. According to the 3AG the purpose of performance audit was to provide a basis for Parliament to call a person (or several persons) responsible for incongruity at the authority that had been audited (Swedish: underlag för att utkräva ansvar). Auditors claimed that this would diminish the scope of performance audit to becoming mere compliance audits. According to them, performance audit should be interpreted as a wider concept, not limited to adherence to formal norms and regulations.

On 25 May, 2007, a report concerning the way that the Government handled the sale of public companies was issued[64]. This report concerned the basis on which Parliament would decide to accept or reject a Governmental proposition, a decision that would be made just after RiR had issued this report. In the report, RiR argued that the Government violated the constitution (Swedish: regeringsformens beredningskrav), when they chose not to provide a review of arguments for and against the selling of these companies. In doing this, RiR entered the political arena and intervened in a process that was on-going, some auditors argued. Traditionally, they had only reviewed events and processes retrospectively (after these had occurred). Performance auditors described the new approach as embarrassing, taking it as yet an indication of the 3AG not understanding the mandate of RiR. Some members of the Committee on the Constitution also reacted, claiming that this was a matter rather for them, than for RiR. The 3AG argued that this was a correct way to handle the RiR mandate, which also encompassed Governmental activities.

A financial auditor (Ginger) explained that when they talked to authorities, they were welcomed, "because they know that our primary purpose is quality improvement". The purpose of performance audit was not that clear, she said, and argued that the 3AG were very focused on getting media attention. She described performance audit as aiming at kicking at organizations that already have problems;

> First you conduct a pre study, where you confirm that your hypothesis that something is really bad, is actually true. Then you conduct a main study, where you go in and really dig at that bad place. Then you issue

[64]The report was called "Regeringens beredning av förslag om försäljning av sex bolag (RiR 2007:8)".

> a press release. What happens then, what kind of quality improvement is that? Well, in principle there is somebody who is already ill, who lies down and whines. When he lies down and whines because he is ill, you kick him in the stomach that is about what you do. It is incredible.

In financial audit, she explained, they could come in and affirm that things work well, and this is also a useful observation:

> You are almost ashamed of some performance audit reports, because they do not deserve a press release. Why use the big drums then?

Sophie had explained that it was important to have a dialogue about the applied audit approach. Still, in the spring of 2007, it was described in interviews how an auditor (Howard, 21 June, 2007) had been informed by his department manager that they wanted to move him to a lower rank, much because he did not admit to the approach requested by the 3AG. In interviews at about the same time, the 3AG (Luke, 20 April, 2007) claimed that it was up to them to decide what approach should be adopted in performance audit;

> It is we, the Auditors-General, who own the right to decide how audit should be conducted at the authority. There is no general right for the personnel to decide what they think audit shall be. We have precedence for interpreting this. When we were formed, we decided that for us performance audit, and of course financial audit, is something else than a general investigation or research. Audit is that you audit something based on norms and simply review: Has the Government done what it should?

He emphasized that the 3AG would not change standpoint in this regard – at least not for some time ahead:

> We are of the opinion that this is the road that we have chosen. Either you are on that train, or you actually have to leave the organization, if you are not happy with it. We have taken a stand and there will be no more discussion on whether we shall do this or not. Of course you can always evaluate operations after some time, but now this approach is valid until we say something else.

In a project called VÄGEN, the audit approach in performance audit was discussed. The project leader for VÄGEN explained that they had presented a model where norms were not only defined as norms in legal terms. Instead, they had introduced three perspectives that could be

used to evaluate problems, namely norms, justified demands (Swedish: berättigade krav) and efficiency demands. When you look only at norms, it is easy to end up with what is called compliance audit, she explained. This issue was very sensitive;

> It is very much a pedagogical process, because you want to keep personnel's confidence, and that of management, and the day when you are perceived as being management's henchman, then you might as well throw it all away, for then it has lost its value.

The project leader explained that she thought that the 3AG listened to what they said in the project, or at least that she hoped that they did. Towards the end of year 4, auditors explained that the 3AG had "finally" started to understand that the concept of efficiency was being neglected with their approach, that they now openly started to say that more focus had to be put on these matters.

In the spring of 2007, RiR issued a report concerning preparations for a Government bill (Swedish: proposition), arguing that it violated the constitution. This led to strong reactions both internally and, according to rumour, in the Committee on the Constitution. Issues like these should be handled by this committee, not by RiR, a committee member argued. Auditors explained that they were embarrassed, and that this was not part of the RiR mandate;

> I find this very strange, we should have nothing to do with politics. I think it is wrong to audit Government bills in general, these are political documents. Now, things go even further, now it has not even become a Government bill, you go in and audit preparations for a Government bill and say that they have violated the constitution here. It is so alien to both RRV and PA, so all of us just shake our heads. But we have become so used to them putting all these formal boundaries out of play.

Speculations regarding to dominant left-wing sympathies among management increased following these reports, which were focused on the newly elected right-wing Government. However, auditors mainly argued, that this probably was a way for the 3AG to try to prove that the RiR mandate was far broader than that of RRV and PA, or that they now could do more than RRV could, and more than PA dared to do.

4.7.4 Issues with the new organization

Issues with the organization design, including quality assurance, continued. The matter of how competence was rewarded and used in the organization, was also often highlighted. A third area was salaries. This section is focused especially on these three aspects.

On 1 October, 2006, the new organization design was implemented. Already when the 3AG had suggested this design, personnel and union organizations had expressed criticism (see Section 4.6.5). Very soon after it had been implemented, auditors confirmed that they found this structure just as unclear as they had suspected that they would. In a union protocol it is noted:

> The board notes that all the apprehensions, which were put forward by SACO-S RiR, have come true. It concerns, for example, unclear responsibilities and new control levels for performance audit and understaffing in financial audit.

The whole organization had been "degraded", it was argued. The unions also conveyed their reservations regarding to the choice by the 3AG to prolong the appointment of Bill as Deputy Director-General, as the criticism of him by personnel had been extensive.

While confidence in the audit manager (Swedish: granskningschef) in general was high, auditors questioned why the next two managerial levels (assistant audit manager and audit area manager) were needed, what these managers contributed with. The assistant audit area manager was the one working in direct contact with auditors.

Many complained that the quality assurance process had become too lengthy. When asking one of the Auditors-General (Luke), how it was that personnel had been discontented with this process for so many years, he responded:

> It is because we decide. It is not our employees who decide what quality audits shall hold, it is we who take the final responsibility for these audits. If you do not want us to be part of it and decide, then of course it is a tough feature that we have different opinions about audits.

Luke also explained that focusing on responsibility, as they did in the new audit approach, meant that "another type of quality" than before was required.

Another central organizational issue was salaries and salary surveys. RiR was now the only authority that did not submit salary statistics to the National Agency for Government Employers (Swedish: Arbetsgivarverket). Since RiR had been formed, there had been discussions between union organizations and the RiR management in this matter (see union protocols and Section 4.5.4)).

Furthermore, there were several auditors who explained in interviews, how their competence was not valued very highly or exploited at RiR. This especially concerned individuals with specific experience or education that gave them merits above what auditors in general had. Unions also confirmed that there were "many people" at RiR who believed that their competence was not being used. At the same time, the 3AG often emphasized the importance of a high level of competence among auditors, and of being able to attract the most competent ones.

4.7.5 Controversial dismissals at the Information Department

Towards the end of year 2006, it became known that the Information Director, Ashley, had notified the 3AG that she wished to leave her position. Because she did this without having a new job to go to, personnel interpreted it as yet another sign of a person who did not approve of the 3AG leadership. In an interview, she confirmed that she meant that this leadership had its shortcomings, but she was hesitant to go into detail. Ashley had been in charge of the ABA development projects, she had planned and led several conferences for personnel who had experienced her as a person who genuinely cared for them and tried to mediate between them and the 3AG. The message that she would leave was therefore met with sadness, and it fuelled the annoyance directed towards the 3AG.

One of the last assignments that Ashley took on before leaving, was to suggest a new focus and organization for the Information Department

(ID) at RiR. In November 2006, a consultancy firm was asked to conduct benchmarking in this field, and suggest changes for the ID. According to the report (Gullers grupp, Nov. 2006), the number of employees ought to be increased considerably, and competence be ameliorated. An ID employee (Sam) explained that the reason for the review was a wish to focus more externally, and "to go out and market RiR". An auditor (Anne) said that she did not support this approach, as her standpoint was that the report and its content should stand in focus, not the 3AG: "They just want to sit on TV couches and talk."

A communication strategy (Swedish: kommunikationsstrategi) was established by the 3AG on 13 February, 2007. At about the same time, Ashley presented a document with suggestions as to how the ID could be developed and staffed. On 13 February, a meeting was held at the ID, with the formal aim to discuss the annual plan of operations (Swedish: verksamhetsplan). Three ID employees were then notified that their services would no longer be required as the ID was being re-organized. Sam described how they were totally taken by surprise, and that there was no discussion or dialogue, just "now this is what it is like, and the new positions will be advertised, but there is no point in you applying".

Ashley explained that all employees at the ID, from then on, should have an academic degree, and that these three employees did not meet this requirement.

Ashley's suggestions concerning the new organization design and approach for the ID were negotiated with union representatives in accordance with the Swedish Codetermination Act (Swedish: Medbestämmandelagen, MBL). The two unions (SACO and ST) registered their dissent from the decision to re-organize the ID, arguing that the underlying data was insufficient. They also registered their dissent from the way that the three ID employees were handled in the process. Because they had not formally been given notice (Swedish: varslade), however, this matter could not be raised further in union meetings.

The (although informal) notice of these three employees gave rise to loud protests from personnel in general at RiR. They were known to be rather silent, but extremely loyal (the Swedish word trotjänare was

repeatedly used) employees, and had been with the authority, and the two former authorities, for many years. Only a year earlier, a headline in the staff magazine was "Sam – a celebrated stand-up comedian" (KURiREN, 2006/01, p.8). It referred to the Dialogue Day in January 2006, when he performed a show, where issues at RiR were compared to those in any normal family. Sam explained in an interview that he had considered changing his career later, but that he had never wanted or expected it to happen this way.

As concerned Sarah, another of the three employees, she did have a formal academic degree as a journalist, although this education at that time was only two years long. This, and other strengths of hers, were highlighted in a letter from personnel to the 3AG, on 22 February, 2007, where they asked the 3AG to reconsider their decision. Sarah had alone been responsible for the information at PA, and former colleagues testified that she provided a service far beyond what was provided at RiR today:

> There was a totally different service at PA, and it was managed by only one single person: Sarah. And then, when she is here, she is worth noting!

Sarah had been received an award at a special ceremony those who had worked for 30 years in Governmental service (Swedish: för nit och redlighet i statens tjänst, NoR), and this was highlighted in the staff magazine (KURiREN, 2006/02). Next to the article was a picture of Sarah and four other RiR employees who were given the same award, and behind them stood the Auditors-General Sophie and Luke.

The third employee who had been given (informal) notice, was responsible for graphic design, tasks that would be passed on to an external bureau instead. Sam explained that the cost for her setting the graphics for each report, was only about 10%, maximum 20%, of the cost charged by the bureau. However, with an external bureau this cost would probably be easier to allocate to the audit organization, rather than as an overhead. Sam explained:

> We hid our smiles a bit, she and I, as we noticed the problems now. The analysis was not very deep. It was not based in reality. We do more and are appreciated more than they actually thought.

He added that he thought results in the consultancy report (benchmarking of the ID) had been requested from start.

A performance auditor explained that people were so upset with the way that these three employees were being treated, that there was a real "fighting spirit" among personnel. The 3AG, did not agree to any changes, but half a year later (June, 2007), these employees had still not been given notice formally. However, they had been promised that at least from 1 October, 2007, they would be given formal notice, and from that date, they would be allowed to leave with full salary for a year. Already in the spring of 2007, Sam had been allowed to take half his time off. The internal staff magazine, that he had been in charge of (apart from the Intranet), was terminated.

The 3AG had never expected that there would be such a riot among the personnel over these people, Anne said, when describing the general atmosphere at RiR in June 2007:

> There is a strong smouldering discontent here. There are people who feel offended and insulted and treated unfairly all the time.

4.7.6 Limited survey reveals continued distrust and resistance

The unions at RiR had been requesting a new survey, since 2006.[65] The 3AG had not met this request, but postponed the survey – mainly due to the new organization, it was argued. This was implemented in October, 2006.

Among auditors there was a fairly general consensus on the interpretation that the 3AG probably knew that they would not have achieved much improvement since the survey in 2005, and this was the reason why they did not dare to make another survey. Many auditors saw the new organization as a way for the 3AG to increase their distance from personnel in an attempt to improve statistics on attitudes. Discontent concerned both the 3AG leadership and other

[65] Annual report from SACO-S Riksrevisonen, called "Verksamhetsberättelse för SACO-S Riksrevisionen perioden maj 2006 till maj 2007". Date: 10th May 2007.

organizational aspects, many of which could be traced back to the 3AG. A union highlighted in its annual report that the measures that had been agreed on with the unions after the previous employee survey (in 2005) had not been implemented:[66]

> Measures based on the ABA plan have not been undertaken as planned. Many activities remain or have only been partly implemented. For the areas where measures have actively been undertaken, results were positive also in the employee survey 2005.

Messages from the RiR management differed when the local unions requested a new survey;[67]

> The employer has conveyed that they are trying to get something together. However, later the Audit Manager has explained that they have identified many shortcomings that they would like to straighten out before a new survey is conducted.

In May 2007, Alexis, the Audit Manager, had a minor survey, called a SWOT or a temperature survey (Swedish: temperaturmätning), conducted. This was focused on the new organization for performance audit and financial audit. A number of "randomly selected employees"[68] participated.

The SWOT revealed continued discontent among personnel on a number of points. Alexis summarized the five areas that needed to be given priority when measures for improvement were undertaken. These concerned how to develop and keep competence, definitions of roles and responsibilities, internal communication[69], processes for quality assurance, and synergies between financial audit and performance audit.

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[66]Annual report from SACO-S Riksrevisonen, called "Verksamhetsberättelse för SACO-S Riksrevisionen perioden maj 2006 till maj 2007". Date: 10th May 2007. Page 5.

[67]Protocol from a board meeting, SACO-S/RiR, 12 March 2007.

[68]Information message from the Audit Manager, dated 17 June, 2007; Protocol from board meeting with SACO-S/RiR, 25 April, 2007.

[69]Note the difference from conclusions in consultancy reports from Karlöf and Gullers and from goals in the communication strategy document, where an increased focus on *external* communication instead is requested.

A plan with measures for improvement would be elaborated based on these results.[70]

In the autumn of 2008, the results of a parliamentary review of the reform, will be presented. It can be noted, however, that many of the issues that characterized the five years reported here, continued to be subject to discussion after this study had been closed. I have now summed up some central issues and discussions during the five years that I have studied the RRV/PA merger. In the next Chapter, I shall distinguish between matters of culture, communication, and career, and continue the analysis.

[70]Information message from the Audit Manager, dated 17 June, 2007.

Chapter 5

Empirical analysis on three levels

In the former section, I summarized some central issues and discussions during the five-year study of the RRV/PA merger. In the next step, I shall analyze these on three levels of analysis, to highlight issues of culture, communication, and career, and the impact these have had on resistance in the merger process. Note that the border between the three levels is somewhat diffuse, so some sections of this chapter could rather easily be moved to another level.

Regardless of the level of analysis, it was clear that resistance changed from a horizontal dimension (between RRV and PA), to a vertical dimension (between personnel and management), during merger preparations, see Figure 12. Resistance in this vertical dimension would remain for years following the merger.

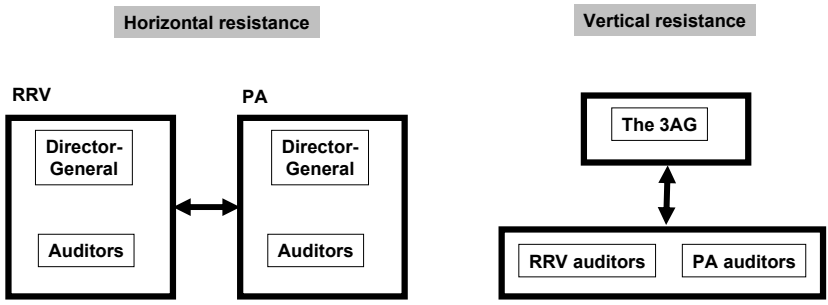

Figure 12. Shift from horizontal to vertical resistance, soon after the 3AG had taken on their positions during merger preparations (and especially after the merger).

An attempt to estimate the level of vertical and horizontal resistance during the course of the merger process has been made in Figure 13. The reader is asked to note that it is based merely on an estimation, and that it is not very detailed. Still, it gives a picture of the general situation in the RRV/PA merger, with regard to resistance.

As Figure 13 indicates, resistance was extremely low at the start of merger preparations (kick-off in May, 2002). Vertical resistance quickly grew stronger. The office issue first led to increasing resistance between RRV and PA, but personnel soon redirected their objections, and resistance against management increased considerably. Personnel experienced that the NAC had disregarded their own promises concerning individual offices. The NAC eventually tried to change the office plan, and vertical resistance decreased. The announcement of the names of the 3AG led to deep disappointment, especially among PA personnel. However, the general attitude was that everyone had to wait and see, and that perhaps the 3AG would become good leaders of RiR after all.

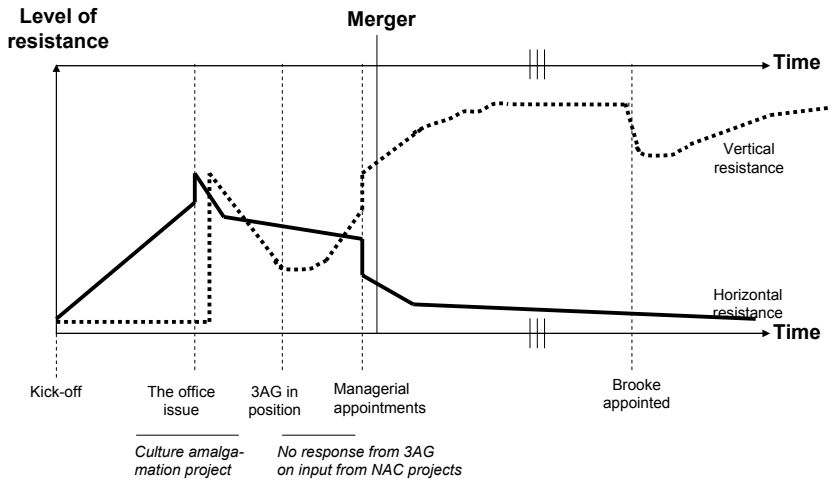

Figure 13. Horizontal and vertical resistance through the 5-year study of the RRV/PA merger.

When the 3AG had taken on their positions, little happened and personnel had very little, close to none, feedback on reports from the

NAC projects. Vertical resistance slowly increased. This resistance was fuelled towards the end of the merger preparations phase, and in connection to the managerial appointments for RiR, it took a leap. After this, vertical resistance would only increase, and already a year after the merger, it had reached very high levels. Horizontal resistance was minimal, after these managerial appointments.

The only time, after the merger, that vertical resistance diminished somewhat, was when Brooke had been appointed as the new Auditor-General. However, little changed after she had taken on her positions, and gradually vertical resistance returned to its former levels.

Having said this, let us indulge in an empirical analysis regarding to culture, communication, and career aspects (the three levels of analysis), starting with culture.

5.1 Resistance on collective level of analysis (culture)

This section is divided into two parts. First, resistance on collective level in a horizontal dimension is discussed, and factors contributing to it analyzed. Second, the same analysis is conducted concerning resistance in a vertical dimension.

5.1.1 Culture clashes RRV/PA

Alison led the culture amalgamation work in the NAC. There was a general consensus on many of the differences that she identified. Many of these concerned practical solutions, rather than more abstract values.

Some of the cultural characteristics that were identified for RRV were the following (Final Report from the NAC Organization Project, p.5):

- Planning processes often from bottom and up, two highly differentiated departments.
- "We are better at starting projects than at finishing them." It often takes too long.

- Internal need for a more aware leadership and for professional support for auditors and projects.

Some of the cultural characteristics for PA were (ibid, p.6):

- Efficient and flexible. Slimmed administration.
- Focused on a broad competence, rather than deep (focused on a certain area).
- The audit plan is seen as positive and operations are based on it. Strong goal orientation.

When I asked individual employees at RRV and PA about how their cultures differed, four areas tended to be highlighted more than others; (1) the number of auditors in each project, and the duration of these projects, (2) the size and flexibility of the organization and the extent of bureaucratic routines, (3) the kind of competence that was demanded by auditors – at RRV they worked as specialists, and at PA they worked as generalists, (4) their experience from working under Parliament.

RRV auditors and PA auditors agreed when describing these differences – they were even taken as a "fact". What differed was the way that these differences were interpreted, and the value that was given each characteristic. In this evaluation, there were culture clashes in all four areas. As Figure 14a indicates, RRV tended to interpret PA characteristics as negative, thus favouring their own solutions, while PA attached a positive value to these characteristics.

The situation concerning the RRV culture was the same - PA employees tended to interpret RRV characteristics as negative, favouring their own solutions, while RRV attached a positive value to these characteristics. See Figure 14b.

The RRV interpretation	Shared picture of the PA culture	The PA interpretation
Poor quality	Single-auditor, short time projects (high efficiency)	Competence, ethics*
Poor professionalism	Flexible organization, small administration	Ethics*
Poor (”shallow”) competence	Auditors as generalists	Competence
Lack of independence	Experience from working under Parliament	Competence

* Poor ethics not to economize with tax payers’ money.

Figure 14a. Cultural traits of PA and values attributed to these.

The RRV interpretation	Shared picture of the RRV culture	The PA interpretation
Quality	Several auditors in each project, projects running over a longer period	Poor ethics*, poor competence
Professionalism	Large organization, elaborated bureaucratic routines	Poor ethics*, poor management skills
Competence	Auditors as specialists	Poor (”limited”) competence
Independence	No experience from working under Parliament	Poor competence

* Poor ethics not to economize with tax payers’ money.

Figure 14b. Cultural traits of RRV and values attributed to these.

As Figures 14a and 14b indicate, competence, quality, professionalism, independence, and ethics (at PA interpreted especially in terms of efficiency) were at the core of the argumentation concerning cultural differences between RRV and PA. Auditors and managers at RRV and PA were united in their support for these goals, but they were used to adopting different methods to meet them. While the RRV management had a competitive approach in this argumentation, PA was more low-key.

An interesting finding is that the negative interpretation of characteristics for the other organization was especially valid for managers and for auditors engaged in merger preparations projects (under the NAC or the 3AG). This was confirmed both in interviews and in results from the survey April 2003. In the NAC projects, members fought primarily to defend their own organizations' solutions. While many RRV auditors were curious to learn from PA experience concerning Parliament, the RRV management explained that this experience was partly based on personal contacts, making PA far from independent, as compared to RRV.

Auditors, on the other hand, regardless of whether they came from RRV or PA, often shared rather similar views on the kind of culture they wished to see at RiR. This culture was a mix of RRV and PA traits. Many hoped for short-term projects with several auditors, a flexible and professional organization, solid administrative support, and many hoped they would be able to work as generalists.

At RRV, auditors were critical of the leadership and culture at the authority, and hoped that this would be different at RiR. The RRV culture was described (Natalie, RRV auditor, 2004-09-27) as

> a rather disobliging culture. You had a considerable responsibility as a project leader to conclude your projects, and not much support from the organization. You could even experience it as if the organization was more against you, than with you, when you were concluding a project.

This was one of the reasons why not only PA auditors, but also RRV auditors, were disappointed with the appointment of managers to RiR, as explained by several RRV auditors. They called it "a cold shower". An RRV auditor, Natalie, (27 September, 2004) explained:

> Part of the culture that we wanted to get away from at RRV, actually was not just in the walls, but with the managers we had. And most of them actually were re-assigned. The way that this process was handled annoyed many of us.

These findings concerning culture clashes between RRV and PA, indicate that it is important to understand loyalties in order to understand resistance and resistance dimensions. It can be noted that horizontal resistance was located especially among management and members of the merger preparations projects. Possibly, this could partly be explained by the fact that RRV and PA had a history of antagonism on management level, while auditors sometimes had experience from working in both organizations.

It can also be noted that there was some degree of vertical resistance already as merger preparations began, between profession and management. This will be further discussed in sections 5.1.5-5.1.7.

5.1.2 …fuelled by management and the independence issue/management

An RRV auditor explained that "It is managers who fuel conflict". This was especially the case at RRV, and many RRV auditors were sceptic towards actions and statements made by their own management as concerned the work to integrated cultures. A central issue here concerned the notion of the two authorities' relative independence.

The independence – or lack of it - of RRV and PA had been discussed for years prior to the merger. This is also reported in a dissertation by Ahlbäck (1999). There had been an event at this time, that appeared to still influence the relationship between the two Directors-General, Rachel and Christopher. A few years before the merger, there had been a dispute between Rachel and PA representatives (including Christopher) in a meeting at PA. Among other things, Rachel had claimed that PA had severe independence issues. Board members from PA had become angry, and following the dispute, Rachel and Christopher no longer had any direct contact. Any necessary contact had been handled by managers or auditors further down in the organization.

The historic relationship between RRV and PA had generally been fraught with disputes and competition (Ahlbäck, 1999; interviews). As results from the first, later shelved, merger preparations process (see section 4.1.3) were presented, however, RRV and PA stood united in their criticism of the commissioner's methods and results. This had improved their relationship. At the new merger preparations kick-off, the tone between Rachel and Christopher was very friendly and positive and they openly declared that their old antagonism should now be buried and forgotten. They should now co-operate to make RiR a successful new authority.

Still, very soon after the kick-off Rachel started to make critical remarks at RRV about PA, claiming that PA was an inferior organization with less competent personnel. She argued that the auditors let members of Parliament influence their conclusions, and that PA neither understood, nor genuinely supported, the main purpose of the reform, namely independence. PA audits were called commissioned audits (Swedish: beställningsgranskningar), and PA was called "an organization focused on evaluation, for parliamentary surveillance" (interview with Rachel, 5 December, 2002). PA not "recognizing" their independence issue was called "a cognitive conflict" by Rachel (interview 5 December 2002);

> There is nothing wrong with that, it has another legitimacy, but it is not independent auditing. There is a genuine cognitive conflict that always lies underneath this. […] This cognitive conflict, it is still there. Now, I think that they will be able to neglect it, because it is such a small organization that comes in and possibly some of the more recently hired employees at PA see things clearer, but the old people over there, at PA, they have never admitted this, they do not see it.

The quality of PA reports was low, she claimed, and competence insufficient. RRV was pointed out as a more professional, independent, and quality-oriented authority.

Christopher or PA rarely responded to these accusations, much because Rachel conveyed this message mainly at internal RRV meetings. RRV auditors explained that she was very forceful when conveying these opinions in-house. A manager close to Rachel explained that s/he had talked to Rachel about it, asking her to stop talking this way, because her approach fuelled resistance between RRV and PA, but to no avail.

While some auditors were critical of Rachel's approach, others, especially the managers and other employees who stood close to Rachel, adopted her style, and made her opinions regarding to PA their own. With the conviction that RRV was a superior organization, in the very aspect that was considered the object of the whole reform (independence), they could morally justify competing for relatively more influence than PA. Making the new authority as good as possible was even a matter of democracy, personnel claimed, because national audit was a central part of the citizen's democratic control power. With this argument the principle of equal influence gradually lost support at RRV, especially among its management layers.

In interviews, employees who looked up to Rachel, had been recruited by her, or were her personal friends, tended to be much more persistent in their resistance to PA and its culture, than other RRV employees. They were also prepared to go much further to succeed in gaining more influence than PA. An RRV manager, who expressed great admiration of Rachel, and had historic bonds to her career-wise, described how he very concretely worked to hinder PA from gaining influence in the merger preparations, using several different tools. His counterparts at PA had not suspected anything in their contact with him, he proudly explained, and interviews confirmed this.[71]

Many RRV interviewees and survey respondents (April 2003) referred to the independence issue when explaining their lack of respect for PA. It is interesting to note that Ahlbäck (doctoral thesis 1999) investigated to what extent PA and RRV were independent, and found that PA was more independent than RRV.

One reason why PA did not argue that RRV had an independence issue themselves, could be that the RRV Director-General had been involved in open conflict with Government members a few years earlier, and that it was generally known that they no longer supported her. Few would therefore argue that RRV stood too close to the Swedish Government (their principal), despite of the fact that a number of their assignments were ordered by them.

[71] I did not reveal anything concerning his agenda in these interviews, for several reasons, one of which was that I wanted to be careful not to influence events.

When Rachel and other RRV managers had argued strongly for some time that PA had severe independence problems, this was accepted more or less as a general truth. Neither Christopher, nor other PA employees, entered into polemic with Rachel, who was perceived as a very skilled debater, with a forceful and good reputation in society in general. Christopher had a more subtle style. PA took up a defensive position, while RRV held an offensive position. Years after the merger, former PA auditors would reflect on this and ask themselves why they had not responded more forcefully in the independence issue.

To understand Rachel's position, it is important to note that she described RiR as "very much my baby". For years, she had struggled politically to make this reform happen. She explained (5 December, 2002):

> I see this very much as my project. And it is not good until I see that this organization is led by three professionals. Then responsibility will slide away from me, but then as far as I have been able to influence things, I have been 150 per cent committed all the time. And I do not think that has just passed anyone by either.

Although her formal responsibility only covered RRV, Rachel felt like "the person who had inspired the building of this new organization", she explained. The request for a new, totally independent national audit authority had been very controversial politically, and she had argued forcefully in the media for the need for such a reform.

Initially, not all employees at PA had supported the idea of a new authority. Instead, the initial suggestion had been that RRV should be merged into the PA organization, since this was already placed under Parliament. Adjustments would then be made to PA in order to ensure its independence. Rachel had not supported this solution, but argued for the formation of a new, separate authority – what eventually became RiR. This solution was now, many years later, taken for granted by all parties, including PA.

Rachel explained (5 December, 2002) that PA would probably not have as much influence in merger preparations as RiR, and expressed relief, again referring to the independence issue;

> One must be clear that these are organizations with two totally different assignments. PA has never wanted to admit that and they probably do not today either. All the time they wanted to see themselves as an institution for independent audit and it is possibly problematic that they do not admit that. Now the fact is that they are limited in size and that means that this interpretation of assignments will not have any impact, but it is very obvious that at PA they want a more flexible organization in order to be prepared when politicians have made it clear what should be audited. This is totally different from independent audit there is nothing similar to independent audit.

In interviews, there was not one auditor or manager who did not support independence as a goal for the reform, or who did not recognize that neither of the two present authorities was truly independent.

PA often responded to the independence issue by referring to the efficiency and flexibility of their organization, as compared to RRV. This was pointed out as especially valuable given a moral obligation to economize with tax payers' money. Rachel explained in an interview that "flexibility is not a goal in itself", and referred to the productivity numbers as evidence that PA produced superficial low-quality reports, preferring quantity over quality. Quality was perceived as a measure of key importance for the new authority, especially as there had been complaints concerning the report quality at both RRV and PA.

5.1.3 …by the culture integration method

The culture integration method was defined as "to identify the best parts of each organization, in order to bring these on to the new authority" (interviews with Alison; seminars for personnel). This goal was often repeated to personnel, and many employees were involved in some way in identifying these best parts. Preliminary findings were reported at each "seminar" for personnel during phase 1 of merger preparations.

Alison was in charge of cultural integration. She also led the NAC Organization project, within which much of this work was conducted.

Unfortunately, the approach that was adopted in this culture integration work, tended to reinforce resistance, in both a vertical and a horizontal dimension. I shall explain why.

Looking closer at the integration method, it can be analyzed as involving four steps, see Figure 15. This figure will serve as a structure for the discussion in this chapter.

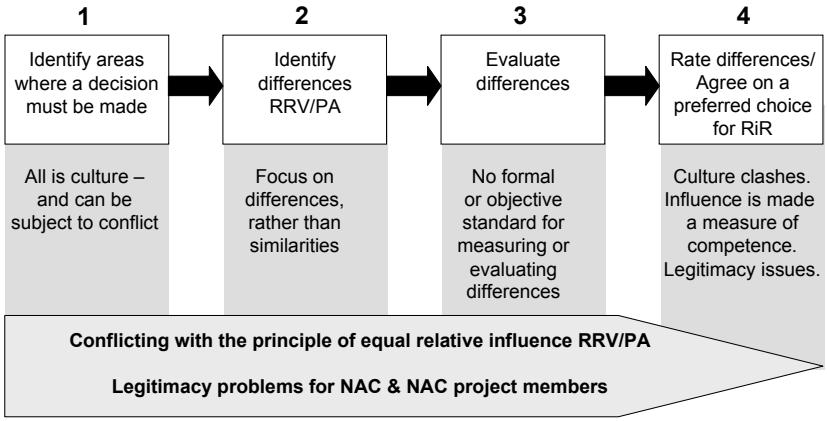

Figure 15. Analysis of the steps involved in the merger integration method during merger preparations in the RRV/PA merger.

First (step 1 in Figure 15), areas where a decision needed to be made, had to be identified. Because RiR had been introduced as a totally new authority, where everything should be established anew, every aspect of organisational life and every structure was subjected to this review. When all was culture, the number of areas of potential conflict was almost infinite. In a NAC meeting (4 December, 2002), it was discussed whether the choice of e-mail program (RRV and PA had different solutions here) was a cultural issue or not, and opinions differed.

The NAC Performance Audit Project was a project where resistance became especially salient. Questions such as "How do we want to conduct performance audit?" and "Which is the best way?" were discussed here. Symbolic value was attached to every detail in these

discussions, as they were labelled culture, and the competition for influence that resulted from the integration method became extensive.

Interesting to note is the contradiction concerning how RiR should be established culturally. According to the integration method, the best parts of the cultures at RRV and PA should be brought on to RiR – but bringing these on was not coherent with the outspoken ambition (guiding principle) to create everything anew, regardless of what had been before. This ambition for RiR was especially emphasized by the 3AG, and auditors were critical of this, explaining that it meant that what they had done before was not of much value.

Second (step 2 in Figure 15), differences between RRV and PA in these areas, were identified. There was a focus on differences, rather than similarities,[72] and with polarization resistance grew. A choice would only be necessary when cultures differed, meaning that similarities did not gain as much attention.

Third (step 3 in Figure 15), differences were evaluated. A problem in this was that there were no formal or objective standards, against which the evaluation could be conducted. Instead, standards had to be invented or discussed as well. It became legitimate to adopt a normative approach to these differences. An alternative could have been to benchmark current solutions against those with other authorities, and this did occasionally happen, but the standard procedure was a comparison primarily between RRV and PA.

Exposing the "best" cultural qualities in this comparison, or evaluation, became understood as a measure of which organization performed best on some imaginary general level. The new authority was meant to be better in most senses than the previous two authorities, so the one that was evaluated as already having many of "the best" or "right" cultural characteristics, could be interpreted as the most competent organization in terms of understanding what was required for RiR. Differences became subject to competition. RRV would later also use this evaluation as a means to argue that they ought to have more influence

[72]Shared values bridging the organizational borders of RRV and PA were also identified, but they were not covered within the aim that the project repeatedly announced for its work.

than PA, given the superiority of their structures and procedures (see section 5.1.4).

Interestingly, when evaluating cultures, it was assumed that good and bad from a management perspective would be the same as good and bad from a personnel perspective, or from the perspective of the profession. As I shall explain later in this chapter, however, the interests of these different groups could differ.

The culture evaluation also came to serve as a measure of the competence of managers at RRV and PA. These managers had been responsible for establishing professional work processes. For RRV, whose management cadre positioned their organization as more competent, professional, and independent than PA (see sections 5.1.1 and 5.1.2), it was especially important to come off well in this evaluation. It was a matter both of status and recognition in their role as managers, and of loyalty to their management (primarily Rachel). If NAC project members openly questioned, or even turned away from some of their own organizational routines, this would implicitly communicate that they were not loyal to their organization nor to management. It could even imply that they considered their own managers' competence inferior to that of the managers in the other organization.

At PA, auditors and managers worked closer together and cooperated in establishing new routines. Professional values dominated both among managers and auditors at PA, as explained in section 5.1.1. The organization was decentralized and flexible, allowing and even encouraging (especially senior) auditors to influence work processes. At RRV, routines had rather been a matter for the managerial layers, and auditors described their organizational culture as hierarchical and harsh.

Given this, one might expect that PA employees on all levels would be eager to defend their current solutions and routines. However, regardless of their hierarchical position, PA personnel were not solely focused on preserving current solutions. Instead, in many aspects, although not all, they were open to change and dialogue. Alison (2003-10-08) also noted this difference in flexibility with regard to Linda and Tom in the NAC. Here, Alison's experience was that Linda from PA was more dedicated to building the new authority, than Tom from

RRV – Tom rather defended RRV's solutions. In general, there was more of an atmosphere of "we know things best", according to Alison. We shall return to loyalties in Chapter 6.

Fourth (step 4 in Figure 15), a ranking was made of the alternatives at hand in different cultural issues. This was expressed in terms of (although sometimes vague) recommendations to the 3AG in the final reports from the NAC projects. Final decisions would be made by the 3AG, and the NAC were only authorized to prepare for this. Because a final formal ranking of cultural attributes never took place during this early preparation phase, discussions and speculations continued.

An important question that sometimes arose at this final stage, concerned how members of NAC projects had been appointed. Answers were vague. All three of the primary NAC members were also asked about this in interviews, but none of them could provide a clear answer. One who claimed that he could, however, was an RRV employee. In a detailed and plausible way, he explained how, via informal contacts, he had been able to influence the choice of project leaders and some members. When asked why, he referred to RRV's superiority and to his loyalty both to the organization and to Rachel.

A related issue concerned the role in which project members had been assigned. Because the routines behind the appointment of these were unclear, so were their assignments in terms of representation. NAC members could be assigned to represent for example the following:

- The interests of their current authority (either RRV or PA) as an institution
- The interests of all personnel at their current authority (either RRV or PA)
- The new authority (RiR) as an institution
- The interests of all personnel (regardless RRV or PA) at the new authority (RiR)
- The interests of their profession (regardless RRV or PA)
- Their personal expertise and experience as professionals

Furthermore, when personnel were invited to participate in these discussions on culture, it could be seen as an invitation to either represent the management perspective, or a professional perspective.

Some of the NAC project members admitted to seeing the assignment as a reward. The same question is relevant for the RRV and PA representatives in the NAC. When asked about this, several people explained that they considered Tom to mainly represent the interests of RRV. A (RRV/PA neutral) NAC member agreed and explained that Linda had rather seen herself as representing the new authority, but that conflict between Linda and Luke had made the situation in the NAC frustrating for Linda, and counteracted this positive ambition.

The experience of being in a project or outside differed. An RRV auditor moved from outside to inside and explained that it was an enormous difference. Before, he had largely been annoyed with these individuals, asking himself why they had been appointed and not him. Now that he was part of it, he supported the work in these projects much more, he explained. Other auditors explained that they did not wish to participate in a project anyway, but wanted to focus on their everyday work.

Looking at survey results from April 2002, those engaged in NAC projects were more negative to the merger partner organization, than those not in a project.

A general problem with the merger integration method, as illustrated in Figure 15, was that it stood in conflict with the principle of equal influence, which was still embraced by the NAC through merger preparations. This conflict was never recognized. The culture integration method was focused on taking the best parts of each culture, and bring these on to RiR, rather than strictly taking equal amounts from RRV and PA, following the principle of equal influence.

5.1.4 …and by the principle – or reality – of relative influence

Merger preparations were based on a policy of granting the two authorities equal influence. The main reason for this was that they were

valued as equally important in Swedish democracy, representing Parliament (PA) and Government (RRV). This principle was fundamental for the merger preparations work.

The principle of equal influence was manifested for example in the NAC projects, where the two authorities were represented with about the same number of employees. It was also manifested in the NAC itself, where there was one representative for each authority (Tom and Linda). In the NAC and in the NAC Organization Project, the ambition was to visit the two authorities and their personnel to an equal extent, and to use the same amount of time to listen to their ideas and feedback.

The principle of equal influence for RRV and PA was based on democratic arguments. Because Parliament and Government should be understood as equally important actors, none of the authorities should gain more influence than the other.

- A problem was that three conflicting guiding principles were communicated in, or logically emanated from, the merger approach, as concerned the relative influence of the merging organizations;
- A principle of equal influence, which was explicitly communicated throughout the process
- A principle of taking the best parts from each organization communicated in the culture integration project. This meant that relative influence would be a result of exceptional performance in a comparison. See section 5.1.3.
- A principle of RiR being established as a totally new authority, regardless what had been before, which conveyed a message that none of the two merging organizations would have much influence.

Concerning the principle of RiR being established as a totally new authority, without any influence from RRV or PA, this was increasingly emphasized during merger preparations. When I started my study, numerous people informed me that this was not a merger, it was the formation of a totally new authority. Asking further, it became evident

that they saw this as a matter mainly of a new mandate and a new independent position. However, many of them still expected that many of the RiR organizational routines would be transferred from RRV or PA. Especially after the 3AG had taken on their positions, it became clear that this would not be the case. Auditors responded by questioning why the 3AG wanted to keep them at all, if they considered their former performance that poor.

Relative influence was understood in terms of cultural influence. This was partly a result of the culture integration approach, where it was assumed that most aspects of organizational life were a matter of culture. In general, when issues were considered important, they were often presented as concerning culture or given a symbolic meaning, this way gaining relevance for the principle of equal influence.

When merger preparations started, there were few objections to the principle of equal (cultural) influence. At the kick-off in May 2002, there appeared to be a consensus on this. Personnel at the two authorities had been brought closer together due to their dislike of the way that merger preparations had been conducted initially (cancelled preparations, see section 4.1.3), and assumed that they had about the same general standpoint in issues. It was often repeated that they were "the same kind of people" at RRV and PA, during this kick-off. The atmosphere was very positive.

When the NAC and the NAC projects had been formed, it turned out that RRV and PA had different preferences in a number of matters. Some of these concerned very concrete solutions, but these too became subjected to discussion, especially in the NAC Organization Project, and in the NAC Administration Project. This was also the case in the NAC itself, where group dynamics was failing. Several members explained that it became evident very soon that there would be two camps in this group, as the chairman (Luke) tended to often agree with the RRV representative (Tom), while ignoring the PA representative (Linda). The atmosphere between Tom and Linda was not good.

As these personal conflicts increased, and discussions on a more practical level on how the authorities should merge, arguments were increasingly raised for abandoning the principle of equal influence. Two types of arguments were soon presented:

- *Size arguments*. For ethical reasons, the larger organization should gain influence according to relative number of employees, to avoid "the tyranny of a minority".
- *Competence arguments*. For professional reasons, the most competent organization should have the greatest influence. The competence argument grew out of the culture integration method, and the subsequent competition, and it was primarily adopted by RRV. Rachel also conveyed a message to her personnel that RRV was more competent than PA.

The size argument was came up particularly during early merger preparations. In the NAC projects, RRV and PA were represented to a rather equal extent, despite of the fact that the organizations differed in size. PA had only about 1/10 of the number of employees at RRV, and therefore many RRV employees believed that this was unfair, and that PA was being favoured in this sense. In the field of performance audit, RRV had 3-4 times more personnel than PA. Those RRV employees, who most forcefully argued that the authority's relative size should matter, were often managers or held important roles in merger preparations. A manager at RRV called it "the tyranny of a minority" (Swedish: minoritetens tyranni), an expression that came to be repeated. At PA, they did not respond much to this argument. Rather, they increasingly expressed extensive worries that they would be disregarded by RRV, due to their smaller size.

In the survey in April 2003, as well as in interviews, auditors at both RRV and PA wanted to claim that the other organization would need to change the most to meet the requirements of the new organization. Interestingly, both claimed that personnel at the other authority were "afraid" and "conservative". Bonnie meant that PA saw RRV as "the giant wolf that was coming to eat them". Indeed, such thoughts were admitted at PA.

The size argument was mainly founded on a moral line of reasoning. However, attempts were made to add professional arguments to this. Such an episode concerned an external report, the so called ESV

report[73], that had been requested by an RRV manager. According to the report, there were risks with allowing too much influence to the smaller party of two merging authorities. Furthermore, the report stated (p.14) that the smaller organization would often tend to have emotional, rather than rational, motives for their wishes;

> The danger when a larger organization merges with a smaller is that you, out of respect and goodwill, consider the smaller organization's wishes and demands too much. There is a risk that afterwards it will turn out that despite of all, the larger organization is used to handling questions in the right way, given the size of the new organization. The small organization's wishes and demands can often have emotional motives behind a surface of rational argumentation. These emotional motives can have far-reaching and costly consequences for the whole new organization that will may take many years to remedy.

The purpose of the report was to summarize experience in the area of IT and administration, from mergers in the public administration. It had been ordered by the project leader of the NAC Administration Project, who normally worked as an IT Manager at RRV.

The RRV Director-General (Rachel) was one of those who referred to the report, Tom another. However, the criticism from PA was extensive, and it was argued that conclusions in the report had been commissioned by RRV. RRV denied this. As there was little evidence for statements in the report, it was finally discarded. From vigorously referring to it at first, Rachel and Tom soon changed, and did not want to talk about the report.

Resistance was not only evoked with regard to the basis for the principle of equal influence, but also because of the actual outcome. Rather soon, PA personnel started to claim that they did not have as much influence in merger preparations as RRV did. Asked why they

[73]ESV, the Swedish National Financial Management Authority (Swedish: Ekonomistyrningsverket . On their homepage (14 August, 2007), ESV describe their vision as being to "make Sweden richer". They explain: "By developing financial management in central government, we work to ensure that efficient use is made of public taxes. We make financial management an example to be followed by other sectors and other countries." The ESV report that is mentioned here was called "Control of support functions" (Swedish: Styrning av stödfunktioner".

thought so, they often referred to Linda, and how she had described the NAC meetings. After every NAC meeting, she had a meeting with personnel, where she informed them of the discussions had taken place, and how she experienced her situation.

In the NAC, the personal dynamics between Linda, on the one hand, and Luke (chairman) and Tom (RRV representative) on the other hand, were not very good. Linda explained in interviews how she felt that Luke ignored or ridiculed her comments in the NAC. Bonnie had the same problem. Luke had been informed about this, and asked to improve, another NAC member explained, but little had changed. Observations during a NAC meeting (Dec 2002) supported these statements. The dynamics between Luke and Tom was much better and they tended to support each other's suggestions (interviews, observations).

Complaints were often raised concerning the allocation of time for participation in merger preparations. Lack of time was especially a problem for personnel at PA, where no slack was allowed in the production of reports. Many PA auditors supported this approach, arguing that it was ethically more correct to focus on production, in order "not to waste tax payers' money". Susanne, at PA, described the situation (Dec 5, 2002):

> Everyone sends memorandums and suggestions here and there, for information, via e-mail and you do not know if you should have an opinion or what is expected of you as an employee. […] Personally, I do not feel that there is a chance that one will have the time to form an opinion and be informed in all areas. It would be a full time job.

It is not reasonable, she argued, that all employees should have to be informed in all these issues. The risk is that in the end, you do not know what information is important. The problem of how to give priority to different kinds of information was mentioned by other auditors as well, but a few meant that they would rather have too much information, than too little – and that it was positive that this way they could themselves choose which information to give priority to.

RRV's plan for 2003 explained that "RiR shall overtake our organizational capacities" and encouraged personnel to take on an active role in merger preparations and to further develop their

competence and professional profiles. According to a survey response (April 2003) from an auditor at PA, this could only be interpreted as RRV personnel being asked to give first priority to developing their individual competence, then to work with merger preparations, and last to focus on production. At the same time, PA personnel were allowed no extra time at all for these activities, and no relief with regard to production goals (the issuing of reports).

When no RiR manager was recruited from PA, but several from RRV, this came as a surprise to both RRV and PA personnel. There were many decisions during phase 2 of merger preparations that indicated that RRV had more influence than PA. These appointments were taken by many as a final evidence that RRV had won the struggle for influence. PA auditors explained that now they just had to start looking for new jobs. Some RRV auditors contacted friends at PA, explaining that they had their sympathy, that they agreed that the appointments had "not been fair".

5.1.5 Culture clashes 3AG/auditors

When the 3AG took on their positions, instead of continuing the point to which the NAC merger preparations had brought the process, they introduced new principles and started the merger preparations process more or less anew. Reports and conclusions from the NAC projects were waved aside, and the 3AG made a number of (often unpopular) decisions without seeking the support of personnel. Unions complained that they were totally ignored, and personnel objected, arguing that this approach was unjust and unprofessional. They were especially disappointed with Luke, who had been part of the preparations process, but still chose to disregard this early work, in which large parts of personnel had invested a great amount of time.

Personnel lost interest in the cultural differences between RRV and PA, especially after the merger. Instead, they shared an increasing discontent concerning the leadership of the 3AG. Employees explained that there was little resistance between former PA and RRV employees, and that the cultural differences between them were not very significant. The 3AG, on the other hand, did not recognize the extent of personnel's resistance until the employee attitude survey in May 2004. Even after

this, they explained that results could probably be explained largely by a small number of very negative employees who influenced others, and they thought the situation would improve quickly. This did not happen.

Auditors explained that a reason why cultural differences between RRV and PA no longer generated much interest, was that most agreed that PA had had too little influence in merger preparations, that PA had been badly treated by the 3AG. They especially pointed at the appointment of department managers. The way that PA personnel had been treated was taken as evidence for poor leadership skills and ethics among the 3AG. Initial differences in routines and procedures between PA and RRV, were still recognized, but it was no longer common to attach a negative value to these differences.

Table 4. Overview of shared goals, and key values concerning how these should be achieved, among the 3AG and auditors at RiR.

Shared goals	**Means/ the 3AG**	**Means/ Auditors**
Competence	Specialization	Broad general competence
Quality	Centralism, regulations and a lengthy process. Quality control.	Combination of trust and efficiency. Quality support.
Professionalism	Regulations and bureaucracy	Autonomy and trust in professionals
Independence	Focus on reports with criticism	Focus on reports regardless severity of criticism
	Formalism and control	**Flexibility and trust**

As it turned out, two cultures emerged – one shared by the 3AG and a number of (middle level) managers, and one shared by auditors. Although united in their support of the goals of competence, quality, professionalism, and independence (my four categories), the 3AG and auditors had different standpoints regarding to which values and means should be applied to reach these goals. Table 4 provides an overview.

Table 4 illustrates how the 3AG consistently emphasized the need for formalism and control, while auditors consistently emphasized the need for flexibility and trust.

Compared to RRV and PA, the 3AG leadership at RiR conveyed values closer to those at RRV, than those at PA. Meanwhile, many auditors, at both RRV and PA, requested a culture similar to that at PA. Many RRV auditors, for example, explained in interviews that they hoped that RiR would become a more flexible organization than RRV had been. RiR, as managed by the 3AG, became rather the opposite - very much characterized by formalism and bureaucracy. See Figure 16.

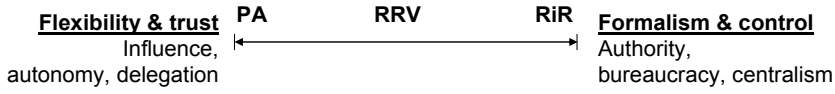

Figure 16. Comparison of values/cultures at RRV, PA, and RiR.

From a management perspective, gaining control over the situation was imperative, possibly partly due to pressure from different stakeholders. Thus, professional values stood against managerial values. Instead of stakeholders, Hubbard and Purcell (2001) talk about constituents with which personnel hold psychological contracts, and emphasize the importance of expectations.

With the shift in values, indicated by Figure 16, auditors experienced a negative development in most aspects. The loss in autonomy, and increasing focus on control, was interpreted as evidence of a lack of trust and respect in auditors, and as evidence of poor management skills, leading to increasing distrust. A negative spiral developed.

Already during phase 2 of merger preparations, the 3AG made a number of decisions which personnel interpreted as evidence of poor

management skills. One reason was the focus on control. Another reason concerned morality, as personnel started to realize that little of their input had been taken into account in the final decisions made by the 3AG. Hence, their influence had been minimal. Highly educated and trained to critically analyze authorities from a management perspective, auditors did not hesitate concerning their own competence to evaluate the 3AG's management skills. Another important aspect was that auditors often perceived themselves as morally obliged to react when management did not make reasonable decisions, given their loyalty to society and the citizen. This loyalty was based on the fact that national audit is one of the few control tools available for the citizen to know how authorities under Parliament and (particularly) under the Government were managed. Performance auditors, thus, often saw themselves as the extended self of the citizen. This indicates that it may be crucial that we understand contextual factors, such as these, when attempting to understand resistance.

An auditor (Natalie, 27 September, 2004) explained that the 3AG were always kept under observation by personnel, that they commented on every wrong word they uttered, behind their backs.

> I think they feel that they are not accepted. And I think that is correct. This makes people scared, in such a situation – to sit appointed as Auditor-General, with all that this means for the new organization, and then feeling that you have a hostile personnel underneath you. Then they can wave it aside and say that it is personnel who are silly, change avert, reluctant, and all kinds of things. […] Of course, this is not what they say officially, but a bit you can… certain statements can be interpreted that way.

Four key words to signify RiR were presented by the 3AG for personnel in October 2003 (at the RiR kick-off): quality, entirety, comradeship, and proximity. Auditors explained in interviews that few took these four values seriously, since the 3AG in practice communicated a totally different culture, which was close to the opposite. See Figure 17.

It was increasingly rare that the 3AG mentioned these values after the merger. Alison explained that she had given the 3AG the advice not to introduce values like this, but instead be more concrete and show personnel that things were finally happening, but added that the 3AG had not agreed in this.

Values for RiR, announced by the 3AG	Entirety	Proximity	Comradeship	Quality
Reality according to auditors	Fragmentation within & between professions	Hierarchy	Local focus (dptm), little comradeship with the 3AG	Competence not acknowledged or preserved

Figure 17. Values promoted by the 3AG, as compared to the actual leadership culture, according to auditors.

5.1.6 …fuelled by radical and forced changes

Radical refers to the extent of change. *Forced* refers to personnel support. When RiR was formed, a long series of changes were initiated. Several of these were considered radical, because they changed fundamental routines and assumptions. These changes challenged the relationship between the 3AG and personnel, as they were not supported by personnel. On the contrary, many employees argued that the 3AG were wrong. Furthermore, very limited guidance was provided by management, as to how many of these changes should be implemented concretely.

Some examples of radical and forced change were:

- the new office solution,
- the integration of professions (performance audit and financial audit),
- new forms for quality assurance,
- new salaries and loss of formal titles,
- new routines and policies (e.g. templates and contact policy),
- new performance audit approach.

Most of these areas continued to be subjected to discussions throughout the first four years at RiR. In the employee survey May 2004, an employee wrote:

> Preserve the fine parts that there were and do not try to change everything. Delegate and protect professions. Listen to the organization.

Auditors questioned if the 3AG meant that all they had done previously had been so inferior that this radical and forced change was necessary. The attitude at the kick-off was that both RRV and PA were good organizations and that all personnel were highly skilled, as communicated by the Parliamentary committee. This had also been the attitude of the NAC. Personnel had not expected this radical change, especially since the Committee on the Constitution had explained at the kick-off that changes would be small.

Sophie explained in an interview (28 Sep 2004) that they had tried to change as much as possible and start anew at RiR, leaving the RRV and PA history behind:

> We have really tried hard to re-make everything from start. We have torn the old apart – and very consciously torn this old apart, in order to make this a new authority, with a new identity. I think that if we had kept RRV's old organization, perhaps we would have had started at another level. If we had kept RRV's old organization and then tried to, so to say, push in, within brackets, PA, then perhaps we would have come out better in the short term. It would have been a bit easier. But we would definitely have come out worse on a longer term. I want to think that this messy start-up period - when we have stirred up among audit objects, pretty many new managers, all have new colleagues, new structures and split departments around the country, and so on – that this hopefully will be an investment, on the road to one whole united authority, where managers and employees have one common understanding of what it is we shall achieve.

Two of the most drastic changes concerned the new organization design and the new audit approach. As for the latter, auditors had not expected that it would be changed much, and they argued that this had not been Parliament's motive when RiR was formed. Furthermore, it was not clear to auditors what the 3AG really meant concretely with the new audit approach. An auditor from RRV explained (Carrie, 16 Oct 2003):

> Everyone talks about the new mandate and there are rumours saying that the 3AG want something else, but we still do not know really what they want, they have not communicated it very well.

It was another type of audits than those at RRV and PA, at least, she explained.

> But then, we have had the directions for our yearly planning and for the audit plan, and they are very formalistic… and then you get a bit bothered.

Some formalism is necessary, she added – "but not this much".

The 3AG continued to make radical and forced changes throughout the post-merger phase in the case study. During year 4, the Deputy Director-General was re-appointed, despite of protests from both personnel and unions. The new organization design, implemented in year 4, was also largely decided by the 3AG, without consideration of personnel's input and with no regard to their and the local unions' protests.

5.1.7 …and attempts to standardize audit work

The audit work at both RRV and PA had been rather free from regulations. Auditors themselves had been able to choose what perspective to adopt, methods to use, etc. As RiR was formed, the 3AG requested an increased formalization of performance audit. A continuous discussion that lasted throughout the five years when I studied the RRV/PA merger, concerned this issue. It actually consisted of two parts:

- Performance audit approach
- Performance audit routines
- Quality assurance

The performance audit approach concerned the aim and focus of performance audit. This discussion has been introduced in section 4.4.4. Performance audit routines included templates, pre studies, communication policies, etc. Quality assurance encompassed routines

where reports were reviewed, either in order to suggest improvements, or to provide an approval to proceed.

Auditors complained in all these three aspects, arguing that the 3AG attempted to standardize the performance audit work, and thereby lowering the status of the profession. The audit approach, as the 3AG wanted to form it, would trivialize auditors' work, they argued. Another complaint concerned routines and quality assurance, which auditors meant aimed at diminishing their control over their own work, or the products of their work.

Comparisons were occasionally made between financial audit and performance audit at RiR. It was argued that the 3AG wanted to copy procedures from financial audit to performance audit. An auditor (Carrie, 16 October, 2003) explained that there were certification programs within financial audit and that the 3AG now considered having this for us within performance audit too - "Then we just laughed, this is not possible in the social sciences!".

With the new performance audit approach, financial audit and performance audit became more alike. According to the 3AG, in the initial discussions, formal norms should stand in focus also in performance audit, and the aim was to evaluate to what extent authorities and institutions lived up to these norms.[74] Auditors angrily called this compliance audit, explaining that this was not what Parliament had wanted performance audit to be. The 3AG claimed the opposite, Luke (20 April 2007) explained:

> Us auditing the Government puts other demands on audits than there were before, and this means that we must have another definition of audit quality than before.

Compliance audit was seen by auditors as rather unqualified work, with limited prospects of improving public administration at large.

The implementation of the new audit approach, also caused objections. The 3AG did not provide with concrete instructions for how the new approach should be implemented in practice, auditors argued. This caused confusion and frustration.

[74]This is a simplified version of the issue, which was actually more complex.

A project called VÄGEN was assigned to suggest new guidelines for performance audit, based on the new approach. A member of the project explained that there were signs that they had actually been able to influence the way that the 3AG looked at this issue. What they had done was to develop a model that allowed performance (in terms of efficiency) to remain an important focus in audits, while still naming this norm-focused audit. According to the project, efficiency could also be categorized as a norm, since it was a general (although not always explicit) expectation in society.

The 3AG sympathized with these ideas, and referred to them in the final interviews. However, they also forcefully claimed that finding someone to hold responsible was important. Luke (20 April 2007) explained:

> Audit is something else than a general investigation, it is an important fundament based on which someone can be held responsible. […] It cannot be a reasoning of your own, like in ordinary investigations or research, that you evaluate things and have your own opinion on how things that are not in line with rules and regulations hence should be solved.

Previously, they could suggest improvements without pointing out who had done wrong, Luke argued. Auditors meant that responsibilities were not always clear, and questioned whether this aspect was really relevant. The new approach would put RiR in a situation that was similar to that of a court, auditors' claimed.

No clarification was provided by Parliament in these issues, since it was considered key that RiR acted independently towards all political institutions, and that these institutions did not try to interfere in RiR operations.

If standardization of work is defined as a close regulation of the work process, performance audit work was indeed standardized. The aim was to improve prospects of achieving the four goals that have been identified in this analysis, as guiding for the merger process - namely quality, professionalism, competence, and independence. All these factors were understood as a matter of being stringent with regulations, and hence control was the main mechanism that was adopted. This

again provides support to findings summarized in Table 4 (section 5.1.5).

The 3AG became increasingly annoyed with objections from personnel concerning audit approach, routines and quality assurance. In a final interview, one of the 3AG (Luke, 20 April, 2007) explained that it was only the three of them who decided what the performance audit approach should be - not personnel:

> It is we, the Auditor-Generals, who answer the question of what audit should be at the authority. The case is actually that employees do not hold a general right to decide how we shall work and what we shall do, what they think audit should be. We have that interpretative privilege.

In general, personnel experienced that the 3AG had never been open for their input regarding to these issues, during the merger process. An auditor explained how he had been degraded with the explanation that he obviously did not agree with the new audit approach.

In an interview from about the same time, the Auditor-General Luke (20 April, 2007) had explained:

> We have the standpoint that this is the road that we have chosen. Either you are on this train, or you actually have to leave the organization, if you do not like it. We have taken a stand and there will be no more discussions concerning if we should do this or not. Then, of course, you can always reconsider operations after some time, but now this approach is valid until we decide something else.

5.2 Resistance on interpersonal level of analysis (communication)

In this section, four issues will be highlighted: Informal alliances, legitimacy issues, the one-way direction of communication, and mediating actors.

5.2.1 Informal alliance

An informal alliance in the NAC caused objections during merger preparations. These objections were rarely raised out-loud, but they thrived among auditors, especially at PA.

This alliance could be understood either as an expression of resistance, or as a cause of resistance. An expression of resistance, because the alliance was used by managers to protest against and in practice circumvent the principle of equal influence. It was a cause of resistance, because the alliances were met with frustration, anger and dejection among those in a weaker position (PA) in terms of allies, and because it led to increased competition, rather than dialogue, between RRV and PA.

The primary members of this alliance were Luke (chairman of the NAC, later Auditor-General), Rachel (Director-General at RRV), and Tom (the RRV representative in the NAC). An RRV manager explained how he had used this group to obtain advantages for RRV during merger preparations.

The forum for this informal alliance was otherwise primarily the NAC. Luke was then appointed one of the 3AG, and findings concerning this alliance stop there. However, it can be established that Tom became one of the new managers at RiR, and that PA gained less influence than RRV after this point in time. The RRV manager, just like Tom, became a manager at RiR. None of the former PA managers were appointed managers at the new authority. Linda was not given a new position at all. Instead, she was offered a severance package to leave.

The foundations of this alliance are not known. It could be merely a matter of what is often referred to as "personal chemistry", or it could be a matter of more formalized cooperation, it is hard to say.

Rachel governed Tom and guarded their special interests, an initiated NAC member explained:

> All the time, Luke has had a very good relationship with Tom. This also has clouded the relationship between Linda and PA on the one hand, and the three Auditors-General on the other hand.

This was confirmed in other interviews. Tom was the head of the Director-General's staff (Swedish: stabschef) at RRV, and hence worked closely with Rachel.

Rachel and Luke also had a very close contact. They had previously been colleagues at another major Swedish authority. With Tom and Linda, both RRV and PA were represented in NAC. The experts from RRV and PA were managers and spread culture in the two organizations and they had been assigned to gain the approval of personnel in these organizations, explained Luke in an interview (20 November, 2003). However, it would have been easier still, if Rachel had been allowed a position in NAC, he added - then it would not have been necessary to take these contacts "separately".

This "separate" contact between Rachel and Luke was informally known to many auditors, at both RRV and PA, but they were never brought to protocol anywhere. Rachel affirmed in an interview (October, 2003) that there were informal contacts between the two of them:

> I had a closer contact with Luke than the people around really understood. That is, we know each other since old times and there is a very great confidence in my viewpoint on matters. I felt very confident that it was he who led this committee and when he later became manager, it was better still.

In the NAC, both Linda and Bonnie complained over Luke ignoring, neglecting or ridiculing their comments in the NAC. These "communication problems" were discussed with Luke, and he was aware of the complaints, but according to interviews, little changed. A NAC member referred to social competence, and said: "…being a lawyer he has his language and… well, not everyone has that ability.". The same NAC member explained:

> It was very obvious that neither Luke and Bonnie nor Luke and Linda had a perfectly matched personal chemistry. It was evident already at an early stage. […] Instead of improving because they were aware of it, it became worse all the time – for they were aware of it themselves. I think Bonnie tried to e-mail Luke often and get in touch with him. He did not get back to her. I think Linda tried to keep on going on her own, as much as she could. But these relations were not good. This was

> very sad, for these were two representatives for the authorities that could have become very positive vehicles into the future. They wanted to build the new from start. Both were very constructive, positive, according to my experience. …then different competences, different experience, that could have been very valuable, but none of them really became the force forward that they could have become.

Other members of the NAC confirmed that Luke often did not let Linda or Bonnie speak when they asked to, and that when they did, this input was not taken into consideration, but rather was dismissed rapidly. This was also confirmed in observations (NAC meeting, 4 Dec. 2002). Statements by Tom were treated very differently by Luke. An interviewee explained:

> Luke has all the time had a good relationship with Tom, and that has also made Linda's and PA's later relationship with the 3AG difficult.

Both Bonnie and Linda found the NAC situation frustrating and bothersome.

Bonnie described how she wanted to inform personnel more and give more attention to "the soft issues" – issues that she did not find the NAC very interested in. This was especially the case for Luke and Tom, while Alison was an exception, advocating the same approach as herself, Bonnie explained. Apart from Bonnie and Alison, Linda too advocated an approach with extensive information to personnel and influence for employees. Alison, Ryan, and Anthony made sure they kept a neutral position.

One aspect that Bonnie raised as a problem was that Luke could not allocate more time for merger preparations, and she argued that perhaps he had not foreseen that the NAC would be much more time-consuming than most other committees under Parliament.

Linda described the work in the NAC as messy, unstructured and inefficient. She had a heavy workload and described how she invested almost all her time awake on the job, working for both PA and the NAC. In an interview, she explained that she could hardly could take it any more, and a NAC member said about Linda that "It was tough to see her getting more and more tired over time.".

When Linda returned to PA, she conveyed a picture of an unstructured committee, where she - and thereby PA - was largely ignored by the chairman. PA auditors described Linda as frustrated with the NAC situation - "Towards the end of merger preparations, Linda was absolutely boiling with frustration.", a NAC member explained. Many PA employees managed to keep their hopes up, by referring to the coming appointment of the 3AG, who they hoped would have a different style from Luke's. As it turned out, he instead became one of these three Auditor-Generals.

Confidence in the NAC from personnel at RRV and PA was generally high, but much due to Linda's situation in the NAC, this diminished on the part of PA. PA personnel meant that they had little chance of gaining the same degree of influence as RRV in the merger preparations. The relationship between Christopher (the PA Director-General) and Rachel was frosty, following both their previous disputes, and more recent statements by Rachel (concerning the authority's competence and independence, see section 5.1.2). Christopher retired in April, 2003, only a few months before the merger.

Opinions on how well the NAC functioned differed among its members. Several members of the NAC described the work in this management team as full of controversies - especially in issues brought up by the NAC Organization Project, where there was "an enormous wrestling about the different organization designs" in the NAC, according to Alison. She had a diplomatic approach and most people expressed great confidence in her work.

A person in the NAC explained that Linda and Tom had understood their assignment differently, and that this led to conflict between PA and RRV. While Linda was focused on building the new authority, Tom rather understood his role as representing the interests of RRV, explained a NAC member, and added that Tom had been too confrontational towards Linda:

> I think that Tom's behaviour in the committee […] partly ruined the atmosphere between PA and RRV. If Tom had been more flexible and less confrontational towards Linda and if he had invited her more - that is, if he had had a more obvious mandate to build the new, rather than to represent RRV… For Linda experienced her assignment much more, I think, as focused on building the new authority.

Tom was "extremely negative to some things", explained the same NAC member. When Tom was asked in this matter, in an interview, he did not agree. Tom meant that there had been very little conflict, but admitted that his and Linda's role as representatives (for their organizations or their expertise) in NAC had not been entirely clear. He had been assigned to the NAC based on his employment with RRV, he pointed out, still emphasizing that he was there as an expert, for his personal qualifications.

An RRV auditor, who was also a local union representative, meant that she used to call PA for information after the NAC meetings, because the RRV representatives in NAC "have not represented RRV, but only themselves, so they have not had any responsibility to tell us what is happening.". Her impression was that the NAC had the impression that the RRV and PA representatives took on the same role, spreading information and gathering feedback in their own organization. This did not correspond to reality, she added, and reasoned that Tom probably meant that he represented himself as an expert.

Tom had been part of the previous (later cancelled) preparation process, and he was also experienced in the area of performance audit. Compared to him, Linda did not have much experience, Christopher pointed out, adding that they thought she did an excellent job in the NAC, despite of this.

Issues in the NAC were often labelled merely communication issues or issues of inter-personal dynamics.

When the 3AG took on their positions, Luke had a considerable advantage over the other two Auditor-Generals, with his experience from the NAC and from both rounds of merger preparations. Because of this, and because Rachel and Luke had a close relationship, many auditors (at both RRV and PA) agreed that Rachel continued to extort influence during phase 2 of merger preparations.

5.2.2 Legitimacy issues in communication design

Phase 1 of merger preparations were organized in what was referred to as a participative design. This design primarily constituted a structure

for communication, since no decisions could be made until the 3AG had been appointed. See Figure 18.

The 3AG established a similar structure during phase 2 of merger preparations, but the process was then so rushed, and vertical resistance already so strong, that legitimacy never became as much of an issue.

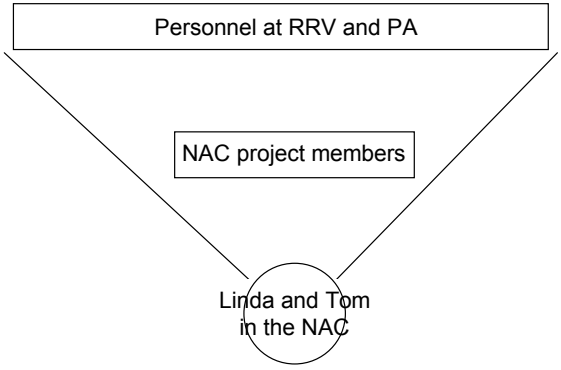

Figure 18. Representation in the NAC project organization – as personnel expected it to function.

The participative design had been established using a middle layer, between auditors and the NAC, consisting of projects. The legitimacy of the members of these projects, as representatives for personnel, could be questioned – and was, at least at RRV. Auditors asked themselves why certain individuals had been appointed to the NAC projects, and not themselves. Project members did not always ask for input from personnel, or bring information to personnel after meetings. As for the authorities' two representatives in the NAC, both appeared to have a general support from personnel, but criticism was raised against Tom for the scant communication between him and RRV personnel.

The question emanated from the procedure by which project leaders and project members had been appointed. In the NAC project organization, this was not clear, and the case was the same in the 3AG project organization. Different explanations were given by different people, but there had been no formal guidelines or procedure. According to the NAC newsletter (1/2002), NAC appointed project leaders, based on the character of the project. Project leaders would

suggest a set of project members to NAC, who would make the final decision. In part, this explanation diverged from what the NAC chairman, Luke, described:

> I think we appointed them in the way that we… we discussed what employees we would like to have in [the projects]. Partly we discussed this in the committee, then we discussed with each of the two authorities and had suggestions from them. We had our own ideas too and then all these were weighed against each other.

Auditors' perception was that the NAC had single-handedly appointed both project leaders and project members according to their own liking. This issue re-occurred in the 3AG project organization during phase 2 of merger preparations. An RRV auditor (Kimberly) explained that she had not felt as if auditors could come themselves and say that they wanted to join one of the NAC projects.

Those who were appointed to a NAC project often saw this as a mark of respect. Meanwhile, those who had not been appointed tended to either argue that they did not want to be part of a project anyway, or they became annoyed and asked themselves why other people had been chosen instead of them. Some of the NAC project members were simply not suitable for this assignment, it was argued. An RRV auditor (Rose, 16 January, 2003) explained that certain project members had had a negative attitude towards PA already from start:

> You could see already from the selection of people to the groups that this will not be positive for RiR, instead, these people will rather watch over their positions and make sure that they themselves come out as well as possible. They were not very competent. […] They had a very non-positive understanding of PA. 'They know nothing, we are much better than they are', and so on. That is not true. There are good and bad people at both places.

A possible explanation for this could be that the informal alliance described in section 5.2.1 had reached also over this project organization.

A detailed description of the appointment process was given by an employee at RRV. He explained how he had been able to influence both project themes and the choice of project members/leaders. Because the first NAC suggestion would have allowed PA opportunities to take

important positions in the projects, he made some changes that he meant would be advantageous to RRV in the competition for influence, and returned with a new suggestion at an informal meeting with Ryan, Alison, and Tom ("and maybe some other person"). The NAC members accepted these changes. This RRV employee also took active part in other areas of merger preparations. In interviews, he openly - even bantering - explained that his aim had been "to keep PA out". The measures he described could be regarded as quite aggressive in this ambition.[75]

Because the principles guiding these appointments were not clear to the NAC, project members or personnel in general, there was no consensus concerning what role project members were meant to take on. Resistance grew, as many expectations were not met.

Because members were taken from both RRV and PA to (about) an equal extent, the conclusion at hand for many was that they represented primarily their own authority. Hence, their assignment could be understood as to defend solutions, procedures and values at their own authority, in the comparison with the merger partner.

Many project members argued that they probably had been appointed to projects because they were known to have superior skills in relevant aspects. Kimberly, an RRV auditor who was not involved in any project, also explained that generally, personnel believed that these project members saw their assignment as personal and felt that they had been chosen as individuals.

Because many project members saw themselves as appointed as individuals, and because no communication structures or directives were set up to say otherwise, they often did not care to ask colleagues for their opinions about specific issues before taking a stand at project meetings. Nor did they care to inform colleagues much after meetings. Due to this, they got "all the power", according to Bonnie. She meant that the attitude of project members, and especially project leaders, concerning the sharing of information to and feedback from personnel, led to increasing annoyance and frustration among personnel. Despite

[75] To protect RiR and individuals involved, details of these narratives are not described here.

of being responsible for information during merger preparations (also from projects), Bonnie had great difficulties herself, in getting this information from project leaders to pass on.

Personnel outside projects were annoyed with the lack of information, since they had expected more of a dialogue with the new, so called participative merger preparations design. Project members started to lose legitimacy. An RRV auditor (John, 9 April, 2003), explained:

> Because very few individuals are included in these groups and the vast majority is outside and know just as little, those outside probably feel that the 3AG might just as well make the decisions themselves - rather than colleagues who we cannot control anyway, or know what those idiots say in these groups! […] Very quickly, a "barrier" is built between those selected and those not selected.

In general, auditors did not experience that they had much influence in the merger process. This was especially the case after the 3AG had been appointed. An RRV auditor (Kimberly, 2 October, 2003) meant that the process had all the time been run "von oben":

> That is, there have always been some people sitting up there, telling us what to do, while the process for gaining personnel's approval has been minimal.

Alison did conduct a number of interviews, but not very many, Kimberly said, adding that all the time it was as if someone else had influence, "but not us". The explorative survey conducted in April 2003, confirmed that it was mainly those involved in the NAC projects who perceived influence as high. An RRV auditor described how he had not felt at all involved in preparations until he was asked to join one of the projects:

> It is an immense difference. If you are not in [a project], then it is easy to feel outside and critical. It is a damn difference when you are actually allowed to be in, and influence things. […] So, until I was asked to join, I mostly felt annoyed with the process. But then! It is amazing how much fun it became then!

As noted, many project members (at least from RRV) were people who were considered by their colleagues to be especially devoted to preserving solutions from their current organization, and often had a

strong sense of loyalty to their managers or to Rachel (the RRV Director-General). The NAC projects were known to be an arena for harsh debate and considerable conflict between RRV employees and PA employees, and so were several of the 3AG projects.

An influential RRV member of a NAC project openly and in detail described in interviews how he had been able to manipulate project members from PA, this way achieving a higher influence for RRV. In interviews with these project members from PA, it was clear that they did not understand that there was such a hidden agenda. Issues were called careless mistakes or communication problems, at the same time as members from PA became increasingly annoyed and frustrated. Since events in the project were known to all employees at PA, this sentiment became shared by many.

The situation was similar in another project, where it became increasingly evident that there was a hidden personal agenda behind the action (or lack of action) of a project member from RRV. It was especially RRV employees who tended to take on this active and competitive role, aiming at maximizing RRV influence. PA employees were at the same time very occupied with their audits, as they were not allowed to allocate as much time to participate in merger preparations.

5.2.3 One-way communication (lack of influence)

Numerous channels for information were established, as merger preparations began. Auditors increasingly complained that there was "too much information", explaining that it was hard to sort out the information that was the most important or relevant for them.

As I have explained, an important informal information channel for many RRV employees, were friends and colleagues at PA, since they were well-informed by Linda. At PA, NAC project members also spread information from project meetings to a greater extent than those at RRV did. Tom (the RRV representative in the NAC) was more reluctant to share information. Professionals at RRV and PA often had a friendly relationship with each other, while managers, Directors-General, and project members had a more confrontational approach.

Some meant that the local union representatives were important sources of information, but these representatives themselves claimed that they had far too little information from the NAC, especially about what happened in the NAC projects, or corresponding projects under the 3AG. At RRV, the Human Resources Director (Bonnie) was known to share information as much as possible, but she had difficulties in accessing information about what was happening in projects. At RRV Bonnie often acted as a mediator, trying to curb resistance against PA.

During phase 1, the honesty of information was only once severely questioned. This was in the case of the office issue. Personnel claimed that they had been promised individual offices, but the final solution was based on office landscapes. Furthermore, the NAC referred to office landscapes as a solution aiming at facilitating communication. Auditors meant that there was little doubt that this actually was a matter of budget, and it annoyed them very much that the NAC could not be "honest enough to say this out loud".

As phase 1 proceeded, auditors increasingly claimed that there was "too much information with too little content". They requested decisions, and described the phase as "swimming without water", because no final decisions could yet be made. These were the limitations of the NAC assignment, and personnel wished to finally move from discussions to formal decisions - and to action.

As the 3AG had been appointed, both project members and auditors outside these projects expected a period of intense communication with them. What happened was the opposite. It was described as "total silence". Looking closer, several decisions were announced during these first months too, but there was little dialogue between personnel and the 3AG. The normal extensive information flow had also come to an abrupt halt, which was contrary to what personnel had expected.

From this point in time, communication was understood as primarily running in a one-way direction, namely from the 3AG to personnel. Project members had very little feedback on their input, often none at all. Their input also appeared not to be taken into account in the 3AG's decisions. The first major decision made by the 3AG was one where input from projects or personnel in general appeared to have been ignored, namely the choice of organization design. More decisions like

these followed. Many project members had worked very hard since merger preparations began, and they became frustrated and angry when they found that they had no acknowledgement on a personal level, and that their work had largely been "in vain". An RRV auditor (Carrie, 16 October, 2003), who had not been involved in any project during merger preparations, explained the feeling as phase 2 was entered:

> Initially, things went very well. They have talked about this for a long, long time. During the last two years, we have had many conferences and exercises together with PA. Then suddenly, when things got serious, the last half year, starting about January/February this year, there were no meetings any more. Then suddenly there was no-one who had the time to inform personnel, when things suddenly were for real. Suddenly everything went very quickly and then there was no transparency whatsoever. I had the impression that there were many processes which went very, very fast, without personnel being informed. This stood in an enormous contrast to all the information we had had about basically nothing for a long time, at a million conferences. We basically had nothing during the last half year. I think that was really bad.

Now it was clear, personnel reasoned, that it had only been a pretence, when the merger approach had been introduced as a participative such. The chance of influencing the 3AG's decisions in this final stage of merger preparations was experienced by personnel as minimal. They did have information, but not much influence – contrary to initial promises and expectations. The last three months of merger preparations became hectic, and the 3AG explained in interviews that this lack of time had affected their approach very much – there was simply no time for further discussions with personnel. However, it was still not clear why many decisions deviated from what personnel had suggested or wished for, for example with regard to the organization model.

Auditors experienced that the lack of true personnel influence continued after the merger, throughout the four post-merger years in the study. Their standpoint was (interview with Luke, 20 January, 2006 - see section 5.1.7) that certain central questions were reserved for only them to make, and that personnel simply had to accept these if they wanted to stay in the organization. Auditors and the 3AG had different ideas about what issues personnel should be involved in. In numerous

narratives, auditors also described how they were treated or talked to by the 3AG, in a way that they found insulting and in a way that indicated that communication was meant to flow primarily in the one-way direction from management and down in the organization.

Although the organization formally was very flat, auditors experienced that there was a high hierarchy and very much centralism[76], due to leadership and bureaucracy. The RiR organization structure continued to cause criticism.

The fact that there were three, instead of one, Auditor-Generals, did not have much influence on resistance or the situation at RiR, in my experience. The main reason is that auditors experienced that the 3AG acted and appeared to reason in a rather similar way. For some time, employees hoped that Sophie would be different from Luke and Matthew, but this eventually changed, and distrust was directed towards all three of them. It was not until the new Auditor-General, Brooke, took on her position that problems started to arise among the 3AG, and the construction proved to be dysfunctional. When Brooke started, she often found herself often out-voted by Sophie and Luke, who had been used to cooperating for many years. The internal dynamics in the group of Auditor-Generals failed. Although Brooke argued that her leadership ideals were different from those of Sophie and Luke, personnel did not see much of this difference, and she admitted that she had to keep a low profile, given the constellation of Auditor-Generals.

As concerned department managers, auditors explained that they appeared to be scared of the 3AG and many called them "followers", implying that they had little integrity or true power. In an interview

[76]It must be added that considerable effort was invested in the RRV/PA merger, to involve personnel in establishing new routines. Numerous projects were set up, some before the employee survey May 2004, even more after it. Many auditors still thought that there were too many of these projects, and there were also again issues of representation (just like during merger preparations). How had members been appointed and what was their mandate? "Weed out all the steering groups that do not work anyway.", a respondent said in the employee survey May 2004. Papers from the different development projects sometimes appear for review, but it is hard to tell who owns them, or what formal or informal initiatives lie behind them, another respondent explained.

just after the merger, Tom, explained that he thought that everything worked very well. At the same time, auditors spoke of chaos and extensive dissatisfaction. Tom explained that it was easy for him to work more or less as before, since most of his group members at RiR had also been part of his group at RRV. They already knew each other very well, so the transition had felt "very painless", according to Tom.[77] After the employee survey, however, no one denied that there was a problem with dissatisfied personnel, but the 3AG thought that the situation would improve more quickly than it did.

A reason why communication was mainly one-way-directed, and personnel influence limited, could be the increasing focus on control, which has been pointed out here.

5.2.4 Loss of mediators

Throughout the merger process, different mediating actors turned up. They worked to curb resistance and improve communication between conflicting groups. Personnel often had a high degree of confidence in them, since they acted to improve communication between personnel and management. Personnel hoped that this would lead to more influence and an organization more adapted to what they considered best practice.

Interestingly, all of these mediating actors were female. All of them were also, eventually, put aside by the 3AG.

[77]This experience was shared by several other managers, according to interviews (regardless of whether they had been recruited externally or from RRV). One reason could of course be that this was really how they experienced the situation. This would indicate that there was not much open dialogue between them and their employees, since these gave a totally different picture (also in the employee surveys during the years to come). Another possibility is that some managers intentionally gave a false picture, reasoning that this would be expected from them in their role as managers, and thereby representatives for the authority (and its management). In interviews a couple of years after the merger, several top managers explained openly that they did not support the 3AG leadership, calling it inconsistent and disrespectful, just as auditors did.

First, there was Bonnie. She was the Director of Human Resources at RRV, and had experience from change processes. Initially, she led all the large information meetings for personnel. As the NAC was formed, she was appointed responsible for communication between the NAC and personnel, at her own request. In the NAC, however, she found it hard to make herself heard, as explained in section 5.2.1. Instead, Alison increasingly took on the role of mediator between management and personnel.

While Bonnie was employed with RRV, and hence in charge of assisting primarily RRV personnel, Alison did not have such an attachment. She was an external actor, hired on a consultancy contract. This was one reason why she gained such extensive confidence among personnel on all hierarchical levels and in both organizations. Another reason was that Alison deliberately acted carefully during preparations, not to take a stand for any party. An Auditor-General (Sophie, 20 November, 2003) described Alison as a uniting force (Swedish: sammanhållande kraft).

However, after the 3AG had been appointed, Alison too was put aside. Sophie explained that Alison probably had become disappointed, as she was not very involved during phase 2 of merger preparations, but - "now we had come in to decide". Alison herself also expressed disappointment in not being further engaged in merger preparations, after this point in time.

After the merger, many expected that the new Human Resources Director (Olivia) would take on the role as mediating actor. Rather soon, it became clear that this would not be the case. Many complained that she was not visible in the organization. After about a year, she left, for another employment. The new Director of Human Resources (Lauren) asserted forcefully already in the first interview, that her role was to represent the employer side of the employee relationship, not personnel. This was also the impression that personnel had.

As the 3AG understood that resistance was extensive, after the first employee attitude survey, the Information Director Ashley was put in charge of projects aiming at improving workplace conditions. Ashley became highly appreciated by personnel, and gained very much trust.

She was in charge of several information seminars for personnel and most of the development work.

As time went by, Ashley increasingly started to question the leadership at RiR, although not explicitly. She was overt with her opinions towards the 3AG, and her impression was that they did not have a problem with this – but her impression was also that they did not take her input into account much in their final decisions. As the 3AG decided to appoint a Deputy Director-General, they agreed that Ashley, Lauren, and a number of other managers in the administration would be removed from the management team (Swedish: ledningsgrupp), despite of their protests. Soon after, Ashley handed in her letter of resignation. Since she did not have a new position to go to, personnel largely recognized this as a protest against the 3AG.

As the new organization design had been implemented, in year 4, the Audit Manager (Alexis) grew increasingly popular. Auditors explained that she seemed to "actually listen" to what they said. When the case study was concluded, she was still in position.

Linda at PA and Rachel at RRV played important roles in the merger process, but they did not act as mediating actors, neither in a horizontal dimension or a vertical dimension.

The local unions were another mediating actor through the merger process. Opinions on the extent of influence unions were allowed differed, but union representatives themselves explained that cooperation with the 3AG had often been difficult. In interviews, the 3AG also questioned to what extent unions really represented all of personnel, as opposed to only a small group of them. In general, the 3AG often claimed that resistance probably only came from a small group of people with negative attitudes. In the office issue during merger preparations, unions played an important role, as they set up a voting enquiry to personnel at both RRV and PA. Most personnel had confidence in unions, but many were hesitant as to what extent of influence unions were allowed by the 3AG.

We can only speculate in why mediating actors were put aside, but regardless why, a consequence was that the 3AG again could direct attention and power to themselves – and thereby also control.

5.3 Resistance on individual level of analysis (career)

Five issues are highlighted in this section: Lost employment security, promotions considered unjust, loss of benefits, mutual lack of respect, and finally productivity goals.

5.3.1 Dismissals and managerial appointments considered unjust

At the kick-off, the initial fears of employment contracts being cancelled in the merger were calmed down. Auditors were informed that as a general rule, none of them would lose their job. There was a sigh of relief and a generally positive air following this announcement. "We will not go berserk!", the Parliamentary committee declared, interpreted as meaning that there would not be any radical changes or down-sizing in the merger.

Department managers were recognized as the only group facing any real insecurity. All managerial positions at RiR would be publicly advertised, and former managers would have to compete with both internal and external applicants. Bonnie explained (December, 2002) that there was considerable resistance among these managers:

> In connection to the Organization Project, the management levels that feel the most exposed, are starting to react and put up a lot of resistance, talking and arguing that everything that comes is bad. This despite of that Alison has an approach that I think is organic.

At this point in time, there was very little resistance, close to none. Personnel were highly motivated to go through with the merger, and even looking forward to it, since it had been discussed for many years.

Despite of initial promises, a rumour arose in phase 2 of preparations that there was a "black list". This was a list containing a number of employees, primarily from RRV, who were not wanted at RiR. The 3AG were in charge of the list, it was said. Most people assumed that it had been set up by the RRV management, who were familiar with their personnel. Doubts were already growing as to how much the 3AG

could be trusted, but the level of resistance was still not very high. Now a sense of insecurity grew. Many auditors reasoned that this might be an old list of people from RRV, where there had been problems with some employees. However, they did not know if new people had been added, or would be added.

Soon a number of employees were contacted and offered a severance package to leave. Initial promises concerning employment security were no longer valid, and no one was now secure. The auditors who had been asked to leave - but also many of their closest colleagues - became angry and in several cases they wondered why these specific individuals were not wanted. One of those offered compensation to leave was a local union representative at RRV, Rose. She meant that the only reason was, that she had questioned the way that the 3AG handled issues, and generally been understood as a nuisance in her role as personnel representative.

Although employment security worried most auditors, they were sometimes more concerned about the attitude from the 3AG towards them. An auditor (Carrie, 27 September, 2004) explained:

> Employment security has not concerned me much. It is more a matter of one being very badly treated. And also a contempt for all the work that has been carried out and a contempt for the work that was done at RRV.

An example that this auditor referred to, concerned a report that had been put aside when RiR was established, although it was practically ready to be published, and although it had been given a go-ahead at RRV. She had worked with this report for 1½ years, and said:

> They deprive us of the right to our results, it is awful. Plus, it is extremely embarrassing – relations with the audited authorities do not turn out well.

After the merger, negotiations continued with a group of people who were encouraged to leave. Most of this had been settled about a year after the merger, but auditors still referred to some dismissals as improper. Linda's history at RiR upset many auditors, especially those from PA, and continued to cause distrust in the 3AG.

Not only dismissals that caused resistance, but managerial appointments also did. Contrary to the principle of equal influence, only former RRV managers were appointed to managerial positions at RiR, none of the managers were recruited from PA. This decision created headlines in the media.

Among RRV managers, managerial appointments were taken as evidence for victory, in what had become perceived as cultural competition. In the RRV staff magazine, the appointment of five managers from RRV to RiR was described as a success, see Figure 19.

Klart med tillsättningen av chefer i nya Riksrevisionen

Tre av fyra chefer från RRV

Den 23 juni visade riksrevisorerna Kjell Larsson, Eva Lindström och Lennart Grufberg upp tre fjärdedelar av Riksrevisionens blivande chefer; (på bilden från vänster) Anders Hjertstrand, Göran Hyltander, Lars-Göran Gustafsson, Ing-Marie Olofsdotter, Curt Öberg, Yvonne Palm, Pertti Nordman, Per Östling, Karin Holmerin, Ulf Hanson, Rutger Banefelt, Jonas Sahlberg, Hans Folkesson, Charlotta Gustafsson, Eva Lindblom, Eva-Marie Norling, Gunilla Brun och Gina Funnemark. Presenterade i sin frånvaro blev Caroline Sjöberg, Annika Nordlander Finn, Staffan Nyström, Filip Cassel, Inge Danielsson och Veronica Hedlund Lundgren.

FÖR NIT OCH REDLIGHET

Den 3 juni firade verket Nit och Redlighet för sista gången: Inga-Britt Ahlenius tackade först Jan Vikström och Lars-Göran Gustafsson å ena sidan och sedan Per Östling och Kjell Larsson å den andra för deras insatser under 30 år i statens tjänst.

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Resurstyrning inom högskolan – hur hanterar högskolorna en vikande efterfrågan? 2003:13

Samverkan och kommersialisering inom den långsiktiga energipolitiken 2003:12

Ett informationssamhälle för alla? Användbarhet och tillgänglighet hos statliga webbplatser 2003:11

Internationellt kalendarium –

Juni

16-17 Möte med arbetsgruppen för strukturfondsgranskning. (Kent Gustafsson, Meta Boethius)

18-20 SADCOSAI-seminarium i parallell revision i Pretoria, Sydafrika (Mari Andersson)

23-24 INTOSAI Public Debt Committee-möte i Mexico City (Birger Persson, Mats Wahlstedt, Johanna Gårdmark)

Juli

2-4 Styrgruppsmöte i Bosnienprojektet (Magnus Gimsäl, Gunilla Brun, Gert Jönsson)

21-25 Technical Work Group meeting, training i Pretoria, Sydafrika (Lennart Wildeß)

Augusti

12-13 Nordiskt chefsmöte, Jouensu, Finland. (Kjell Larsson, Eva Lindström, Lennart Grufberg, Gert Jönsson, Camilla Brodén)

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Figure 19. Page 11 out of 12 pages in the RRV internal newsletter, InSAID. The top left article, with the large picture, bears the headline "Three out of four managers from RRV" (Swedish: Tre av fyra chefer från RRV).

At PA, personnel were devastated, and many described how they lost all motivation. Many auditors, sharing a professional identity and sense of loyalty that bridged the two organizations, came together over their lack of support for the decision. Regardless of whether they came from RRV or PA, they meant that the appointment had been handled in an unprofessional and, in particular, an unjust way. Unions also objected. Auditors explained that since their managers had been pointed out as unqualified, so had they, as auditors.

Furthermore, some RRV auditors argued that a couple of the RRV managers who had been promoted were not very skilled, auditors had looked forward to seeing them leave. An RRV auditor (Natalie, 27 September, 2004) explained that the managerial appointments had come ”as a cold shower for many of us”:

> Part of the culture that we wanted to get away from at RRV, it was not just in the walls, but also embedded in the managers we had. And most of them actually were re-appointed. A lot of annoyance stemmed from the way that this process was handled.

She meant that a lot of the personnel resistance that later occurred had its origins here. There were especially three factors that she thought had been crucial: The managerial appointments, the way that organization design was chosen, and the office issue - “These are things that employees have protested against in different ways.”.

One issue concerned age and sex. Maria (8 October, 2003) explained that 4 out of 20 managers were under 40 years of age and they were all women. She added that 7 out of these 20 managers were more than 50 years old and they were all men:

> It is a very obvious discrimination of older women, which means discrimination of strong women.

Norah was taken as an example. Despite of a PhD degree in political science, relevant scientific publications, years of experience from performance audit at PA, during the last months at PA serving as substitute Director-General, she had not been given a managerial position with RiR.

When Norah appealed against her not having a managerial position with RiR, to the Parliamentary Appeal Committee, negotiations started between her and the 3AG. Finally, she withdrew her appeal in return for a generous severance package. Because this became extremely costly to RiR, it was even highlighted in the news broadcast in public television. Auditors described the loss of Norah as a shock to the organization. She was described as an extremely competent person, whose experience would have been very useful at RiR. In interviews, Norah was openly critical of the approach that the 3AG adopted in merger preparations, and she explained that she had been equally open about this in interviews preceding the managerial appointments.

Norah acted very much as an important informal leader at PA, and this made her exit even more painful for PA auditors. Many of them had looked up to her and used to come to her for advice in their audit work, they explained.

After the merger, some of the former managers were still in the organization. As they left, one by one, the 3AG did not always arrange with a gratification ceremony. The arbitrariness of this annoyed personnel. Maria (8 October, 2003) explained:

> There is a difference in how people are treated and it has not been thought through. The new Auditor-Generals have… It is as if they do not know what they are doing…

There was a situation with one of the RiR managers that caused loud objections and negative media attention. This manager would be in charge of a department responsible for the audit of the Ministry of Finance, where her partner since many years, had a key position. "When you make a recruitment like that, then you do not know what audit is.", an auditor (Rebecka, 9 October, 2003) commented. She added that this also affected trust, and caused the auditors to lose confidence in the 3AG. This was the general standpoint. The 3AG do not understand what performance audit is, they argued, referring both to the managerial recruitments and to the audit approach, where she meant that the 3AG were "extremely keen on having good contacts with the Governmental office" (calling this "samförståndsrevision" in Swedish).

Auditors also objected against them not being assigned to departments until a couple of weeks before RiR was formed – and their having to choose the department they wished to work in, without knowing which manager they would have. Auditors spoke of their long wait to be informed. Former managers also expressed their annoyance over not being told until 2-3 weeks before the merger, if they had been appointed to a managerial position at RiR.

The way that the 3AG announced the managerial recruitments was another issue. There was a seminar for all personnel in the Parliamentary building just before the merger, where the names of the new managers would be announced. An RRV auditor (Carrie, 16 October, 2003) explained how there was a great stir when there were only names from RRV, none from PA. A former manager at RRV cried, this auditor explained, as a couple of the former managers were informed in front of the audience that they were not wanted and that the 3AG would try to help them get a new job. They had been informed in advance, but, she asked herself, why then highlight these two people.

The appointment of the RRV Finance Director to the same position at RiR, also came as a surprise. The Administrative Director at PA, Linda, had also applied for this position. A PA auditor (Maria, 8 October, 2003) explained, concerning Linda:[78]

> She applied for the position as Finance Director but did not get the job, despite of considerably much better qualifications than the RRV Finance Director. Now, Linda and Luke apparently had disagreed very much with each other during merger preparations last autumn, but no-one could ever had guessed that he would become one of the Auditor-Generals later!

The appointment of the 3AG had also come as a surprise to personnel. PA had found this especially bothersome, as there was largely a consensus concerning Luke and his loyalties to RRV - not least to Rachel and Tom (see section 5.2.1). Tom was one of those who became

[78]It was often suggested that I should compare the formal qualifications of these two individuals, but there was not room for such an in-depth study of appointments. Furthermore, what matters in this thesis is rather the experience that personnel shared and the effects it had on resistance.

a manager at RiR. Many argued that appointments had been made after an informal agreement with Rachel.

5.3.2 Loss of benefits

Employment benefits were cut down rapidly. Salaries were considered unjust, and auditors emphasized the symbolic value of these. With the increased salary gap between auditors and managers, not to mention the 3AG, auditors experienced that they had been very much degraded. The salary that was settled for each Auditor-General was one of the highest among all Swedish authorities. Since the competence of the 3AG, both in terms of general management skills and in terms of specific understanding for the performance audit profession, had been very much questioned by personnel already from start, this high pay level caused objections and was considered unfair. The question of morality and "fairness" returned throughout the merger process.

In the employee survey May 2004, an auditor wrote:

> There are no motivations for how salaries are set in individual cases. Furthermore, no one takes on the overall responsibility for the RiR wage policy. Many, along with me, also experience the wage structure as unfair. A factor that influences work morale considerably.

Another auditor wrote, in the same survey:

> Not valuing those already employed, but only rewarding new employees when setting salaries, is deplorable. If a wage policy that has been more thoroughly thought through is not achieved, many employees will look for a new job for reasons of pure self respect.

In interviews, from the merger and a couple of years on, most auditors expressed a considerable annoyance with the new salaries. They claimed that there were now three "classes": auditors, managers and the 3AG. They referred, in particular, to the increased difference between department managers and auditors, emphasizing that they often had about the same educational background. Many argued that the department managers were not more competent than the auditors. Some pointed at the group of readers that had been established for quality assurance, arguing that the managers were not qualified enough

to do this work themselves (e.g Natalie, 27 September, 2004). Managers without hands-on experience from performance audit were especially questioned.

Titles were removed, as the merger was implemented. It was not until 1-2 years later, that these were reintroduced. These titles, too, were the result of years of hard work at RRV or PA – work that now seemed to have been in vain.

Many auditors had to work in office landscapes, losing the former benefit of individual offices. This also annoyed those in individual offices, regardless of which authority they came from. It is "humiliating", an auditor (Anne) explained, for "old colleagues with gray hair not to have a corner of their own, considering the intellectual work demanded". According to the 3AG, offices were distributed solely based on the department where the employee was working.

Bureaucracy increased rapidly, at the same time as insecurity concerning new processes remained. New internal support processes are constantly started, an auditor (Carl, 10 October, 2003) explained;

> I have less time for audit than I had at PA. I am pulled into different groups concerning work processes, groups that we did not have at PA.

These processes did not have much to do with audit, he added. However, processes and policies surrounding the audit work, also increased, as well as centralism and formalism. Already three months after the merger, an auditor (Carrie, 16 October, 2003) established:

> The signal is that I will become considerably less independent and have considerably less space of my own, and this feels very, very sad. I think that they will realize, in a year or so, that this does not work, and then you will let go little by little. I think that this is just in the beginning, because of course it must be very tough on them with a new authority and then it is easy to just establish new rules.

Consistently, auditors described this sense of autonomy loss, and consistently this was described it as de-motivating. Due to leadership (described as authoritative), bureaucracy and centralism, the organization was described as hierarchical in practice, despite of the flat formal organization design. Anne (at PA, 11 December, 2002) said:

> In a professional organization, competence lies furthest out in the capillaries. Then you must allow a large space for action and initiatives for these auditors. […] You cannot create a very hierarchical organization and at the same time think that you will have a good use of auditors. For them to thrive and make a good job, you need to have a rather flat organization.

5.3.3 Lack of recognition and respect (for competence)

A central theme was what was described as a mutual lack of respect between the 3AG and auditors. It started already as the 3AG had been appointed, in the initial period of "silence" from the 3AG, as personnel described it. The only major issue where there had been a similar discussion until then was that concerning offices. An important benefit for auditors at both RRV and PA was their individual offices. This had been communicated on numerous occasions by personnel, when their input was requested by the NAC. Still, the NAC had agreed on a solution where this would not be possible. Auditors took the issue as evidence for

- a lack of understanding in the NAC, for the nature of the audit work.
- a lack of respect for the input of auditors, on the part of the NAC.
- a poor sense of morality, as the NAC did not live up to their previous promises.

After the 3AG had been appointed, and through the merger process, a number of factors contributed to auditors experiencing that the 3AG did not recognize and respect their competence. Competence was key in auditors' identity, both as a collective group of professionals, and as individuals. Competence was also key for the 3AG, in their assignment. Some of the factors were the following.

- Low level of personnel influence.
- More formalism and bureaucracy, less autonomy for auditors. Control replaced trust.

- Statements by the 3AG that everything should be done in a new - and better – way at RiR, than at RRV and PA.
- Statements by the 3AG about a need for higher quality and improved independence. Lengthy quality assurance process.
- The 3AG's tone in personal meetings with personnel.

I shall describe these factors somewhat further.

First, the loss of influence for personnel was taken as a clear sign of a lack of trust in the competence of the 3AG. They were used to working with management issues, and they were also recognized externally as experts in this field. Still, at RiR, their experience was that their competence was largely ignored in the final decisions. After merger preparations, many lost faith in participative structures, arguing that true influence in actual decisions was something else.

Second, control replaced trust. Auditors had less autonomy. The distance between them and the RiR management increased, in terms of salary, information, influence, and status. The new organization design, which was implemented in year 4, was (at least initially) experienced as even more hierarchical than the former. A positive aspect of this new organization was, however, that the profession was once again recognized as important. With an Audit Manager, who auditors meant actually did seem to care about and understand issues in performance audit, these professionals once more started to feel confidence. The relationship to the 3AG remained poor, but the new Auditor-General Brooke gave some hope for the future, as did Parliament's evaluation of the reform, which would be presented in year 2008.

Third, changes were radical. The value of their past performance was not recognized, auditors argued. With an approach focused on creating everything anew or in a new way, the 3AG were interpreted as saying that what had been done (at PA and RRV) before was inferior. This was taken as evidence for a lack of respect for the competence of auditors. It also meant that all the effort that auditors had put down at RRV and PA was not considered to be worth much – old merits were very seldom highlighted or rewarded after RiR had been formed. Years of hard work could now be found to have been in vain.

Fourth, focus on quality was increased. The 3AG introduced changes serving to improve quality. "It is as if they thought quality would be something new to us", auditors argued. The 3AG talked about independence in the same way, and repeated that now everything would be done in a new, much better way. Auditors started to ask themselves why everything needed to be done in a new way – and requested recognition for past performance. If the 3AG did not respect this performance, they did not respect (the competence of) auditors.

Fifth, the 3AG's jargon. There were numerous narratives where auditors described how they had been insulted as professionals by the 3AG, in personal meetings.

The lack of respect for professional skills was experienced also by the 3AG. In their profession as managers, they had expected that employees would listen to and adhere to their decisions. They expressed a growing frustration with the lack of this respect for them as leaders and managers.

An interesting example of what appeared to be a competition to be recognized as competent in management matters, between the 3AG and the performance audit profession, concerned productivity. In theory, productivity is often understood as a goal primarily for management. In this case study, it was primarily auditors who emphasized the need to improve productivity, while the 3AG claimed that this was not a top priority. A reason for the latter could of course be the problems associated with the authority's productivity numbers after the merger.

As RiR was formed, changes in current projects were made, and it took time before the first report was published. Auditors described the stress that this made them feel, and argued that the 3AG had not handled the transition of projects from RRV and PA in a good way. Several projects were cancelled or put aside.

The poor productivity numbers at RiR were subjected to debate both internally and externally. The consultancy report in 2005/2006 (Karlöf Consulting) also explained that RiR had invested a lot of time in internal efficiency, "but been less interested in finding out what they got for the resources that they put in" (KURiREN, 2006/02, p. 3).

During merger preparations and the first year at RiR, the 3AG had not emphasized productivity as an important goal. They described how the most important thing was that all structures and routines were established in a good way at RiR, and that this "had to take time". They also emphasized that quality was more important than productivity, implicitly referring to RRV and PA as focused rather on the latter than on the former. PA had been more focused on productivity than RRV, it had been an important part of their identity. Now, this was no longer considered particularly important by management, in comparison to other goals.

In year 4, increasing complaints were heard from audit objects, stating that quality was poor. At the same time, the 3AG were criticized for the poor productivity within performance audit at RiR. Complaints concerning performance came from the personnel, and were highlighted also by the media. The auditors referred to both moral aspects and the need to act as a good role-model for other agencies, that they would evaluate partly based on their performance in this respect. They argued that some key reasons were the quality assurance processes, increasing bureaucracy and demotivating leadership. Productivity was considered important for them as professionals, especially since they worked with productivity issues in their professional work.

The 3AG, on the other hand, answered by claiming that productivity was not a very important measure anyway, or by referring to RiR as being a rather new authority, and that it took time before they could see results from the organizational change.

5.3.4 Blame/responsibility

When the extensive resistance and organizational problems became a fact in the two employee attitude surveys 2004 and 2005, the 3AG pointed at personnel when trying to explain it. Auditors were described as people with a overly critical mindset.

Also after the 3AG had become aware of the problem, they often chose to refer to personnel and their own responsibility to assume a more positive attitude and improve the situation. An Auditor-General (Sophie, 20 November, 2003) had explained that she was an advocate

of the "catholic line of thought" where each person tried to see his/her part in things that were found unsatisfactory.

In connection to the negative media, during the first year of RiR, auditors expressed anger with the 3AG, who they believed tried to push responsibility for managerial problems on to employees. Rather than uniting personnel, this media criticism served to increase competition for status and identity between auditors, on the one hand, and the 3AG on the other hand. Some quotes from the employee survey in May 2004, under the headline "Reflections and comments following the most recent media attention", indicate the content of resistance. A first quote:

> Responsibility for the situation that has arisen rests only on the 3AG and responsible managers within the administration. It is remarkable that responsibility is pushed over to all of personnel and that the 3AG say it is everyone's responsibility to make it work hereafter. How am I, as an employee, supposed to be able to take responsibility for administrative routines? And why?

A second quote:

> I have a feeling that 3AG want to share their sense of guilt with personnel, although the responsibility is theirs.

A third note:

> I do not feel responsible for what has happened. Therefore, I have no reason to defend myself. But the 3AG and the managers seem to think so.

At a full day seminar in the spring of 2006, a central theme was the employee's own responsibility for the situation. A consultant had been invited to talk on the theme "You yourself as an employee" (Swedish: Dig själv som medarbetare). The content of the lecture was that people should look at themselves instead of criticizing others. A workshop for all employees was also held, focusing on the question "What can I do myself to improve the situation?".

At the same time, auditors consistently argued that responsibility for the current situation remained with the 3AG. All in all, it gave the impression of a blame game, where the parties (the 3AG and auditors)

refused to leave their respective positions in order to find a way forward. A possible explanation for this development could be that management resistance to recognizing personnel resistance, can be just as massive as the latter.

5.4 Comparison between levels

There is a considerable grey zone between levels of analysis, and the border between levels is diffuse, as this chapter has showed. By looking at all three levels simultaneously, however, it was possible to have a fuller understanding of resistance – its content, process, and context. This supports what Larsson et al (2001) claim, concerning the benefits of a wider perspective. The relative importance of each level, to understand resistance through the merger process, did not fluctuate much. Instead, different factors on each level were always relevant.

Findings by Covin et al (1996) support the conclusion that it is fruitful to review all three levels of analysis simultaneously, to understand the foundations of resistance, although they talk about employee satisfaction rather than resistance. In a large investigation[79] from a social psychology perspective, they found that the level of post-merger individual satisfaction correlated strongly with a number of attitudinal variables: Satisfaction with supervision, career future/company identification, communication with top management, agreement with the mission statement, and turnover intention. A number of demographic/biographic variables were also investigated and prior employer, union status, and full-time work experience also produced significant correlations with post-merger satisfaction. Employees at the acquiring firm that was studied were considerably more satisfied than those with the acquired firm. One of the things that made their findings interesting was that it showed that culture, communication, and career aspects all proved to influence employee satisfaction simultaneously.

[79]As the authors themselves note, it is not clear to what extent their findings are valid for all M&A, since only one merger was studied. However, the survey was directed to as many as 2845 respondents in this specific case.

With a wider perspective, some nuance can also be provided to previous publications on culture aspects, communication aspects, and career aspects in M&A. I shall give some examples.

In M&A theory that adopts a cultural perspective (e.g. Cartwright and Cooper, 1993, 1996; Buono & Bowditch, 1989), horizontal culture clashes are often seen as the primary factor causing resistance in M&A. The present case study shows that vertical culture clashes, between management and personnel, may be just as central. It also shows that culture clashes may be reinforced by management in the two organizations, and that a participative approach may not at all advocate a friendly and cooperative process. Following findings in the RRV/PA merger, I would suggest that the way that the merger process is designed and managed, and the way that control is distributed, is at least as central as cultural aspects, on collective level of analysis. Policies are of central importance, this more concrete level must not be forgotten. A central question: Is the distribution of control (including channels for control) both horizontally and vertically supported by personnel? In a context of highly skilled professionals, and public officials, it may be difficult to pursue an authoritative approach. Influence will be seen as closely related to social status and competence. We here touch upon aspects that are often dealt with at interpersonal or individual level of analysis.

In M&A theory adopting a communication perspective (e.g. Schweiger & DeNisi, 1991), the importance of realistic communication from management tends to be emphasized. In the RRV/PA merger, I have had the privilege to study the merger process in real time, starting already with early merger preparations. A realistic merger preview was indeed communicated at that time, but vertical resistance was triggered when the 3AG set these promises aside. Personnel no longer experienced that they could trust management. Trust was balanced against managerial control. Resistance was intensified by the growing conviction that management did not make the best decisions for the authority, meaning that they were not seen as competent. When there were complaints concerning communication from management, this was rather a matter of management paying poor attention to objections from personnel (resistance), than a matter of too little, or unrealistic, information. This study indicates that communication from personnel

to management is just as important an aspect as communication in the other direction, although the latter traditionally has stood in focus in M&A theory. Why the lacking attention to control and influence?

Cannella and Hambrick (1993) adopt a career perspective, and show how post-acquisition performance is negatively affected by the departure of executives from the acquired organization. Findings in the RRV/PA merger support these findings, but they indicate that retaining these individuals may not only be a matter of preserving competence, but also a matter of showing the acquired organization respect. In my case study, respect was central, and personnel saw the respect directed toward their former managers as an expression for the respect directed to them as personnel and to their collective performance in the former organization. Furthermore, findings in this study indicate that it is important which of the former executives are retained. Many former managers, especially at the larger RRV, were highly critical of the merger partner, and fuelled horizontal resistance. One way to explain this focus on respect may be social identity.

Reviewing a number of publications, focused on different levels of analysis, it not only becomes clear that a simultaneous focus on these levels may be useful, but also that there are themes that bridge levels of analysis. I shall briefly summarize some of the bridging themes that I have found. These findings will then be brought on to the next step of analysis, where the content, process, and context of resistance are explored.

A phenomenon that bridged most findings in the RRV/PA merger, as concerned the content of personnel resistance, was the wish to do what was perceived to be the best for the new authority, RiR. This was commonly based on an evaluation of the competence and loyalty/morality of the other party. Such evaluation occurred both in horizontal and in vertical dimension. Trust or distrust in (i) the competence of the other party, and in (ii) the loyalty/morality of the other party (merger partner or personnel/management), was the key content of resistance in the RRV/PA merger.

As concerned the process of resistance, a fundamental aspect was control. There was an increased control ambition on the part of management in the merger, and rather radical changes were

implemented. However, there were different standpoints regarding to the extent to which control should be exerted. Context is important here, and the highly skilled public officials experienced that there was a balance between trust and control, where trust was related to the recognition of their status and competence.

As a consequence of management's increased focus on control, distrust in both the competence, and the morality of management grew among personnel. A model for the process of resistance is elaborated in Chapter 6. Interestingly, horizontal resistance occurred particularly among the managerial layers and managerial networks, while auditors themselves often had a more constructive and co-operation-friendly approach.

The public context served to legitimize resistance, as many auditors directed a high degree of loyalty to society. Objecting to what was perceived to be wrong was seen by these officials as a moral duty (to society). There was also a strong professional loyalty that contributed to the rapid shift of resistance from a horizontal to a vertical dimension.

Chapter 6

The content, process, and context of resistance

In the empirical analysis in Chapter 5, a central finding was the displaced balance between trust (respect) and control, that fuelled resistance. Morality and competence were key aspects when attempting to explain the level of trust or distrust – and resistance. A more comprehensive analysis follows in this second chapter of analysis, where empirical findings and existing theory are blended in a final analysis.

6.1 Content

I have concluded that resistance in the RRV/PA merger was fundamentally based on – or, at least, justified by - a wish to optimize RiR, following a sense of loyalty to society. Support for the reform was strong. This observation differs somewhat from the large body of literature on M&A theory where resistance has been explained as a consequence of the lack of support for the merger idea, or merely a consequence (without a purpose) of anxiety and stress.

I would say that the content of resistance can concern the *what/why*, the *who/how*, or the *when/where* of the merger or acquisition. The what/why signifies support for the strategic objectives of the merger. The who/how signifies support for the way that the merger is implemented, including leadership and managers. The when/where signifies support for the practical details of the merger, especially those relating to new offices and timing. It is not necessarily the idea of a merger that personnel are opposed to, as often assumed in M&A

theory. In the RRV/PA merger, the who/how and the when/where were the central aspects, especially the first mentioned ones.

My findings indicate that each party (comparing in both the vertical and horizontal dimensions) perceived themselves (1) as more competent to decide how RiR should be optimized, and (2) as holding a superior sense of loyalty/morality. When trust in this competence and morality diminished, and management increased its efforts to control, resistance soared.

In this section, I will discuss loyalty, morality and competence – aspects at the core of the content of resistance.

6.1.1 Group loyalties

Two loyalties competed in the RRV/PA merger.

First, there was the traditional loyalty to the domestic organization. Directors-general and managers often gave priority to this loyalty relation. So did many NAC project members, possibly partly because many of them had tight connections to management in their domestic organization. As I explained in Chapter 4, project members had not been appointed in an open, democratic process. Both the Directors-General and personnel expected the managers to be loyal primarily to them. The double loyalties of middle managers in M&A have been highlighted by Bligh and Carsten (2005), who describe them as partly contractual agents for management, partly employees among others.

Second, there was the strong professional loyalty among performance auditors at both RRV and PA, especially those who were not involved in merger preparations projects. This loyalty brought performance auditors at RRV and PA together, when statements by the 3AG signalled attempts to curb professional status, by standardizing services, removing titles, increasing hierarchy, etc. Instead of acknowledgement of their competence, as they had expected, their competence was perceived as being increasingly questioned.

Managerial loyalty was especially strong at RRV, while professional loyalty was stronger at PA. At RRV, the management cadre was more

distant to auditors than at PA. There was a higher hierarchy at RRV, and managers were not as much occupied with the actual auditing. There were also several branches at RRV, of which performance audit was only one, while PA was almost exclusively occupied with performance audit. Being a much smaller organization, even the PA managers had to work as auditors, and a considerable amount of autonomy was allowed to auditors. Routines and structures were established in cooperation and the social, as well as formal, distance between managers and auditors at PA was described as very short.

Towards the end of the merger preparations, professional loyalty increased, uniting auditors at RRV and PA. At the same time, resistance shifted from a horizontal to a vertical dimension. The situation with vertical resistance remained after the merger. Several managers explained that they sympathized with much of personnel's criticism of the 3AG leadership. An argument was that they had had little support from the 3AG, when former procedures were replaced after the merger and a new audit approach was requested. Many managers – and auditors – coped by focusing locally on the audit project at hand and at department level. The local focus brought the managers closer to the profession – and professional loyalty.

On a more detailed level, loyalties during merger preparations developed according to Figure 20. *Loyalty 1* in the figure, indicates that the NAC and personnel at both RRV and PA were united as merger preparations began. *Loyalty 2* shows how horizontal conflict between RRV and PA increased, while the NAC basically was kept aside. *Loyalty 3* covers the "silent period" after the 3AG had been assigned, until they actively took up their responsibilities in March/April, 2003. Horizontal resistance and organizational loyalty remained. As disappointment with the 3AG grew, professional loyalty increased, and so did vertical resistance between profession (sometimes including former managers) and the 3AG, as indicated by *Loyalty 4* in figure 20.

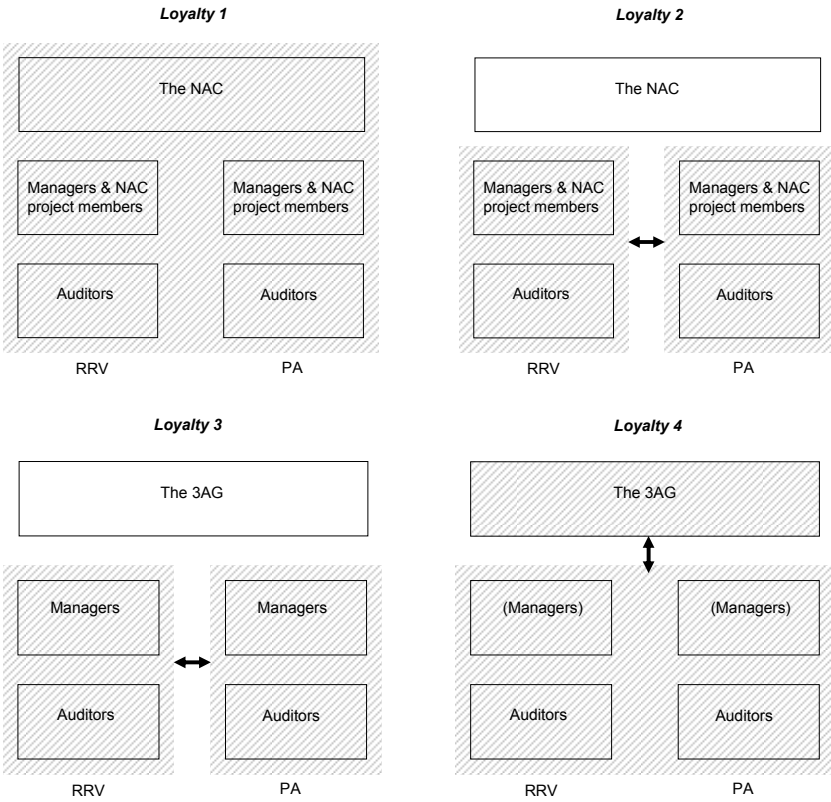

Figure 20. Change of loyalties and resistance dimensions during preparations for the RRV/PA merger.

It must be added that there were also numerous auditors at RRV who sympathized with their managers, and who directed their loyalty primarily towards this management and their own organization at all stages of the merger preparations process. Initially, auditors had claimed that they were basically the same kind of people. Now, an increasing number of RRV auditors started to react in the same way as their managers, who claimed that PA was inferior.

6.1.2 Loyalty to merger objectives

The main objective with the RRV/PA merger was to achieve an independent authority for national audit. Loyalty to this merger objective was high at both RRV and PA. However, this was also a source of resistance between the two organizations. Because the RRV Director-General was convinced of PA's inferiority regarding to independence, she directed her efforts to minimizing PA's influence in merger preparations. It should be noted that a thesis by Ahlbäck (1999) has investigated the relative independence of RRV and PA, and the author came to the conclusion that PA, rather than RRV, in practice had the most independent approach in their audits - both in relation to their principal and in relation to the audited authority.

RRV, and especially the management cadre with the RRV Director-General Rachel and a group of middle managers, recognized a risk of what Empson (2001) calls exploitation and contamination. This means that they experienced a risk that their own (assumed good) reputation would be damaged by the other party's (assumed poorer) reputation. Again, a key motivation behind resistance was the wish to optimize RiR, and this included avoiding such negative influence. Rachel described the reform as "my baby", and she had strived for several years to have the reform implemented. For many years, RRV had claimed that they were more independent than PA, and the Rachel was highly critical of PA and their independence (Ahlbäck, 1999).

This competitive stance between management teams fuelled resistance. The situation is not rare. Chatterjee et al (1992:331) talk about "cultural differences" between top management teams and write:

> Specifically, the capital market's perceptions about the earnings impact of a related merger are associated with the acquired managers' perceptions of cultural differences between their top management team and that of the acquiring firm.

Rather than cultural differences, however, this may be a matter of remaining loyalties to the former organization, a perceived risk of contamination (something that would nullify a lot of the effort that management had invested in the organization), and poor inter-personal fit. In the RRV/PA merger, the relation between the two Directors-

General was poor, although they were united in their support for the reform.

As I have explained, auditors and management at both RRV and PA were very much focused on always doing what they considered right from a moral point of view, and a competence perspective. Often, what would benefit their own organization, tended to be interpreted as the best thing also for RiR, and for national audit in general. Working to achieve this was understood as a matter of loyalty to the "mission" of performance audit. I shall now turn to the touching points between loyalty and morality, and discuss what I choose to call *the moral side of M&A*.

6.1.3 Loyalty and morality

Employee loyalty can be interpreted in terms of adherence to shared moral values, Coughlan (2005) claims, in a review of theory on loyalty over several decades. Although the loyalty concept has been central for a long time in management theory, definitions vary. Often, they resemble definitions of commitment, but the moral aspect of loyalty is an important factor which separates loyalty and commitment. (Coughlan, 2005). Coughlan (2005:46f) suggests the following loyalty definition:

> loyalty is reflected in behavior, that can be tied to an implicit promise, voluntarily made by an individual operating in a community of independent others, to adhere to universalizable moral principles in pursuit of individual and collective goals.

The importance of loyalty in M&A has been emphasized by, for example, Bligh and Carsten (2005). As so many others, however, they describe it rather as commitment, while ignoring the moral side of the concept, especially what is sometimes labelled HRM (Human Resource Management) ethics.

Morality is an important gauge based on which employees will judge management and its actions, Coughlan (2005) argues. This is also a conclusion from the RRV/PA merger, where morality constituted one of the two primary aspects constituting the content of resistance. It embraces a wide range of themes. Coughlan (2005:48) writes:

> Moral values include respect (Joseph, 2000), social responsibility (Carlo et al, 1999), personal moral obligation (Flannery and May, 2000; Herndon et al, 2001), honest communication (Joseph, 2000; Scott, 2002), concern for employee welfare (Nystrom, 1990) and justice (Scott, 2002). Taken together, these examples suggest that moral values are what we care about when differentiating proper actions from improper actions, especially as they involve others.

In the RRV/PA merger, most auditors experienced that there was a lack of respect from the 3AG in their relationship to personnel. Respect and morality are closely intertwined (Scott, 2002; Joseph, 2000, according to Coughlan, 2005).

In M&A theory, loyalty has often been understood mainly in terms of personnel's loyalty to the employer or management. Resistance, has traditionally been assumed to be dysfunctional, and evidence of a poor sense of loyalty to the organization. This study indicates the opposite – what drives both personnel and management is a wish to optimize the new organization and merger outcome. This is in line with the ideas brought forward by Hirschman (1970), who considers voice (resistance) a sign of loyalty, while exit is a less loyal alternative. Following this, I would argue that it is important to make a distinction between different loyalty relations, for example loyalty to management, loyalty to the organization, loyalty to merger objectives, loyalty to the profession - and even loyalty to society, in the context of public sector mergers.

There is also reciprocity as concerns loyalty and exit, which M&A theory has tended to overlook. Personnel can perceive management as disloyal in an evaluation of management's sense of morality. For personnel, management's unwillingness to adhere to, or sometimes even listen to, their opinions can also be perceived by them as a matter of (lacking) loyalty. Management making personnel redundant is another such example. Personnel tend to assume a two-way relationship between management and themselves, in terms of loyalty. The reciprocity of the relation management/personnel was highlighted already in the middle of the 20th century, when March & Simon (1958) presented the inducement/contribution theory, but this has been pushed back by theory more focused on the line of command. Psychological contract theory has revived this line of thought today. In the next section, the relevance of psychological contract theory to understand resistance in M&A will be discussed.

6.1.4 Psychological contracts

In organization theory, psychological contracts have gained increasing interest over the past years. Already in 1989, Buono and Bowditch (1989) mentioned the relevance of these theories in M&A, and just like Frommer (2001) and Hubbard and Purcell (2001), they emphasized the importance of expectations. Expectations are part of the psychological contract. Recently, contract theory has been introduced further in M&A theory to explain personnel resistance (e.g. Bligh & Carsten, 2005; Shield, Thorpe, & Nelson, 2002). This development is interesting and points in a number of new directions.

First, it means that not only personnel stand in focus, but also management. As the concept of resistance indicates, the assumption has been that resistance is a problem among personnel. Looking at psychological contracts, both parties in the contract are important to consider, and their relationship stands in focus.

Second, focus is changed. Traditionally it has primarily addressed the horizontal relationship between merging organizations. Although resistance often is expressed in the vertical dimension, it has been assumed that its underpinnings are to be found mainly in the horizontal dimension. Now it is increasingly recognized that the vertical relationship between personnel and management needs to be further explored in M&A theory.

Third, psychological contract theory introduces moral aspects to the field of M&A theory in a more specific way than previously. In M&A, writings have normally been limited to requests for more honest information.

The psychological contract is a moral theory on a reciprocal obligation, formed by implicit or explicit promises, between employer and employee (Rousseau, 1995). Based on promises from management, members of the organization raise expectations that mainly are governed by the psychological contract between employer and employee (Bligh & Carsten, 2005). This is closely connected to expectations. Herriot and Pemberton (1996:757) write:

> These contracts are based both on a perceived match between one's own wants and what the other has to offer, and on the exchange of

> promised offers. […] Responses to the contract by each party are based on their perceptions of its equity and of whether it has been honored.

The importance of understanding expectations, when attempting to explain personnel resistance in M&A, has been emphasized by, for example, Frommer (2001) and Hubbard and Purcell (2001).

When referring to the relational type of psychological contract, as opposed to the more short-term type called transactional (Rousseau, 1995), the equivalence on societal level in moral philosophy is the social (as opposed to psychological) contract. While the psychological contract is applied mainly on individual or inter-individual level, in the relationship employer-employee, the social contract theory is applied on a collective level, looking at society as a whole.

In social contract theory, the interests of each individual are equally important, and the aim of the contract is to make society function as smoothly as possible. Thus, a prerequisite for this contract is that everyone joins it and undertakes to follow the same rules. (Rachels, 2003.) The logic in an organization is similar. According to Rawls' (1999) Theory on justice, a type of social contract theory, no citizen in a society should be violated in terms of justice and his or her liberty should never be restricted for the benefits of other citizens. The contract is not only valid on an individual level, but also on a collective level, when it is directed towards, or shared by, a group.

At the beginning of the RRV/PA merger process, promises made by top management, as well as expectations raised by them, functioned as psychological contracts and built trust in the early relationship between personnel and management in the merger process. Each individual was considered unique and nobody would be badly treated, and at most a few would be made redundant. A considerable degree of personnel influence would be allowed in the process, and RRV and PA would have equal influence. Personnel felt safe and relied on this. The moral rules for the merger were set and agreed on by all parties. There was a base of trust, in both vertical and horizontal dimensions.

Arguing the value of each individual and his/her happiness, is at the core of the theory of the psychological contract. The individual cannot be sacrificed for a higher goal or for the collective good. (Rachels, 2003)

This can be compared to the common practice of extensive dismissals in M&A.

In the RRV/PA merger, psychological contracts were then broken by management on numerous occasions, but especially after the 3AG had taken on their positions and chosen another merger approach than that communicated during phase 1 of preparations. Each time promises and expectations were broken, trust diminished and resistance increased. However, already soon after merger preparations had begun, personnel were informed that their opinion was important and that they would influence decisions in the process. Therefore, when management chose to disregard personnel's clear message as concerned the importance of individual offices, it had a devastating effect on personnel's trust in them. They had broken the psychological contract. Personnel resistance, following this, can be interpreted as an attempt to make management return to the previous psychological contract, and the trust that it implied.

PA auditors were insulted, and as they saw their chances to influence the merger process diminish, compared to RRV, they became dejected - the psychological contract between both them and RRV, and between them and the merger management team (first the NAC, then the 3AG) had been violated. PA auditors then chose to focus more on their concrete audit project at hand. Trust in management was not easy to restore as the years went by.

In M&A, it is possible to speak of a psychological contract in cases where the merger starts off in trust between all parties, and merger objectives are supported. Where an authoritative approach is adopted already at that stage, such an initial contract will never be "signed" (note that this is an implicit contract). On such occasions, I would argue, previous contract between employer and employee will be used as a measure against which the new leadership will be evaluated by personnel. Thus, former psychological contracts must also be taken into account. These include moral norms for how personnel should be treated - HRM ethics. Bligh and Carsten (2005:497) write:

> Issues of organizational support, job security, and social exchange all become increasingly salient to an employee working in a post-merger environment. Many of these same issues may constitute critical

> components of the employee's psychological contract, and corporate restructuring may lead the employee to perceive contract breach if these elements are not preserved.

Merely confirming that psychological contract theory is useful to understand resistance in M&A is only a first step in a more extended analysis. What moral arguments are used to justify breaking psychological contracts – what is the content of the moral change? This discussion has thus far been avoided in M&A theory, maybe partly because moral philosophy is a field of its own, and not familiar to all scholars. In the next section, I argue that utilitarian and instrumental values tend to grow among management in M&A, causing resistance among personnel. The changing morale in M&A thus partly reflects a moral change.

6.1.5 Content of moral change

A classic way to understand the employment contract is in terms of a balance between the employee's personal interests and the organization's interests (Barnard, 1938; Simon, 1947; March & Simon, 1958). Psychological contract theory, as applied in organization theory, has similarities to this balance in its focus on the mutual agreement of parties concerning the content and conditions of cooperation in a relationship.

However, is recognizing the presence of psychological contracts in M&A enough to advance the frontier concerning our understanding of resistance? I would argue no. It has already been pointed out that the honesty of management is important (Empson, 2000; Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000), as are expectations in the merger process (Frommer, 2001; Buono & Bowditch, 1989). However, as empirical findings indicate, breaking psychological contracts can be morally justified by management. When referring to honesty, a complex reality is made simple, but there is no general consensus on what honesty means - rather, there are different moral[80] standpoints.

[80] There are different schools concerning whether the concepts of morality and ethics should be separated or not. In this thesis, I choose to treat them as synonyms.

Empirical findings indicate that these moral standpoints change on management level when a merger is about to be implemented. The problem is not only that concrete promises are broken, but also that personnel and management cease to support each other's moral reasoning. It is common to talk of communication difficulties in M&A; this could be one way to understand the situation. The most important part of the psychological contract is, namely, I would argue, its moral content – the shared moral standpoint that the parties agree shall characterize the merger process. The contract thereby stipulates (although not explicitly) which (moral) values should guide the merger process, and especially which should be applied in the relationship between different groups in this process.

In this sense, morality and culture are two closely intertwined phenomena. When we talk about vertical culture clashes (between personnel and management), what we see could sometimes just as well be labelled moral clashes. These clashes lower the morale, as resistance increases. Morality could have been highlighted more, as a fundamental part of, for example, Schein's (1985) classic illustration of levels of culture, within the level called underlying assumptions. It is possible, that we have failed to recognize the full importance of the moral side of M&A because of the strong focus on culture aspects.

In the RRV/PA merger, how did management justify breaking the moral contract? Personnel obviously did not support the moral change. The initial contract between personnel and management was very much characterized by Kantian ethics. Kant claimed that people could not be treated as a means to an end, without their full and free consent. This moral stance is similar to Rawl's (1999) social justice theory, where social contracts and institutions to protect these are essential. Greenwood (2002) claims that this moral argument is often used to justify "soft" HRM.

When personnel were disappointed over the office issue during merger preparations, understood as management breaking a promise to them, management (the NAC) maintained that they had not promised anything. They also explained that, although they were aware of personnel's wish for individual offices, the decision had been right from a organizational point of view, since in their opinion office landscapes would better benefit organizational communication.

Hence, management referred to their formal authority to make decisions, and also to their claimed superior managerial competence. Former promises should only be interpreted as an opportunity for personnel to provide them with input, they explained. Note the difference between input and influence, which seems to recur throughout many M&A.

After the 3AG had taken on their positions, they continued this line of reasoning, clearly stating that they had the authority and competence to make decisions, regardless of personnel's opinion (interview with Luke, 20 April 2007).

Personnel experienced that they were expected to adhere to management decisions in a way that did not happen in the initial phase of merger preparations. In management's view, personnel were a means to achieve organizational goals. This became especially evident as dismissals began. Although often labelled voluntary exits, these were usually the result of negotiations for generous monetary compensation. This moral stance of management lies close to utilitarianism, and an auditor called the HRM approach adopted by the 3AG, instrumental. In utilitarianism, actions are valued based on their consequences (Rachels, 2003). The reasoning underlying utilitarianism has serious shortcomings. Rachels (2003:102), in an exposé over different moral philosophies, explains:

> The appeal of this theory to philosophers, economists, and others who theorize about human decision making has been enormous. The theory continues to be widely accepted, even though it has been challenged by a number of apparently devastating arguments. These antiutilitarian arguments are so numerous, and so persuasive, that many have concluded that the theory must be abandoned. But the remarkable thing is that so many have not abandoned it.

Buono & Bowditch (1990:23) have found that utilitarian values are common in M&A. They recommend that management

> be wary of adopting a utilitarian interpretation of the combination as leading to the greatest good for the greatest number of stakeholders at the expense of the firms' members. A more ethical position entails treating employees fairly and justly, and ensuring that their rights are

> upheld. The dilemma managers face is the need to balance the end – creating an effective and efficient organization – with the means.

As findings in this thesis indicate, there is a business aspect to morality. By recognizing the importance of the moral aspects, it is possible that some of the negative organizational and financial effects of resistance in M&A can be avoided.

Reviewing theory, a moral change in the management team appears to be common in M&A. Ernst & Whinney (1985:59f, in Buono & Bowditch, 1989:83) explain how many M&A tend to start out with a very friendly approach and consensus on the road ahead, but they shift to a "pillage and plunder" approach – again, a new kind of morality.

Findings support Walter's (1985) theory, where he claims that a balance is displaced in M&A, and that this causes resistance and conflict. In an organization, wishes concerning human rights and wishes concerning property rights are balanced, according to Walter (1985). M&A represent the exercise of power in the area of property rights and due to this, a balance between the two extremes will be displaced. Humanitarian values, such as freedom, safety, right of self-determination, identity, have to step aside. Instead, focus is placed on values such as segregation, being interchangeable, superior competence. All these factors are important from an organizational point of view, but they are not necessarily as important to the individual.

A management argument for breaking psychological contracts is the need to see to the the interests of the organization as a whole, that is to say, with a strategic perspective and a focus on the general interest of the organization. This argument would justify sacrificing individual employees, who now are only instruments to achieve organizational goals of higher priority. As I have explained, this is not in accordance with the content of the psychological contract. Management assumes that individual and organizational goals stand against each other, instead of seeking a solution that would benefit both organization and employee, as would be the case with a psychological contract. An instrumental HRM approach, with utilitarian traits, is adopted.

Management's line of thought can be traced back to, for example, Lewin (1951) and his model for change management (unfreeze –

change – refreeze). This model gives the impression that everything will return to normal as soon as management has stopped the change process, regardless of what happened in the window in time when the change was implemented. Findings in this case study suggest the opposite: if a relation of distrust is established within this window, it will be difficult to restore trust after the change process has been completed (if it ever is).

To continue, Buono and Bowditch (1989:36, 24) describe the merger of two equal-sized savings banks. After the merger, the family feeling had gone lost, employees in the bank merger explained, and described management's new attitude towards them. Buono and Bowditch (1989:30) write:

> Employees were reassured by both CEOs that as long as people did their jobs well and supported the merged entity, no one would lose their jobs.

Employees in this merger also reported that decisions were being made "without regard to individual circumstances", and that management had "withdrawn its support of employees" (Buono & Bowditch, 1989:33)

In the RRV/PA merger, just as in M&A theory in general, management described resistance as a problem spreading through the organization, conveying an image of mould spreading in a piece of cheese or such like. It is commonly described how non-resistant employees must be safeguarded from their more "bitter" colleagues, who should be sorted out. Employees who oppose this new moral order are described as irrational, emotionally governed, non-supportive, even "bitter" (Buono & Bowditch, 1989:110). The 3AG hoped that new hires would improve the atmosphere, but instead they tended to rather soon join up in the criticism of the 3AG.

When psychological contract theory is applied, resistance cannot as easily be dismissed as dysfunctional. Rather, it can be seen as a means for personnel to try to re-establish these contracts - a means to ask management to please return to the initial agreement and a relationship based on trust and co-operation. While management assumes that they will later easily be able to re-establish a psychological contract with

personnel, this turns out to be hard work, as trust is not easily restored. An "easy" solution is then to replace personnel with new employees. However, if a new psychological contract is not established between personnel and management on a collective level, distrust in management may remain despite of these measures. In the RRV/PA merger, the moral standpoints of personnel and the 3AG were too far apart for such an agreement to be reached. Disappointment in leadership was reported by both new hires and those with a long history with the authority/authorities.

Applying different moral theories to understand HRM ethics in M&A is a demanding enterprise. Greenwood (2002) is sceptical of such an approach, and argues that it means that significant assumptions are made about "the purpose of the organisation, the roles and responsibilities of managers, and the rights and obligations of employees (and other stakeholders)." It could be argued that given profit as a primary goal for private firms, these should not be assumed to have any moral obligations toward their personnel. However, as I have said, there is a business side to morality that may make these aspects central to the long-term performance of an organization. Furthermore, I would argue that HRM ethics can always be understood by using different moral theories, just as metaphors (e.g. Morgan, 1997) can be applied to understand values in the leadership of an organization. What we cannot do, is to judge, as scholars, whether this is morally right or wrong – but we can point out its consequences, for example concerning personnel resistance. Regardless if management cares for moral matters in their HRM, they will adopt behaviours that can be understood in terms of a moral theory.

In a common distinction, soft HRM is separated from hard. Alvesson and Kärreman (2007:712) describe the former as characterized by "long-term relationships, caring and personal development", and the latter as characterized by "exploitative and short-term relationships", but argue: "These broad distinctions say little about the more nuanced ideas and meanings of how organizations view their employees.", while advocating a cultural-symbolic perspective. I would claim the opposite – this distinction is, although simplistic, useful when trying to understand the moral contract or expectations in this relationship.

To conclude, empirical findings indicate that there is a moral change on management level, in M&A, seemingly to values with traits of utilitarianism and instrumentalism. This moral change is also indicated by Buono and Bowditch (1989), as they explain how co-operative approaches in the first stages of a merger process, tend to be replaced by a "pillage and plunder" approach in later stages.

Returning to a shared moral base, as part of the psychological contract, is difficult after such a change. This is partly because personnel will hesitate to trust management again once a psychological contract has been broken. This indicates that Lewin's (1951) classic change theory, where it is assumed that the organization can simply be "refrozen" after changes have been implemented, is overly simplistic or maybe not very useful in this specific context.

Another reason why it is hard to return to a psychological contract is that management may well have stayed in its new moral conviction. A morality with strong utilitarian influences puts management at the centre of control – a position which tends to be perceived as very convenient for those in charge. In the RRV/PA merger, the 3AG could not understand why personnel continued to oppose them and express distrust, and they emphasized that it was they who had the mandate to decide. The tone was still very far from what had been conveyed when merger preparations began, and from what professionals expected.

An explanation for management's moral change may be expectations from major stakeholders, such as Parliament. Another explanation may be management embracing other leadership ideals than those requested by professionals. Adhering to the same ideals not only becomes a matter of recognition among peers and others, and loyalty, but it also becomes a matter of their personal sense of identity. Further analysis in a stakeholder perspective may provide interesting insights. Greenwood (2002) maintains that stakeholder theory has largely been overlooked in writings on HRM ethics, and emphasizes its potential.

I argue that HRM ethics has a strong impact on resistance, and hence M&A outcome. When section 6.1 was introduced, I stated competence as another important aspect in the content of resistance in the RRV/PA merger. Management's moral change was taken as evidence, by personnel, for a lack of trust in their competence. Let shall explain how.

6.1.6 Competence and past performance

Findings in the case study suggest that when personnel use resistance to make management return to a previous psychological contract, this resistance can be taken as evidence by management for a lack of trust in their competence – or, as a lack of loyalty or competence among personnel. Distrust rapidly becomes mutual, since personnel can see management's unwillingness to understand or adjust to (or at least respond to) their objections, as evidence for a lack of competence or loyalty among management. The two groups become trapped in a negative circle, see 6.2.

The recognition of competence was understood partly in terms of respect for past performance. This recognition is crucial for highly skilled professionals. It has consequences for their identity, self-esteem, and social status. In this section, I shall discuss competence and past performance.

It is common in change processes to attempt to make personnel distance themselves from, and adopt a critical approach to the past, in order to achieve acceptance for change. Blom (2007) even uses the concept of demonization. This practice is also applied in M&A. Buono and Bowditch (1989:14) explain:

> It is important to realize, however, that for an organizational transformation to be successful, there must be a widespread acceptance of the need for change at all levels of the hierarchy. For organizational members to develop sufficient commitment to the change, there must be a discontinuity with the past and a process of 'letting go' of it. There must be a departure from old beliefs and habits.

The same assumptions can be found with Levy in the 1950s. According to Levy (1986, see Buono & Bowditch, 1989), a reframing process is required in order to create or discover new opportunities. I would argue that a problem in organizations with highly skilled professionals is that demanding such a reframing process may be perceived as a depreciation of the past performance of these professionals – meaning their competence. It is difficult to criticize past structures, procedures, and performance, without criticizing these professionals. The problem is aggravated by the considerable involvement of professionals in the

establishment of organizational routines and structures in professional bureaucracies (Mintzberg, 1993).

In the RRV/PA merger, auditors complained that the 3AG did not respect them. When asked for more details, they explained that management (the 3AG) did not recognize their competence. Instead, the 3AG repeatedly complained about the poor quality of reports issued at RRV and PA and they adopted a radical change approach at RiR. "Was all we did that bad?", was a recurring comment from the interviewed auditors. Upon being asked, the 3AG explained that they wanted the new authority to produce better reports than the former two authorities, and that this required extensive changes. The stance that they adopted corresponds to what Buono and Bowditch (1989) and Levin (1986) suggest. In most mergers, an improvement will be part of merger objectives, but it can be emphasized and rushed to a different extent.

How can a balanced position be achieved in relation to previous work? The culture integration method in the RRV/PA merger was one way to try to find such a position. The basic argument in this method was that performance at both RRV and PA had been good, and that, therefore, the goal was to bring the best parts of these organizations on to RiR. The approach, however, led to relative influence being interpreted as a measure of relative competence. Horizontal resistance and competition thus increased.

If management instead chooses to adopt an approach where past performance is not "demonized", but respected and highlighted in a positive way, incremental changes will hold symbolic value, indicating this respect. When these incremental changes are also supported by professionals, it is not necessary with a mindset where the whole organizational order must be questioned – the "reframing process" that Levy (1986, in Buono & Bowditch, 1989) refers to, or the sharp discontinuity with the past suggested by Buono and Bowditch (1989). With incremental changes, all previous routines need not be replaced at once, but they can be part of an everyday refinement process, as in any learning organization.

Distrust between management and auditors concerning each other's competence, rapidly became mutual in the RRV/PA merger. Morality

and competence went hand in hand. In the RRV/PA merger, auditors spoke of human dignity as part of their expectations on management, and included the recognition of competence. This can be compared to Maslow's motivation theory (1943), where social recognition is a fundamental human need. According to this theory, trust is imperative for self-actualizing people, and these individuals tend to easily accept others. However, Maslow also points out, that they are inclined to resist "enculturation", i.e. they do not readily adapt to norms and values imposed by another culture. This indicates that a blended culture and an organic process of cultural amalgamation are easier to implement in a context where such individuals are common.

Because professionals were not only deprived of internal status, but also of external status, in the RRV/PA merger, resistance became especially severe. In public organizations, it is not rare that the performance of authorities is discussed in the media. Whether it concerns the organization, or the profession more specifically, does not matter much, since professionals will tend to tie their self-esteem to the performance of their organization. This is partly because these professionals consider themselves responsible for the performance and advancement of operations.

When the performance of the organization faltered, in the RRV/PA merger, auditors shifted to a more local focus – and local responsibility. This was rather easily done, given the distance that the 3AG had created from management to profession in the hierarchy and daily management routines. Responsibility was thereby narrowed down to only encompass the local work, not strategic or financial matters, and thus, management could be blamed, with reference to their competence. External contacts, where they generally experienced a respect for their professional competence, were also given priority by auditors. A similar tendency was described by Sörgärde (2006), in the context of organizational change.

An area where reasoning was similar concerned quality assurance routines, as indicating present performance at RiR. This will now be discussed.

6.1.7 Competence and present performance

Both personnel and management at RRV/PA/RIR agreed that quality was crucial in performance audit. There was, therefore, also a consensus on the need for quality assurance routines. However, quality, auditors argued, was not a new goal to them; they had always strived to maximize quality. They wondered if the 3AG considered their competence poor.. Carrie (16 October, 2003) explained:

> Thursday, Matthew talked a lot about quality and how important that was, and then I think that all of us feel that 'well, how poor quality did we have before then?'. What also feels ironical is that 'well yes, but you have the same personnel.' You almost get a feeling that they would like to replace all personnel too, but it is the same people.

These worries were shared by both former RRV personnel, and former PA personnel, this auditor added, and interviews confirmed it. Auditors also hesitated whether to trust the competence of the 3AG or not, and many meant that the 3AG did not understand performance audit and how to define quality in this area. They referred to their lack of concrete experience from practical performance audit work. Maria (8 Oct 2003) said:

> The 3AG proudly announce that there should be quality in everything, as if this was something new, as if we at PA did not have quality before. Yet, the 3AG do not know what quality in performance audit really is.

The 3AG were aware of this attitude, Sophie (2004-09) explained:

> When we talk about the importance of quality assurance, […] it is taken as a sign that we have no trust in personnel – but this is not what it is about, but it is about us becoming a very good authority.

Part of the reason why quality was considered important, was that the quality of the RiR reports would establish the reputation of the new authority on the political scene and in society. This, in turn, would affect what impact their conclusions would actually have. Both the auditors and the 3AG agreed in this. An Auditor-General (Sophie, 20 November, 2003) explained:

> We shall not become some general authority just having opinions. […] We want audits to be very important, cause debate and discussions, and

> that it should be a good basis for decisions. It should be very tight and stringent, I think – this is what will work, if we should be able to build our brand the way that I want.

This aim to make reports "tight and stringent" was understood by many auditors as an attempt to standardize performance audit work. Not only quality assurance routines, but also the new performance audit approach, that the 3AG requested, were taken as evidence for this. The 3AG tried to adopt structures similar to those found in financial audit, in order to regulate performance audit, auditors claimed, again arguing that the 3AG did not understand the nature of performance audit. These controversies, concerning standardization of professional services, are common in professional bureaucracies, according to Mintzberg (1993). Given the extensive review of routines and roles in M&A, it is possible that personnel generally experience an increased ambition from management to standardize their services on these occasions, and that this fuels resistance. In the RRV/PA merger this was the case, and quality assurance was the label under which this process occurred.

Luke (20 April, 2007) described a culture change, that he claimed affected acceptance for the new quality assurance processes:

> Before, projects felt as the sole owner of an audit. All of a sudden, we have changed perspectives: now it is us Auditors-General who own audits and they who help us conduct them. So perspectives have changed, and in this context, we have also changed the quality assurance process.

As compared to RRV, RiR had a more centralized decision-making process, Luke explained, and findings support this. This centralization and attempts to standardize work processes contributed to resistance, as they were taken as evidence for distrust and a poor understanding of the dynamics underlying independence in national audit. The conflict is classic in professional control bureaucracies, according to Mitzberg (1993). For personnel, organizational independence was connected to their independence as professionals. Partly because the 3AG did not agree about this connection, personnel started to doubt their competence.

To sum up, evaluations of morality and competence contributed to competition in the RRV/PA merger – competition to be recognized as the most competent, and competition to be recognized as the holder of a greater sense of morality. This competition aimed at gaining more control than the other party. I shall describe and discuss this competition for control, in the next section, which is focused on the process of resistance.

6.2 Process

In the RRV/PA merger, resistance was the result of a competition of control – in both horizontal and vertical dimensions. Control should be understood as influence over organizational decisions. It could be contrasted with trust. When there is a competition for control, the relative influence of the parties tended to become a success measure, and taken as evidence for management's trust in auditors' competence and morality/loyalty. Behind resistance lay a conviction, among all parties, that they worked to optimize the new organization.

In this section, I start by reviewing the horizontal process of resistance. I then describe the shift from trust to control, that triggered a transition from horizontal resistance to vertical resistance in the RRV/PA merger. Finally, I review the vertical process of resistance. Morality and competence, as described in section 6.1, are key concepts for understanding these processes.

6.2.1 The process of horizontal resistance

The relative control, or influence, of merger partners has traditionally been discussed in M&A theory in terms of take-overs or collaborative mergers. What starts out as a merger of equals, often ends up as take-over, Buono and Bowditch (1989) confirm. As an example, they describe the case of a bank merger, with two more or less equally sized savings banks, where the initial cooperative attitude was soon replaced by a confrontational one and ultimately a take-over. The case was the same in the RRV/PA merger.

One could imagine that this should especially be a problem in acquisitions, where the acquirer has the mandate to adopt such a take-over approach. However, in mergers of equals, as the quote above indicates, there will also be inequalities that allow one of the two partners to gain more control and influence than the other. Horizontal and vertical resistance intersect in this matter, since the dominated personnel in the organization are likely to resist both personnel and management in the dominant organization.

Take-over approaches can be explained partly by management's control ambition. The dysfunctional effects of this ambition are emphasized by, for example, Buono and Bowditch (1989:17):

> In general, the more important a target firm becomes to an acquirer, the more the parent company will attempt to control the target firm in order to ensure that the desired results are achieved. This heightened involvement undermines much of the iterative, evolutionary nature of the postcombination integration process, raises antagonisms between the different employee groups, and reduced the chances for the two companies to effectively work together to facilitate integration.

Chatterjee et al (1992), too, speak of the need to not attempt to control the acquired (or smaller) organization, but instead allow for multiculturalism. They emphasize that where cultural differences between management teams are small, however, it will be easier to achieve shareholder value. As explained, the management teams at RRV and PA did not have a very good relation.

Rather than focusing on relative influence, Schweiger and Goulet (2005:1495) argue that deep level cultural learning is the best way to avoid conflict between the two merging organizations. Managing culture differences between two organizations this way, they claim, can contribute to

> induce cultural understanding and the reconciliation of cultural differences during the early stages of integration as a means to enhance integration speed and success

They rely on data from a longitudinal field experiment. Interestingly, they find that surface-level cultural learning has no significant impact. The culture amalgamation approach that was adopted in merger

preparations at RRV and PA had considerable similarities with this deep level learning model, but the outcome was still not very positive. There was, indeed, an improved understanding of the merger partner's culture, but values were attached to these differences, and they were often taken as evidence that the partner's culture was inferior.

Buono & Bowditch (1989:65) talk of degree of friendliness in M&A, and Larsson (2005:187f) talks of a soft versus hard integration approach. In both cases, the relative influence of the two organizations is intended. Because many M&A are implemented more or less as take-overs, differentiating between personnel influence in general and the relative influence of the merging organizations, has been perceived as pointless. In a take-over, the management team in the acquiring organization takes on an authoritative approach in the integration of the acquired organization, and neither personnel in the first or the latter organization are very much involved.

A bias towards acquisitions in M&A theory could possibly explain why this take-over strategy is so commonly reported. In mergers there must often be a more friendly approach, as there is a more equal power relationship, and no obvious principal. This is especially the case in professional service mergers, where personnel are unlikely to accept taking an inferior position. In the public sector, furthermore, there will be almost no acquisitions, but only mergers. For political reasons, a basic principle is then often that merger partners should have (more or less) equal influence.

There is always some kind of plan for the horizontal distribution of influence, although it may not be explicit, I would argue. A problem when it is only implicit is that expectations may vary between different actors and groups. With an explicit distribution, this must be agreed by both parties, in order to minimize resistance.

The planned distribution of influence can be compared to the actual distribution of influence between the two merger partners. When there is an imbalance in favour of one of the two organizations, it is most likely (even probable?) that there will be resistance in the disadvantaged organization.

The dysfunctional effects of the culture integration approach in the RRV/PA merger have been described in section 5.1.3. This approach was influenced by, for example, Marks and Mirvis (1998), who have suggested that the best of both organizations be integrated in M&A. This is possible in a context with high tolerance for multiculturalism and where there is a high degree of relatedness of the merging organizations, Ellis (2004) claims. I would argue that it easily leads to increased polarization and horizontal competition. The integration approach goes back to the 1970s. In a book by Brandinger (1975), a project organization is suggested for mergers. Here, however, the author points out (1975:12) that

> It is naïve to believe that there exists some objectively 'best' solution for the issues treated in projects, regardless how the organization in the merged company in general will look.

The process of horizontal resistance in the RRV/PA merger could be illustrated according to Figure 21. Since horizontal resistance mainly occurred during merger preparations under the NAC, in the RRV/PA merger, the NAC is included in the model. However, the process worked in a similar way in the 3AG project organization during part 2 of merger preparations.

Evaluations of the other party's competence and morality/loyalty (ethics) resulted in a competition for control. The main reason for this was that the other party was perceived inferior, and that this was recognized as a risk when trying to optimize the new organization. The status of auditors and managers as professionals was understood to be highly dependent upon the status of RiR. As vertical resistance later increased, this connection would become weaker.

Because the RRV management claimed that PA was inferior in terms of competence, many RRV employees (especially managers and NAC project members) experienced a moral obligation to maximize RRV's control, as compared to that of PA – in order to optimize RiR. It was partly as a consequence of this that the informal alliance (described in section 5.2.1) was formed and morally justified by RRV. PA, on the other hand, saw this alliance as evidence for a poor sense of morality at RRV. They experienced that this type of behaviour risked hurting RiR, and could thus morally justify competition and resistance. The culture

integration method also fuelled resistance (arrow from Management to Meetings in Figure 21).

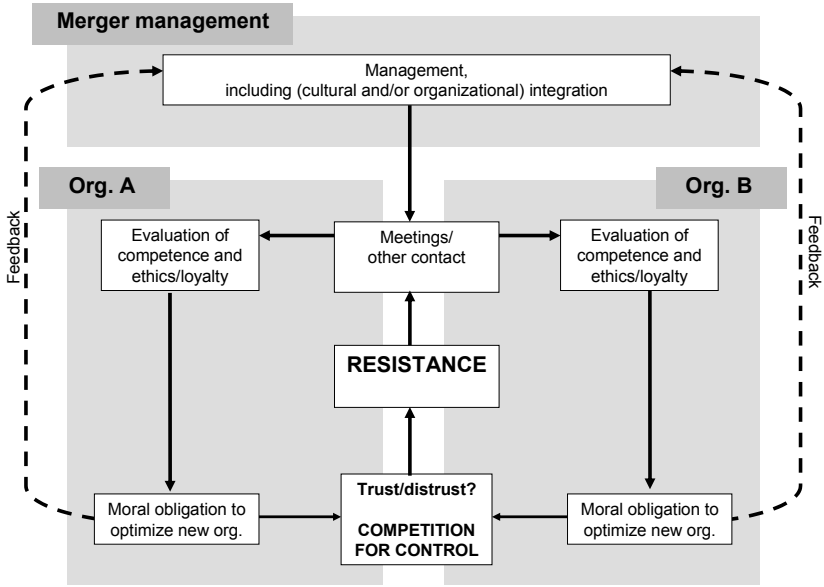

Figure 21. The process of horizontal resistance in the RRV/PA merger.

6.2.2 Shift from trust to control in vertical dimension

In the RRV/PA merger, there was a shift in leadership values from trust to control, as the 3AG took on their positions and the merger was implemented. With this shift, resistance also rapidly changed from a horizontal dimension, to a vertical dimension. Before describing the process of vertical resistance, I shall devote this section to describing the transition between the two types of resistance and resistance processes.

I have already touched upon the moral change in section 6.1, concerning the content of resistance. This moral change can be interpreted and explained in terms of increasing control. Changing the moral basis is a way for management to avoid adjusting to personnel's considerations, and thereby to keep control. Meanwhile, evaluations of

competence provide different organizational groups with a perceived moral mandate to compete for this control, and make resistance.

Many M&A start with a participative approach, but end up with an authoritative one (Buono & Bowditch, 1989). There can be several reasons why management tends to increase its control ambition. Because stakes are high in M&A, management is under pressure to show these stakeholders that they are in control of the situation. There are many stakeholders in a merger whose interests and values can stand in conflict (Buono and Bowditch (1989:xiv).

It is also common to use M&A as an opportunity to conduct a radical revision and restructuring, and such an engagement requires an increased focus on control.

Greenwood et al (1994) describe a merger very similar to that of RRV/PA. It started with great optimism, but already 6 months after the merger, managerial support had diminished considerably, much due to damaged career tracks and increasing bureaucracy. This bureaucracy, I argue, is a means of control. Lohrum (1996) reports on similar findings, where initial optimism was replaced by resistance. In this case, it followed from broken management promises and extensive dismissals.

According to Berry (1980) and Ulrich et al (1989), it is common that one culture tries to dominate the other, making them feel inferior. Chatterjee et al (1992:331) argue that multiculturalism is not often tolerated in M&A. This can be explained partly by the focus on control, according to Chatterjee et al (1992:331), who write:

> The finding concerning tolerance of multiculturalism also suggests that an overemphasis on controlling newly acquired firms by imposing goals and decisions on them may be dysfunctional. […] The findings therefore suggest that integration needs to proceed carefully in order to reap any anticipated synergies. To show intolerance for the acquired managers' culture is to threaten the cooperation and commitment of the very group who may be instrumental in determining the mergers ultimate success (Weber, 1988).

Control can be contrasted with trust. I have described how utilitarian or instrumental values replaced former psychological contracts between

management and personnel in the RRV/PA merger. Utilitarianism allowed a sense of control, whereas psychological contracts were based on trust.

While management increases control, professionals tend to request autonomy and trust. This trust is interpreted as a measure of management's recognition of their status, in turn tightly connected to competence. Trust is also seen as a measure of management loyalty to their personnel. When the profession is strong, it is likely that the professionals become united in their resistance to the increased control, and that resistance therefore is especially likely to shift from a horizontal to a vertical dimension. Control is a highly relevant topic in firms of professionals, where there is (Greenwood et al, 1994:251)

> a heightened awareness of the importance of how authority is exercised because of the potential stress between the professional and the organizational apparatus (Raelin 1985). Any proposed major change, such as a merger, will likely be carefully considered in order to maintain the valued and recognized balance between the interests, on the one hand, the organization and, on the other, those of its highly mobile professional personnel, which represent the firm's asset base.

In the RRV/PA merger, the 3AG leadership was described by personnel as control-focused and authoritative. A typical quote about the 3AG leadership, by a performance auditor (Anne, 21 August, 2003) was the following.

> They respond to discussions of principle with authoritative language and I find it a bit sad. That way, they assume that people cannot think on their own and that we should settle with this. Do they not understand that they deal with rather intellectual people who are used to issues of fact and discussions of principle being met on the same level and not with authoritative language. They act with such stupidity. This only annoys people. We will not settle with that.

Empirical observations generally supported personnel's perception of leadership as focused on control and on the line of command. Some issues led to more objections than others, and this was, for example, the case concerning the performance audit approach, quality assurance routines, recruitment and promotions, cooperation between financial audit and performance audit, and offices. The 3AG often spoke warmly of the value of a dialogue with personnel and welcomed their input, but

when objections were raised, many experienced that these were merely waved aside as worries, and that the actual personnel influence in decisions was limited.

In Chapter 5, some values characteristic of the 3AG and of auditors, in the aspects of culture, communication, and career, were highlighted. They indicated how management and profession were separated in their most fundamental values and priorities. See Table 5.

Table 5. Values emphasized by the 3AG and by auditors, in the RRV/PA merger.

Level of analysis/ aspect	**Values 3AG**	**Values auditors**
Culture	Formalism	Flexibility
Communication	Authority	Influence/ democracy
Career	Adherence	Autonomy
Emphasis	**Control**	**Trust**

These value differences could be summarized as a matter of control (formalism, authority, adherence to directives) versus trust (flexibility, influence, autonomy). While the 3AG were focused on control, professionals requested trust. Again, this classic value conflict is also emphasized by Mintzberg (1993). Mintzberg (1993) presents five organization designs, of which the traditional machine bureaucracy is one. This is a design which has gone out of fashion, he explains, since it is associated mainly with conditions during the first part of the industrialization of the Western world. Control is an important part of the machine bureaucracy. The more an organization is externally controlled, the more centralized and formalized will its structure be, Mintzberg (1993:174) argues, and continues about the public sector:

> External control is often most pronounced in Government agencies, giving rise to a common example of this configuration, which we can call the public machine bureaucracy. Many Government agencies – such as post offices and tax collection departments – are bureaucratic

> not only because their operating work is routine but also because they are accountable to the public for their actions. Everything they do must seem to be fair, notably their treatment of clients and their hiring and promotion of employees. So they proliferate regulations.

These Government agencies are also expected to treat their personnel "in a fair way", Mintzberg (1993) explains, without further discussing the meaning of fairness. As noted in the previous section (section 6.1) there will be different interpretations of which type of moral reasoning is appropriate.

Organizations "in the business of control", such as RiR, are called control bureaucracies by Mintzberg (1993:175). They have a need for safety, but at the same time they have to be able to motivate their highly skilled personnel. According to Mintzberg (1993:175), they should be structured as professional bureaucracies, but yet, they are "drawn toward Machine Bureaucracy because of the control orientation and the need for public accountability". The RRV/PA merger provides evidence for this theory. The 3AG focused very strongly on control, arguing that it was necessary, that quality had been inferior at RRV and PA and leadership (too) soft. Their attempts to control and standardize services in performance audit, led to heavy criticism from personnel. Auditors emphasized the need for autonomy in order to keep motivation and produce high quality reports. This tendency towards machine bureaucracy in control bureaucracies may be reinforced in times of change, when managers find it especially challenging to accept a lack of control.

The prime coordinating mechanism of the professional bureaucracy is standardization of skills. This is a common design at universities, hospitals, schools, and social-work agencies – in organizations that depend on highly skilled professionals, and produce more or less standardized services (or products). Just like the machine bureaucracy, coordination is achieved by design, "by standards that predetermine what is to be done". However, in the professional bureaucracy, these standards have not been established internally, but have an origin external to the organization. The profession plays a key role. (Mintzberg, 1993).

For professionals at RiR, bureaucracy was seen as a threat not only to the authority, but also to the status and attractiveness of their profession. Auditors and the 3AG had different opinions concerning how performance audit should be conducted. Auditors argued that audits were being "technicalized", pointing at the increase in regulations and bureaucracy – "or quality assurance, call it what you want" (Carl, 10 October, 2003). An auditor (Carrie, 16 October, 2003) called the business planning process "incredibly formalistic"[81]. Another auditor (Rebecka, 9 October, 2003) explained:

> I think this is a very bureaucratic authority. All the time, new routines are announced for this and that. Perhaps it is good to have a lot of routines, because to the external audience you show that you have thought through how to do things - but our main task is to be out and audit and not to sit with in-house bureaucracy. I think it takes a lot of time.

An auditor (Gregory, 16 April, 2004) called the 3AG leadership "a medieval type of management", and meant that they created different social "classes" at RiR, where they gave auditors low social status:

> There is a feeling that they create different classes here at RiR. The nobility, is comprised of all the managers and the 3AG. The peasants, it is the production line. They have some kind of upper class and lower class. In some sense, it feels as if they have actually forgotten that they have a production that is meant to do everything.

When there is a competence overlap, such as in the RRV/PA merger, a ranking occurs, forming the basis for a social ranking (status). The perceived lack of competence among the 3AG was a central theme in personnel resistance at RiR. To gain legitimacy as leaders and managers at RiR, the 3AG were required to gain respect either by proving this competence to be out of the ordinary, or by listening and adjusting to the input of auditors, as a symbol of respect for the competence of the audit profession.

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[81]It is important to note the difference between an actual increase and the impression of an increase in bureaucracy. Even if bureaucracy only increases a little, the impression may still be that the difference is a major one, since bureaucracy is made more visible in a change process, than it is when everyday operations run as normal.

In section 6.3, I argue that in public sector mergers, democratic ideals may spill over from the political environment to the authorities. In general, according to Mintzberg (1993), any professional bureaucracy is a highly democratic structure - "at least for the professionals at the operating core". He continues (1993:197):

> In fact, not only do the professionals control their own work, but they also seek collective control of the administrative decisions that affect them – decisions, for example, to hire colleagues, to promote them, and to distribute resources. Controlling these decisions requires control of the middle line of the organization, which professionals do by ensuring that it is staffed with 'their own'.

Power and autonomy are disseminated to professionals in this type of organization, as opposed to the machine bureaucracy. Greenwood et al (1994:251) explain:

> Organizations dominated by professionals are distinguished by the values of collegiality and high sensibility to professional discretion.

Sharma (1997) talks about normative control in professions, meaning that professionals will tend to control each other, in order to make sure that their status remains intact. Freidson (1984:41) explains that there is a kind of agreement between society and professionals, where professionals offer their competence, in return for "the trust of client and community, relative freedom from lay supervision and interference, protection against unqualified competition as well as substantial remuneration and higher social status". He argues that the stratification within professions has become more formal and overt than before – to an increasing extent it can be seen that a professional elite is assigned to control and supervise other professionals. This was also the case in the RRV/PA merger, with readers and other forms of quality assurance.

Both Freidson (1984) and Sharma (1997) note that professionals are not always as altruistic as it has traditionally been assumed. Rather, just like others, they have personal interests that may interfere in their work. The recognition of this is one reason for the increased stratification mentioned above.

In the professional bureaucracy, a number of factors (Mintzberg, 1993, mentions coordination, discretion and innovation) are commonly

interpreted by actors outside the profession, as stemming from a lack of external control. Therefore, management may try to increase control using direct supervision and hierarchy, standardization of work processes, and standardization of outputs, Mintzberg (1993:210) argues. This was also what happened at RiR. Three years after RiR had been established, additional hierarchical levels were added, and the auditors declared that they had never found themselves so far from decision-making levels. Buono and Bowditch (1989:14f) explain that the illusion of managerial control typically characterizes M&A, and argue that in general, "managing something is too often viewed as exerting control.".

According to McGregor (1960), control is not something bad in itself, but he emphasizes the differences between the natural sciences and business administration as a behavioural science. McGregor (1960/2006:14) argues that the latter tends to use control as a means to suppress human nature:

> We can improve our ability to control only if we recognize that control consists in selective adaptation to human nature rather than in attempting to make human nature conform to our wishes.

Effective prediction and control are pointed out as a central task in any discipline. To be able to predict accurately, the underlying theoretical assumptions must be correct, McGregor (1960) argues and introduces Theory X and Theory Y. Theory X consists of a number of traditional assumptions about the employee, the most fundamental of which claims that the average human is assumed to have an inherent dislike of work and will therefore try to avoid it. In Theory Y, it is instead assumed that work is natural for the average human, and that s/he learns to both seek and accept responsibilities. Eneroth and Larsson (1996) also point out the relevance of McGregor's theory X and Y to understand resistance in M&A. Given the different preference individuals can have concerning stability versus change, they argue that a theory Z could be useful. This assumes (Eneroth & Larsson, 1996:6) that:

> if provided with adequate responsibility, freedom to act, rewards, and other support, people will drive and be empowered by strategic change.

The increased management control in M&A could possibly be seen as a coping strategy for management. Management may find the often extensive change process too complex to handle, unless extensive control mechanisms are implemented. Minor changes tend to turn out as bigger ones, partly because additional problems become visible when routines and structures are scrutinized and redesigned. Partly influenced by Levin's classic change theory (1951), it is also often argued that one might as well change as much as possible, once a momentum for change has been spread in the organization. There is a window of opportunity before the organization is again frozen. Due to these factors, management stress is likely to increase, making control focus a useful coping mechanism. Unfortunately, as shown here, this control is often coupled with increasing personnel resistance, so long-term results are not likely to benefit.

It is also important to convey an image of being in control when acting in an organization whose primary task is to control others. How can they gain any trust on the market, unless they are believed to be truly competent in controlling their own organization? This was the key issue for RiR and the 3AG. Already when RiR was formed, the organization gained negative media attention. In the media, RiR was described as an authority characterized by unethical management (appointment of managers), extravagant with expenditures (financial compensation offered for employees to leave, costly representation), and lack of control over basic organizational routines (administration, finance). Possibly, this could have affected the leadership adopted by the 3AG, although observations already during merger preparations indicated rather clearly that their control focus was strong even then. Parliament was not at all present much to influence or supervise how the reform was carried out, but instead, the media came to play an important role for RiR.

Identity is also an important aspect when trying to understand why leaders become highly focused on control. People have different ideas of what constitutes a leader or a management team and he or she will strive to fill this role, or enter this identity. It is not uncommon that the media and society convey an image of managers as people primarily in control. Regardless of what the actual case is, managers learn to adopt

this style on the public scene to lower the risk of anxiety and speculation among personnel and in the market place.

The relevance of pressure from external actors, such as the media, for a public authority, for the level of control and bureaucracy, is highlighted in a number of quotes from RRV and PA. In the employee survey of May 2004, personnel were asked to comment on the negative media attention during the first year at RiR.

- "It has not affected me very much. Many of us can take more than what 3AG think. However, there is a risk that the organization in its fear of being exposed to more critique, becomes even more bureaucratic and does not dare to do anything at all."
- "There is a risk that fear of media attention, deficiencies in routines, etc. lead to heavy administration, rigorous demands on documentation, etc., and that too little time is devoted to the core activities."
- "It is very important that they now do not, as a consequence of the TV reports, make all routines more bureaucratic – consider that the happiness in your work disappears if internal life becomes too unwieldy."

Both management and profession want to be in command (Mintzberg, 1993). With the same words, in the RRV/PA merger, one of the 3AG had explained at a seminar that the auditors "want to be in command". In interviews he also forcefully argued that it was they (the 3AG) who were "in command", and had the mandate to decide - not the auditors. Looking only at formal mandates may, however, be misleading. M&A scholars Buono and Bowditch (1989) claim that it is a misconception that managers are in command in M&A, and I would agree.

Competence, morality, and control formed the basis of personnel's trust in management, and their acceptance for these managers as responsible for managing the merger process. To avoid resistance in the merger process, trust was more efficient than reference to formal mandates or positions.

In this section, leadership has been discussed, and this will also be in focus in the next one. Leadership has been a rather neglected field in M&A theory (Sitkin & Pablo, 2005). Personnel tend to take their influence in merger process decision-making as a measure of management's trust in their competence and sense of morality. Therefore, to understand the process of vertical resistance, influence is a key aspect, and a large part of the next section will deal with this issue.

6.2.3 The process of vertical resistance

In the RRV/PA merger, the debate on the new performance audit approach could be seen as a power struggle, in terms of competence. Both auditors and the 3AG claimed to understand best what the intention of Parliament with the reform had been, or what approach society would benefit the most from. What emanated from this competition was a blame game. Each party tried to find evidence of poor competence or morality with the other. When the extent of resistance first became evident, the 3AG pointed at personnel and their attitudes. They arranged seminars where people were requested to suggest what "they themselves" could do to improve the situation at RiR, rather than pointing at the 3AG. At another seminar, a speaker was invited to talk about personnel's own responsibility for the work place situation. Meanwhile, auditors continued to point at management.

The process of vertical resistance in the RRV/PA merger is very much a story of personnel influence in management decision-making – or, again, control. To understand the process of vertical resistance, it is important to understand the context of qualified professional services in public administration. This has been discussed, for example, in the previous section, as well as in section 6.1.

In the RRV/PA merger, the 3AG assumed an authoritative leadership style already from start. Auditors saw this as evidence of both poor competence and a poor sense of morality. Objections were raised, but to little avail, since the 3AG in turn saw personnel's resistance as a sign of poor competence and a poor sense of morality (loyalty). A negative circle arose.

The 3AG themselves, did not suspect that personnel could consider their competence poor. Asked why she thought that the 3AG had scored so low on the survey question regarding to to personnel's sense of trust in them, Sophie responded (28 September, 2004) that this was probably a matter of insecurity and anxiety:

> I find it had to believe that they should consider us incompetent, but I think it is about other things: Insecurity, they feel it is messy and they feel that they do not know us and above all, a bit like SIFO explains it, that there is some kind of double trust gap, that personnel feel insecure about whether or not we have trust in them, if we trust personnel.

Interviews with personnel revealed the opposite – there was extensive distrust in the competence of the 3AG.

The statement above is rather representative of what is said in the vast part of M&A theory, where personnel objections are often waved aside as mere anxiety. M&A theory on communication has tended to emphasize the need for information from management to personnel, while neglecting communication in the other direction. The need to allow personnel to express their concerns is sometimes raised as important, but by describing this feedback in terms of stress, worries, and anxieties, it is waved aside as merely emotional reactions. This resistance, it is assumed, can be calmed down by management presenting their (assumed to be) more rational arguments.

The extent of personnel influence can differ, and so can forms for influence. It is becoming increasingly common with some kind of representative design – a temporary project organization. An alternative is direct democracy, where employees are allowed to vote about delegated issues.

The aim of influence can be involvement and commitment, and then it may not necessarily result in true influence. Personnel are then allowed and encouraged to participate in M&A preparations and implementation. The problem is that expectations may differ. Even though there may not be an actual promise from management, saying that personnel's input will be taken into account in the final management decisions, such influence will easily be expected by them. This was also what happened in preparations for the RRV/PA merger. As resistance arose, management argued that they merely meant to

provide an opportunity for personnel to convey their opinions and concerns to management.

Structures for influence can, in this way, be used as a cover for what actually is an authoritative approach, where management is not prepared to let go of any control. Resistance is kept at a minimum from the start, but it is only pushed forward in time, and may be even more severe once reality becomes clear. In the RRV/PA merger, an RRV auditor explained (Patrick Joyce, 10 October, 2003) that he had experienced such an illusion several times during his years in the public administration. Management then assembled personnel in groups, asking them to provide management with the material that they needed to rearrange the organization, he explained:

> Then, they put it all aside. […] You can always say that you have taken something into consideration. When personnel have written 100 pages with wise considerations, you can always say that you have used 30 of these, because among them there will always be a few things that you have planned to do already from the beginning.

He explained that this caused frustration among personnel, especially among the most senior employees who often end up in these groups and work very hard to produce results. He emphasized:

> When you bring together as many as you did, you have a very fragmented material and therefore can ignore it, because it is not uniform. […] With a group of only 5-6 people, you cannot as easily ignore the results.

In the RRV/PA merger, it had been clearly announced that the merger would be implemented using an "open approach". What this meant in terms of influence was never made clear. Personnel expected that this meant actual personnel influence in management decisions, but the NAC rather described this in terms of information and involvement (the input policy). In the "Final report" from the NAC in 2003[82], it said:

> According to their directives, it has been part of NAC's assignment to keep the concerned central and local employee organizations [unions]

[82]"Final report on the preparation work for the start of RiR", handed over to the parliamentary board on October 7, 2003.

> informed about the work and give them the opportunity to express their opinion. […] Another important starting point was that the personnel concerned continuously should be kept informed.

A NAC member explained:

> The NAC emphasized already from the start of their work, the importance of an open approach, the importance of continuous information to those concerned during the process and the need to involve the two authorities in the practical preparation work. This has for example meant, in a more concrete sense, that the NAC on several occasions have had meetings with all personnel.

This is consistent with M&A literature, where communication is discussed almost exclusively in terms of information. The value of open and honest information to personnel is emphasized by for example Schweiger and Denisi (1991) and Bligh and Carsten (2005). The meaning of honesty has, however, not been further analyzed, and as section 6.1 indicates, morality can be defined in many different ways.

Furthermore, the NAC had not agreed on the open approach themselves, instead this was done by Parliament, who initiated merger preparations. The request for personnel influence and participation could be explained largely by the previous process for merger preparations, "Ericsson's investigation". Luke explained (20 Nov 2003):

> There was enormous criticism of the Ericsson investigation and personnel did not feel that they had been involved. So there was great pressure for involvement when we entered the investigation. Then Parliament engaged me, Ryan and Alison. Alison has worked a lot with processes like these in different ways, so I mean that they probably wanted to comply with these requests for involvement, on the part of Parliament – because members of Parliament had sat down and talked a lot to union representatives about different matters and accepted a lot of what they said.

According to interviews, the cooperation between the 3AG and unions was not always very successful. Many auditors meant that the 3AG ignored union representatives and their objections concerning the 3AG leadership. In the office issue, however, unions played an important role and most auditors appeared to be positive to their acting as representatives for personnel. This indicates that unions, in a

constructive dialogue with the employer, can be used as an important vehicle to gain personnel's trust and prevent resistance from growing strong.

Despite of extensive structures for input/influence and information in the NAC project organization, employees who were not part of these structures described how they did not perceive themselves as having much influence. An RRV auditor (Kimberly, 2 October, 2003) meant that the process had all the time been run

> von oben, that is, there have always been some people sitting up there, telling us what to do, while the process for gaining personnel's approval has been minimal" […] "All the time, it was as if someone else had… We did not have much influence.

The 3AG talked of themselves in interviews in terms of "taking command". When they took on their positions, new projects for personnel input were established, but it became much clearer that the policy was mainly authoritative. In the eyes of former NAC project members, who were trying to accept that much of their work had been in vain, as they had not had much actual influence, this was a huge change. The 3AG repeatedly referred to their mandate to make authoritative decisions, without concern for personnel's objections. Luke affirmed that "it is we who decide", when asked in an interview (20 April, 2007) what personnel thought about their decisions.

In political science, Karlsson (2003)[83] states three mechanisms for decision-making in a democracy: conversations, negotiations, and votes. These categories can also be used to understand different approaches as concerns personnel influence in M&A. In the RRV/PA merger, personnel were involved in conversations, meaning that no influence was guaranteed, but they could provide management with input. Personnel interpreted this rather as negotiations. On one occasion, in the office issue, they had a vote. This form of decision-making was greatly appreciated by personnel, and actually even united them horizontally, regardless of organizational borders. This cannot be adopted in all issues, but in matters affecting personnel very concretely,

[83]The theory on deliberative democracy, in political science.

such as their offices, it can be useful and serve to gain confidence in the decision-making process and relations with management.

As for the temporary project organization, its adoption was recommended already in 1975, when Brandinger (1975:13) wrote:

> It is not until the project organization does not work – for example the work strays off in timing – that it is justified for the buying party in the merger to start to act 'as an occupying power', to cite a managing director with great experience from mergers. Acting 'as an occupying power' can have a negative impact in the occupied organization for years ahead and thus it can become a very expensive strategy.

The representative aspect of the project organization in M&A is, however, more important than was recognized at the time, as I explained in section 5.1.3. Legitimacy problems could possibly be handled by allowing unions, or another actor, see to the interests of personnel, and gather their input. This could then serve rather for negotiations, than for conversation, using Karlsson's (2003) categories mentioned above. A high degree of trust was directed towards the unions in the RRV/PA merger – to the extent that these were allowed influence in management decisions (which was not always the case).

The dual loyalties of middle managers complicate M&A. Forced to act as a communication channel in both directions, the managers become very much exposed to distrust. Unfortunately, it has been confirmed (Hambrick & Canella, 1993) that the most competent managers tend to leave the organization already after the merger decision has been announced. In the RRV/PA merger, auditors explained that managers did not act very well as a channel for communication between them and the 3AG. Some appeared to be afraid to pass on personnel's criticism, they reasoned. At the same time, the 3AG were strict about communication channels – communication between personnel and them should always go via the chain of command (managers). This too annoyed personnel, since department managers had not much of a mandate to change the things that they wanted to change. An auditor (Rebecka, 9 October, 2003) explained that her manager had not sought the group's approval for anything, but added that this seemed to be very different between different departments.

At RiR, auditors and management continuously evaluated, although not always explicitly, the other party's competence and sense of morality. Personnel took the 3AG's unwillingness to allow them the autonomy or influence that they wanted as evidence for a lack of both these features – for management incompetence and poor ethics. The 3AG did the same evaluation of personnel, when personnel continued to make resistance. A competition for control (influence) arose, and a negative circle developed. The process of vertical resistance is illustrated in Figure 22.

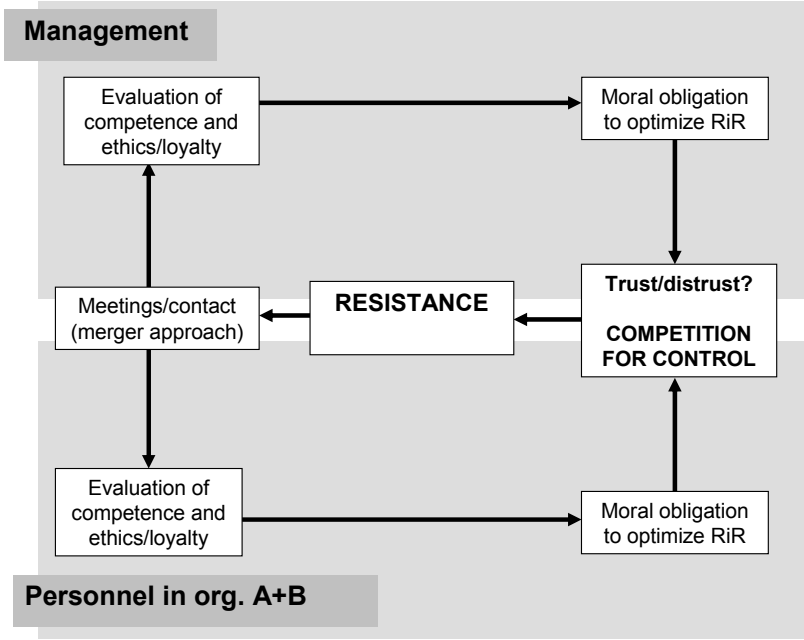

Figure 22. The process of vertical resistance in the RRV/PA merger.

RiR was characterized to a large extent by control mechanisms. RRV had represented a position between control and trust, while PA was closer to the profession's ideal of trust (see Figure 16 in section 5.1.5). Professional interests stood against management interests in the vertical dimension.

Values of trust versus control returned throughout the empirical observations. Figure 22 shows how distrust led to a competition for

control, in the same way that there was a competition for control in a horizontal dimension during preparations for the RRV/PA merger (section 6.2.1). Resistance and control were the two primary communication mechanisms between profession and management – bridging the gap between the upper and lower part of the model. When management increased its control mechanisms, auditors experienced a sense of betrayal and distrust. One reason for this was the agreement (psychological contract) that was formed as merger preparations began, according to which the process would be participative and open, with great respect for the input of personnel. Another reason was that trust was seen as closely related to professional respect and recognition. A third reason was that trust was considered typical of the modern and professional leadership that personnel requested.

6.3 Context

In section 3.3, I reviewed theory relating to the context of professional services and public administration. Both aspects have already been touched upon in analysis thus far, and this section will function a bit as a summary of these findings. I shall first review the impact of professional services on resistance in M&A. I shall then review public sector and national audit, and resistance in this context.

6.3.1 Professional services

Sharma (1997:792) argues that it is counterproductive to try to exercise excessive rational control over agents with expert knowledge. Findings in the RRV/PA merger, confirm this. Experts, or highly skilled professionals, expect a considerable degree of control, primarily in terms of influence in management decisions. They also expect management decisions to be informed, and unless they are perceived as correct, experts will try to have them changed. In public bureaucracies, to which national audit can be categorized, personnel request respect and recognition (Mintzberg, 1993).

Sharma (1997) emphasizes that the principal-professional agency differs from, for example, the traditional owner-manager agency. Three

differences are highlighted. First, professionals possess more power than principals without this expert knowledge. Second, control over professionals is exercised rather as peer control, than as market control. Third, professionals and lay principals co-produce services. Sharma (1997:789) concludes:

> Consequently, unlike traditional instances addressed by the theory, these exchanges often are driven by agents and not by principals.

I stated in section 3.3, with reference to Mintzberg (1993), that many experts preferred to work in an adhocracy. In a professional control bureaucracy, such as national audit, some degree of standardization is necessary and this degree of autonomy cannot be allowed. It is a question of balance, however, and the increased control in the RRV/PA merger, clearly tended to fuel resistance.

In organizations where the profession is specialized in the area of management, competition to be recognized as competent can occur between management and professionals. This was the case in the RRV/PA merger. Personnel evaluated the morality and competence of management, and came to the conclusion that (at least in a number of issues) they themselves often had a better understanding of what good management was. Trust and adherence could not be expected simply by reference to formal mandates of managerial position - instead management had to earn it.

6.3.2 Public sector and national audit

Two dominant ideals among the public professionals at RRV, PA, and RiR were democracy and independence. These officials are the extended arm of the citizen, and they have loyalties to this citizen, at the same time as they have loyalties to their local management, and to the political institutions under which they serve (see Lundquist in chapter 3.3). Many auditors in the RRV/PA merger saw themselves as more responsible in relation to society, whose citizens they were placed to serve, than to their managers. Serving society was perceived as a primary moral obligation for them as public servants. As I have noted, this loyalty dimension among professionals is also highlighted by, for example, Freidson (1984). Personnel were therefore able to justify

resistance referring to their loyalty to society and the reform – a wish to optimize the new organization. Management will find it hard to control these professionals and their objections – and as a consequence, they may increase control mechanisms. Professionals expect the opposite: that management should loosen their control, and allow them more influence, following these objections. A negative circle has started.

In the RRV/PA merger, the culture amalgamation approach contributed to competition for influence between professionals (especially managers and NAC project members) in the two organizations. It was easier for auditors who were detached from the managerial layers, and more oriented toward the profession, to accept the horizontal amalgamation that would occur. In this sense, professional loyalty was a force with the potential to calm down resistance. A strong sense of loyalty to societal and the authority's mission, united these auditors. Accordingly, horizontal resistance could be noted especially among managers and employees standing close to them.

The 3AG explained that people within national audit were very critical by nature, and many auditors agreed in this. According to Luke (20 April, 2007) this affected both resistance and productivity:

> What is characteristic for this kind of competence organization is that people are very independent. They have many opinions. I experience this organization actually as more directed towards discussion that toward production. They want to question everything, it lies within the role of the auditor. Of course, this is valid also for their own operations. Therefore, there is very, very much questioning and many discussions and it is harder to achieve an acceptance for an approach in this kind of organization, than in many other organizations.

As I have explained, personnel saw productivity issues as a problem related primarily to leadership, organization and a lengthy quality assurance process, rather than related to their own attitudes. In interviews, productivity stood out as an important value for most auditors, especially to those coming from PA.

I have argued that the special ethics and loyalties in the public sector, may make personnel in this context more prone to resistance than in the private sector. An advantage here is that this resistance can point

out where there are problems in public sector, so that they can be resolved. In private sector, personnel cannot as easily refer to morality as an argument for resistance. Nor can they as easily refer to morality as concerns requests for management to distribute control and influence down in the organization. It may be that ideals concerning democracy in the public context spill over to expectations on the in-house decision-making process at authorities. Pressure on management is high, when authorities are expected to act as role models in society. This is especially important for national audit institutions that are assigned to audit the management of other public authorities. The declared ambition in the RRV/PA merger was that RiR should become one of the best national audit institutions in the world (Swedish: världsklass).

National audit institutions, as any professional service organization depend highly upon recognition from the external environment. Reputation is imperative both for organization and professionals. Therefore, communication with external actors is important, also for reputation and recognition. The media play a central role, both for the professional status of the authority and for the professional status of its employees, something that tends to be tightly interconnected. A problem was that there was no actual recipient of the RiR reports, something that made them especially dependent on the media and its attention.

The societal level of analysis proved highly relevant to consider in this study. One reason was that it legitimized personnel resistance. Furthermore, loyalty to society and loyalty to profession, tended to mix. When it comes to political accountability, this loyalty of officials to the profession, as opposed to the employer, is a problem, Bergström (2001) argues. In political science, there has long been a fear of officials taking over from politicians (Swedish: tjänstemannavälde). This may be an issue of special importance in an area such as national audit, where officials often are extremely well educated and experienced, but also expect that their competence is to be respected in management decisions. RiR was formed to become an authority independent of Parliament, but did this mean that the 3AG should have the power to shape the organization and its operations according to their own liking?

Loyalty to resigning management also served to support merger objectives, but it also tended to aim at conserving previous solutions and defending choices that had been made by former management. Especially at PA, moral reasoning on the obligations of auditors to society was common, and they often spoke of the citizen as their principal. This was not the case at RRV. Just as in the RRV/PA merger, it is common that smaller organizations put a stronger emphasis on morality, Nystrom (1990) argues. At PA, this was coupled with a strong professional cohesion and orientation towards results.

The identity of auditors was described by an Auditor-General (Sophie, 20 November, 2003) as being different from many other people:

> I think that those who are in this business, we work here because we love impossible questions and we are inspired by something else than… It is not just bottom-line that matters, but I am here because I want to do something good – not just for Parliament, Government, and authorities, but for things to become good for people out in the real world, this is why I am here.

Sophie used the word idealists to describe the people at RiR, and many agreed in interviews. Her argument was that the integrity of these people, and their habit to critically review management issues in their work, made them more prone to express resistance than many other people. Some agreed in this, arguing that there was a critical culture in national audit.

When focus lies primarily with horizontal resistance, such as the case often is in M&A theory, it is easy to neglect highly relevant contextual aspects. As an example, Larsson and Lubatkin (2001:1595) have concluded, from a quantitative analysis of numerous M&A, that

> Autonomy Removal is not always an impediment to achieving acculturation and indeed, it can contribute to the formation of jointly determined cultures, as long as it is coupled with a high level of informal control.

However, as this study shows, when the profession is strong, horizontal resistance between personnel in the merging organizations will tend to diminish as autonomy is removed, and instead, resistance is directed towards management – a vertical dimension. Findings in Larsson and

Lubatkin's (2001) study are thus supported, but with the important addition that vertical resistance increases, and accordingly the outcome of the M&A process will still be poor.

6.4 Conclusions

The purpose of this thesis was to understand the content, process, and context of personnel resistance in public professional service mergers, using a broad, integrative approach. Three levels of analysis were adopted in a first empirical analysis: collective, interpersonal, and individual level of analysis. Loyalty, competence, trust, and control, stood out as themes bridging these levels. Findings were elaborated further in this last chapter of analysis, mixing theory and empirical findings. In this section, conclusions are summarized, as I return to the initial framework.

	Content	**Process**	**Context**
Collective/ culture	Trust/distrust, based on an evaluation of morality/loyalty and competence	Moral obligation to optimize new organization leads to a competition for control	Societal loyalty justifies resistance. Classic conflict management/ professionals.
Interpersonal/ communication			
Individual/ career			

Figure 23. Case study findings, within the analytical framework of this thesis.

Case study findings can be summarized according to Figure 23, based on the initial framework. Morality and competence have been identified as common denominators for the content of resistance, regardless of the level of analysis. A level of trust or distrust is established, based on the evaluation of these two factors with the opposite party. The process of resistance has been summarized in two models, one for vertical resistance and one for horizontal resistance. Both indicated that parties experienced a moral obligation to optimize

the new authority, and that this lead to a competition for control. As concerned context, it was found that resistance was legitimized based on reference to societal loyalty, and that the classic conflict between management and professionals in a professional bureaucracy (according to Mintzberg, 1993) very much affected resistance.

While change management theory is primarily occupied with the relation personnel/management, M&A theory has been more focused on the dimension running between the two merging organizations. This study has highlighted the importance of focusing also on the vertical dimension when exploring resistance in M&A. This is especially important in a context with a strong and highly qualified profession, where horizontal resistance is easily replaced by vertical resistance. Context does matter. A definition of personnel resistance in M&A, that includes both the horizontal and the vertical dimensions of resistance, could be as follows (this is further discussed in section 7.3).

> Personnel resistance in M&A is the opposition of a substantial group of personnel against the combination or integration with a merger/acquisition partner, or against other management decisions and directives relating to the merger/acquisition.

As concerns context, public officials' loyalty to ideals on a societal level influenced the RRV/PA merger considerably. The fact that auditors were highly skilled professionals also had effects for the process of resistance. When the content of auditors' objections was not taken seriously by management, and when it was not allowed to influence management decisions, these professionals lost trust in both the morality and the competence of the management team. This became a negative circle, where management tended to respond to personnel resistance in the same way. This context was also relevant to understand the shift from horizontal to vertical resistance, based on the firm professional loyalty. The process of resistance was illustrated in two models in section 6.2. According to these, a competition for control arises as management increases its control ambition in the merger. This control can be placed against trust, and professionals will tend to request the latter, seeing it as a measure of management's respect for their competence and sense of morality.

According to McGregor (1960), management, too, is often focused on controlling behaviour, rather than accepting human nature and its basic needs, for example autonomy and recognition.

> Many of our attempts to control behavior, far from representing selective adaptations, are in direct violation of human nature.

McGregor (1960/2006:11) writes. Competition for control can also be understood in terms of power. Power is, in turn, related to culture, Angwin and Vaara (2005:1451) argue, claiming that power deserves more attention in M&A theory, but "Unfortunately, studies of power and politics have been very rare in this field."

Power aspects in M&A can also be understood using psychological contract theory. These contracts can be seen as a distribution of power between parties. Psychological contracts and formal contracts are mechanisms used to regulate the relationship between promises/expectations and reality, an important factor in M&A. In the RRV/PA merger, professions were broken down, employees made redundant, informal leaders put aside, informal alliances formed – there were many signs of power struggles.

Rebuilding trust is difficult and takes time, if it is at all possible. Schweiger and Goulet (2005:1494) investigated the extent to which trust was built using deep-level learning methods, but concluded that "the process of rebuilding trust in integrated plants is longer and more incremental in nature than theorized".

Merger design also does matter for the extent of resistance. I have discussed different problems with the temporary project organization in the RRV/PA merger (section 5.1.3), which tended to reinforce horizontal resistance. I have also concluded that there were advantages with using unions as a mediating party representing personnel, and that votes seemed to be efficient in terms of counteracting resistance.

An interesting finding in the RRV/PA merger was that management tended to reinforce tendencies to horizontal resistance, especially former management. Their aim was still to optimize the new authority, however – and this was the moral justification for resistance given by most parties.

This moral side of M&A is highly relevant to understand resistance, according to findings here. Different loyalties and psychological contracts have been discussed. Resistance can be seen as a result of failed negotiations between management and personnel, or between the merging organizations. An auditor at RiR (Sam, 14 June, 2007) explained that his experience was that the 3AG had "not acted in a just way", and he described the relationship between them and personnel in terms of a contract with two-way loyalty:

> I think that I have been loyal for a long time, but loyalty is a two way street, so when they say that they have no confidence in me, then they have broken the contract themselves, I would argue, so I do not feel that I need to…

Exploring these moral aspects requires that the traditional management perspective is complemented with a personnel perspective.

Chapter 7

Contribution

Findings in this study indicate that understanding the moral side of M&A is crucial in order to understand personnel resistance in M&A. In this chapter, I offer a summary of this thesis, and I also review its theoretical and practical contributions.

7.1 Summary

In this thesis, I have explored the content, process, and context of personnel resistance in M&A. A case study has been conducted, with a longitudinal real-time approach. For five years, starting already during merger preparations, I have studied the merger of two national audit organizations in Sweden.

In the first step of analysis (Chapter 5) I organized empirical findings according to three levels of analysis: Collective level with culture aspects, interpersonal level with communication aspects, and individual level with career aspects. Analysis pointed at different factors depending on which level of analysis was adopted, and the border between levels was diffuse. By looking at all three levels simultaneously it was possible to have a fuller understanding of resistance. This supports what Larsson et al (2001) have suggested, concerning the benefits of a more integrative approach.

In the analysis, I distinguished between horizontal and vertical resistance. Traditionally, human side M&A theory has primarily

focused on the horizontal dimension.[84] In the case study it was noted that personnel in the two merging organizations were quite easily united when opposition against management increased. Resistance shifted from the horizontal to the vertical dimension. This could be explained partly by a strong professional loyalty. Loyalties generally stood out as an important aspect, bridging levels of analysis.

Interestingly, horizontal resistance occurred particularly among the managerial layers and managerial networks, while the professionals often had a more constructive approach.

As concerned loyalty, resistance was commonly justified by a loyalty to organizational goals – a wish to optimize the new authority. Personnel evaluated the competence and morality of both merger partner and management. When these did not reach satisfactory levels, personnel saw resistance as a moral obligation – to society and to the organization and its stakeholders. A level of trust (or distrust) was established. This would be difficult to change at a later stage. These findings support what Empson (1994) has written about personnel evaluating the risk for "contamination".

The content, process, and context of resistance were explored in a second step of analysis (Chapter 6). The meaning and workings of loyalty in a merger were further explored, and the connection between loyalty and morality (Coughlan, 2005) was pointed out.

I argue that a reason for resistance in M&A is that a psychological contract between personnel and management is violated. Part of this contract concerns the balance between control and trust in the organization. This balance is easily displaced in M&A, when management tends to increase its focus on control and on the formal line of command. Management sees the merger as an opportunity to implement extensive changes – a window of opportunity for change. The balance between control and trust can be compared to what Walter

[84] A reason why the distinction between vertical and horizontal resistance may often has been overlooked, may be the bias towards acquisitions in M&A theory. This bias is not as obvious when the new leaders come from one of the two merging organizations, as often is the case in acquisitions. When new managers have been recruited externally, the distinction is easier to note.

(1985) calls a (displaced) balance between property rights and human rights in M&A.

In the case study merger, management used different measures to increase organizational control. Rather radical changes were implemented, often without the support of personnel. A brief review of theory (Chapter 6) indicates that such a control-focused approach may be commonplace in M&A. This approach is interpreted by professionals as evidence for a lack of trust in either their competence, or their loyalty. As mentioned, trust is placed against control. The conflict between management's wish for control, and professionals' wish for autonomy, trust and respect is classic in professional control bureaucracies, Mintzberg (1993) argues. Thus, increasing control mechanisms in M&A at the same time as respecting the profession may be an extremely difficult enterprise.

On a policy level, this indicates that M&A outcome may be improved by incremental changes, rather than radical change, in the context that has been studied here. A number of policy level implications of findings are suggested in this final chapter of the thesis. I claim that it is important to bridge, when possible, theoretical findings to this more concrete (practioners') level.

Returning to the case study, management adopted utilitarian (or instrumental) values to justify breaking the former psychological contract. Thereby, individual employees could easier be dismissed and informal alliances be formed - for what management considered to be the best for whole of the organization. The organization perspective was used to justify measures that otherwise would not have been morally accepted in the organization. Utilitarianism and psychological contract theory are two moral theories that I claim are useful to understand personnel resistance in public professional service mergers.

Resistance can be understood as a way for personnel to try to make management return to the previous moral contract. The anxiety and stress that often is mentioned in M&A literature may not be the primary problem. Rather, this stress may be a result of management's increased control-focus, their reluctance to respect the content of personnel resistance, and a lack of personnel influence. Findings in this case study points at the latter interpretation.

The shift to utilitarian values in the case study was indicated, for example, by merger approach and leadership. The new leadership, with its utilitarian character, was seen as evidence by personnel for both a poor sense of morality and poor competence among management. Also in a horizontal dimension an evaluation of the morality and competence of the merger partner occurred, forming the basis for future trust or distrust. Observations during merger preparations revealed that the "participative" merger preparations design was, in fact, rather counter-productive, as it tended to fuel resistance and polarization. It could also be noted from preparations how the former (now resigning) management tended to encourage resistance, especially in the larger organization - based on a conviction that their own organization was more competent than the merger partner. It would be interesting to explore different concrete M&A decision-making models.

Depending on whether a management perspective or a personnel perspective is adopted, it is possible to talk of both management resistance and personnel resistance. In the case study, management was reluctant to recognize the extent of resistance and they were also reluctant to let go of control in order to reach a compromise with personnel. They openly referred to their formal decision-making mandate as managers, and reasoned that they themselves knew best how the authority should be organized – not personnel. I would argue that management can gain control in public professional service mergers, simply by letting go of control. I would also argue that reducing the change ambition is a way to improve M&A outcome.

Again, understanding loyalties is key to understand resistance. In the case study, personnel objected to management decisions which they did not consider would benefit the organization. Professionals saw the status of their organization as tightly connected to their own professional status, and hence they (just like management) had an interest in optimizing the new organization. As public officials, objecting to what was perceived to be wrong at these authorities was also regarded as a moral duty. This loyalty relation has been explored further by Lundquist (1991). Possibly, the democratic and humanistic ideals in the political context may also have influenced personnel's expectations concerning morality and influence in decision-making, I would suggest. In national audit, efficiency and quality are particularly

emphasized as norms for a public authority. There is also an element of societal loyalty with professions in general (Friedson, 1984). The different loyalties in a merger are highly relevant to consider when exploring the underpinnings of resistance.

A new definition of resistance is suggested in this thesis (see sections 6.4 and particularly 7.3). I argue that personnel resistance in M&A can be defined as

> the opposition of a substantial group of personnel against the combination or integration with a merger/acquisition partner, or against other management decisions and directives relating to the merger/acquisition.

Instead of assuming that resistance is a matter of psychological attitudes or behaviours, and instead of looking at expressions of resistance, I have adopted an approach focused on the actual *content* of resistance. One reason why it may be misleading to focus on active or overt resistance (agency) in M&A, I argue, is that such expressions are not as accepted in a context of public professional services, as they may be in a manufacturing context. As this study also has showed, these highly skilled professionals rather seek – or even demand – dialogue and influence. Therefore, decision-making models in M&A are also highly relevant to consider, when exploring reasons for resistance. Resistance to change may sometimes be best understood as an attitude, but at times it is also possible that it is better understood as the result of a rational line of thought, where facts and experience have been analyzed by a highly knowledgeable employee.

As concerns the nature of resistance, I argue that resistance may just as well be functional, as dysfunctional, for the organization. By listening to the content of personnel's objections, it may be possible to improve the merger process and also M&A outcome. In this sense it can be functional to the organization. Just like Hirschmann (1970), I would say that voice – or resistance, in my terms – may be a sign of loyalty to the organization, rather than the opposite. When resistance is not recognized and when a constructive dialogue is not achieved, however, it is often dysfunctional to the individual, who will experience the situation as frustrating and stressful.

Just like Marks and Mirvis (1992), I would say that resistance is very much a question of how the merger is managed. In the case study merger, management was reluctant to recognize the content of personnel resistance, to seek compromise, and to step back in terms of control. Instead, it was often waved aside as a minor problem, or as a matter of a number of overly critical individuals who refuse to conform. Is M&A theory hampered by the same reluctance? I claim that we need to recognize that resistance is a multi-faceted concept, where we need to be aware of our own assumptions.

To sum up, findings indicate that HRM ethics and what I would call the moral side of M&A - including matters of loyalty - deserves more attention in studies of resistance.

7.2 The moral side of M&A

In section 6.4, findings were summarized according to Figure 24 below. Morality was an aspect that bridged findings on different levels of analysis, and also in the content, process, and context dimension of resistance. Loyalty is an important aspect of this moral side of M&A (Coughlan, 2005).

	Content	**Process**	**Context**
Collective/ culture	Trust/distrust, based on an evaluation of morality/loyalty and competence	Moral obligation to optimize new organization leads to a competition for control	Societal loyalty justifies resistance. Classic conflict management/ professionals.
Interpersonal/ communication			
Individual/ career			

Figure 24. Case study findings, within the analytical framework of this thesis.

Thus far, the moral side of M&A has only been briefly touched upon in M&A theory, for example by Bligh and Carsten (2005), Millward and

Kyriakidou (2003) and Shield, Thorpe, and Nelson (2002). They talk about psychological contracts in M&A. Buono and Bowditch (1990) have briefly warned management against adopting utilitarian values in M&A. Findings in my case study point at a moral shift among management, where the psychological contract with personnel was broken, and replaced by utilitarian values. This contributed to the increase in distrust and resistance. Because the balance trust/control is part of the contract, resistance can be seen as a measure for personnel to try to make management return to previous order. Management adopts utilitarian or instrumental arguments, in order to morally justify breaking the former psychological contract with personnel.

I would argue that continuing in this way beyond psychological contract theory to understand, for example, utilitarian arguments, can be useful to understand resistance in M&A. In M&A theory, it is not common with such a more concrete application of different moral theories. Instead, matters of morality have been treated in rather sweeping terms. By introducing theory from moral philosophy, our understanding of these aspects can be improved and analysis be made thicker. It is indeed difficult to bring empirical data into evidence of a moral standpoint, and moral philosophy is not arranged for such "tests". Still, it is possible to point at tendencies, and to interpret the moral reasoning in different questions.

I have explained how personnel in the RRV/PA merger evaluated (1) the morality, and (2) the competence, of both merger partner and merger management. The relevance of competence in the present context, for understanding resistance in M&A, has been highlighted by, for example, Empson (2001). Based on conclusions from the evaluation of morality and competence, a certain level of trust (or distrust) is established.

A reason why personnel perform this evaluation is that they experience a moral obligation to try to optimize the new organization. This conclusion may be valid primarily for a context of highly skilled professionals, and public officials (further studies are required to settle whether there is a more general validity of these findings). Yet, it is an important conclusion that deviates from conclusions that can be drawn with a perspective where resistance is assumed to be a matter of psychological behaviours or personal attitudes towards change *per se*. By

focusing on the content of resistance, I have been able to explore the actual reasoning of personnel.

I have suggested that there is a balance between control and trust in M&A, and that resistance increases when this is displaced. Displacing this balance will easily be interpreted as a matter of morality, because it is part of the psychological contract. In the case study, management increased its focus on control considerably, arguing that the merger was a window of opportunity to implement rather radical changes, some of which may have been required for some time. Briefly reviewing M&A theory, it appears as if this is a common development. I have argued that Lewin's (1951) unfreeze-freeze model may have influenced this line of thought.

The (negative) effects of control on human motivation were highlighted already by McGregor in 1960. This was not limited to a context of highly skilled professionals or public officials, and perhaps findings concerning control and resistance in this study can be valid on a broader basis (further studies are required). A wide range of theory has followed concerning control, but in M&A theory, it has mostly been discussed in terms of a soft or hard merger approach, referring especially to the distinction between an authoritative decision-making style and a participative decision-making model. Still, few speak overtly about decision-making models, or decision-making policies. Degree and mode of change are important aspects of the merger process.

Control can also be exerted in other ways, as observations in the RRV/PA merger revealed. Informal alliances was one of the factors that affected resistance. Again, such alliances were morally justified by a loyalty to the new organization, and a wish to optimize it.

The relevance of trust has been highlighted before in M&A theory, but few have attempted to understand how the process where a level of trust/distrust is established, can take its form. I have made an attempt in this direction, in the process charts in Chapter 6.

Walter (1985) speaks of a displaced balance between wishes concerning human rights and wishes concerning property rights, in M&A. This is similar to a balance between control and trust. Control can be

compared to property rights, while trust/respect can be compared to human rights.

Lazarus and Folkman (1984) argue that the proportion of problem-focused and emotion-focused coping in a change process partly depends on how controllable the employee finds his or her job situation. Problem-focused coping has been found to correlate with high job satisfaction (which can be interpreted in terms of low resistance) and also with the identification with the new, merged organization (Amiot et al, 2006). Problem-focused coping is more likely in situations where there is some level of perceived control, since this control is a prerequisite for action (Lazarus & Folkman, 1984). The here suggested connection between control removal and resistance is in congruence with these findings. For professionals, the level of control is an important part of their psychological contract with management. Thus, control removal – even if it is only temporary – will be seen as a matter of a poor sense of morality among management, and it will lead to distrust. Re-building takes time – if, at all, it is possible.

7.3 The concept of resistance

Another central theoretical contribution in this thesis, concerns the concept of resistance - how it can be defined, adopted in the analysis, and theoretically framed. I have attempted to theoretically frame resistance differently from what has become norm in large parts of M&A theory. Thus, focus is diverted away from social psychology, where resistance often has been understood as a psychological reaction or a matter of individual attitudes. I have chosen to focus on the actual content of resistance instead. What do personnel oppose? I do not deny that psychological mechanisms may influence resistance, but nor do I speculate in what these mechanisms may be. A personnel perspective has been adopted, and I have tried to not focus as much on expressions of resistance as many M&A scholars traditionally have done.

A resistance definition, adjusted to fit the increasingly common environment of (highly skilled) professional services and without focus on expressions of resistance, has been suggested.

My working definition of personnel resistance in M&A has been: "the opposition of a substantial group of personnel, relating to a merger or acquisition" (see section 3.4). Based on findings in this study, this definition can be developed further, and I suggest a new definition of personnel resistance in M&A, as follows.

> Personnel resistance in M&A is the opposition of a substantial group of personnel against the combination or integration with a merger/acquisition partner, or against other management decisions and directives relating to the merger/acquisition.

In this definition, it is assumed that resistance is directed "against management decisions and directives". In Larsson's (1990) definition, resistance is directed toward the integration of the two organizations. I argue that this integration is a management decision, and so is the choice of how integration should be conducted. Thus, on a higher level, personnel do not resist integration per se, but they resist a management decision. This way of understanding the concept allows it to be used also for resistance to change in general, meaning change that does not necessarily concern horizontal integration. Both a horizontal and a vertical dimension of resistance can be included in the concept, also in M&A. Furthermore, the definition shows that personnel resistance can relate to both the *what* of the merger/acquisition (the merger idea), and the *how* of the merger/acquisition (implementation, including leadership).

Because resistance has been traditionally seen as a rather unproblematic concept in M&A theory, definitions are rare. Instead, researchers go directly to conclusions on its underpinnings and suggestions to practitioners on how it can be avoided.

Turning to the closely related field of Change Management, we find a different situation. There, personnel resistance has been the subject of debate for many years (Symon, 2005) and there is a growing consensus on the complexity of the phenomenon. In Change Management, it is controversial to simply assume that resistance should be avoided. Two branches have emerged - one that continues to advise practitioners against resistance, and one that argues that the concept of resistance should no longer be used. The latter group (e.g. Dent and Goldberg, 1999; Jermier, Knights & Nord, 1994; Piderit, 2000; Sörgärde, 2006)

typically claim that resistance brings to mind an image where only management can act as an agent, and where personnel's opposition against management decisions is dysfunctional. Watson (1982) and Piderit (2000) even argue that resistance is better understood as a positive phenomenon; the label of resistance "can be used to dismiss potentially valid employee concerns about proposed changes", Piderit (2000:784) writes. Instead, she suggests that terms such as responses to change, or (preferably) attitudes to change, be applied. Atkinson (2005:15) writes: "Recognise resistance and welcome it as a healthy response.".

I would argue that the term resistance must be understood based on the fact that management in an organization has been assigned to the privilege of decision-making. Personnel, on the other hand, are employed to perform those tasks requested by management. Although professional services put this relationship somewhat out of play, since personnel with expert knowledge will have more power than this classic line of command indicates (see Sharma, 1997), this is still the formal delegation in an organization. Thus, opposing management decisions can be termed resistance.

I maintain that with regard to whether resistance is dysfunctional or functional for the organization, it is important to be clear about what the problem is and what is merely a symptom of another problem. Larsson and Finkelstein (1999) have showed that resistance is associated negatively with M&A outcome. However, a key reason for this poor outcome might just as well be the same as those causing opposition (resistance) among personnel. Findings indicate that this is a matter of leadership.

Anxiety and stress are often highlighted as evidence of personnel resistance in M&A theory. These reactions may also just as well be merely symptoms of other underlying problems causing poor organizational performance.

I claim that differentiating between problem and symptom, cause and effect, is imperative when attempting to understand resistance. By defining resistance as opposition, I have tried to focus on *the content of resistance*, rather than *the expression of resistance*. This is especially important, I maintain, in a context of professional services, where

reactions such as sabotage, theft, etc., may not be in accordance with what is the norm. These professional norms are the base for what Sharma (1997) calls the *normative control* within a profession. As I have explained, professionals in the RRV/PA merger identified very much with the organization and its mission. Status on organizational and professional levels was closely related.

Resistance can be either tacit or open. However, this is primarily a matter only of the expression of resistance, not of its content.

Lohrum (1996) differentiates between resistance as a psychological reaction, and resistance as a behavioural reaction. Common psychological reactions are anxiety and stress. Behavioural reactions can be sabotage, obstruction, as opposed to cooperation. In general, just as with Lohrum (1996), it is often assumed that these behavioural reactions are the result of psychological reactions (e.g. Marks & Mirvis, 1985).

Lohrum's (1996) two categories imply that resistance is more or less irrational, excluding the option that personnel's objections may be based on the rational analysis of a line of facts or observations, and even motivated. By focusing on its content, process, and context, a more nuanced picture of resistance can be provided. Its process indicates how and why it occurs. The context of resistance serves to highlight the extent to which it is dependent upon context - and if it is, how.

My definition of rationality is coherent with that of Jung (1971). This author also differentiates between rational and non-rational behaviour. Of the four basic psychic functions of the conscious psyche, he considers sensing and intuition as non-rational, and thinking and feeling as rational. According to him, rationality consists of figurative thoughts, feelings or actions with reason. Reason is a point of view based on objective value, which is set by practical experience. Non-rationality is not based on reason. In a similar fashion it is suggested in Labour Process theory, that resistance be understood as "the product of rationally coherent strategies and objectives" (Jermier et al, 1994:21).

Let us continue the discussion on the nature of resistance, and how it can be understood.

In social psychology, group conflict has traditionally been regarded as dysfunctional and pathological, but even in this field this assumption is currently under debate. For example, Brown and Gaertner (2001) argue against it, and claim conflict and categorization is normal and healthy. I would say that culture should be understood as a constant negotiation of values, and conflict is part of this negotiation. By allowing and listening to resistance, the debate can sometimes be brought forward and the organization can learn and develop. "Recognise resistance and welcome it as a healthy response." Atkinson (2005:15) writes, while emphasizing the importance of treating personnel with respect.

My study indicates that resistance must not necessarily be seen as dysfunctional to the organization. When highly skilled employees, aiming to optimize the new organization, voice their objections, it may be fruitful to listen to these and perhaps adopt a flexible approach, where the merger or acquisition process advances in dialogue with personnel. Resistance is functional when it can be used to push the organization forward.[85] Cyert and March (1963) argue when they claim conflict to be a natural and functional part of organizational life.

With suggested definition of personnel resistance, I wish to point out the connections between M&A theory and Change Management theory. My conviction is that the two fields would benefit from further knowledge-transfer.

7.4 Empirical description

Part of the contribution of this thesis is the empirical description, and the method that has been applied in this case study. I have had the privilege of extensive access already at an early stage in the merger process, in this specific merger. With a longitudinal real-time approach, I have been able to follow events and considerations from the merger preparations kick-off until four years after the merger had been implemented.

[85]It should be recognized that not all resistance can be functional. However, as my findings indicate, curbing resistance may be more costly to the organization, than respecting it.

One of the reasons why the empirical descriptions is so detailed, is a wish for other scholars to also be able to use this material, in order to draw conclusions. It would be valuable if the empirical data from more M&A case studies could be made available this way, for comparative studies and further analysis, I would argue.

A theoretical contribution that emanates from this method concerns conclusions regarding to the shift from horizontal to vertical resistance, and the mechanisms that may have contributed to this. I have also been able to point at shortcomings with the "participative" approach that was adopted during merger preparations. I could also point at loyalty dilemmas during merger preparations. This includes polarization fuelled by the approach of (former) management in the organizations.

As I have explained, personnel in the case study merger tended to see respect and trust as related especially to certain merger policies. I shall review this link between a theoretical meta level and a policy level in the next section.

7.5 Respect and M&A policies

I this section, I wish to point at some implications on policy level, of theoretical findings.[86]

I have mentioned the importance of respecting psychological contracts, showing respect for the past performance of personnel, as well as for their present performance, and finally also for different opinions and values in a merger. These findings have implications for what policies are adopted in M&A. The policy for redundancies (dismissals) is relevant for psychological contracts. The pace and degree of change are relevant as concerns the respect for past performance. Quality assurance/control is relevant as concerns the respect for present performance Policies regarding to personnel influence in management decisions are relevant when it comes to respect for personnel's opinions and values.

[86]Please note that findings in this section are valid primarily for professional services and a public context.

7.5.1 Respect for psychological contracts (policy for dismissals)

There is normally a psychological contract between management and personnel in an organization, regulating the relationship and performance of parties. Findings both in this study and from other M&A studies indicate that this contract is easily broken in M&A. During the merger process, an instrumental approach to personnel is adopted by management, strongly influenced by utilitarian values. Personnel resistance is a way to try to make management return to previous contracts, or at least to enter negotiations for a new one.

On policy level, the management of redundancies is one way that this shift in values can be indicated.

Large-scale dismissals (also called redundancies, terminations) are so common in M&A, that they have almost become norm. The way that these redundancies are handled is taken by personnel as an indicator for the morality and competence of management (Marks & Mirvis, 1998; Buono & Bowditch, 1990). Buono and Bowditch (1990) argue that terminations per se "do not appear to create dissatisfaction and bitterness, but the manner in which these terminations are handled may do so." When based on performance factors, rather than arbitrary standards, they can be accepted. However, most termination decisions in M&A are made arbitrarily and ineffectively (Schweiger, Ivancevich, & Power, 1987). This is one reason why resistance arises. The way that redundancies are handled is taken as an indicator of management's moral standards and professional competence.

Normally, a reason why management chooses to make employees redundant is not only that their services are no longer required it is also a result of an evaluation of competence and morality. Those who are considered disloyal to the reform, will tend to be sorted out, sometimes offered a generous severance package. Partly influenced by thinking that persists from Levin's classical change model (1951), in the unfreeze/change/refreeze model, management grasps the opportunity to change as much as possible, once the opportunity is given. Gaertner (1986), Bertrand (1987), and Schweiger (1987) claim that M&A tend to be treated as mere transition phases, when communication is

temporarily limited. Empson (2000:46) recommends that remaining "resisters and saboteurs" be re-assigned or dismissed during this period:

> Identify the most negative staff. If they are actually undermining the process of integration, intervene to discourage them. If they persist, be ready to act decisively. Even your most valuable client relationship managers or technical experts can be more trouble than they are worth if they become a focus for discontent.

A consequence of this line of thought is that a culture is fostered by management, where personnel are discouraged from expressing opinions. It is not a culture of information-sharing or learning, and it is not an open culture, based on trust and dialogue. Empson (2001) emphasizes the need for knowledge-transfer in M&A, and this may be one of the factors that tend to hinder it. Making resistant individuals leave or correcting them, I would argue, obstructs the equally important knowledge transfer from personnel to management, both concerning resistance in the organization and concerning the revision of organizational processes and routines.

Serpa (1988) has found that layoffs are rarely based on the same formal performance evaluation procedures as those otherwise adopted in many larger enterprises - a fact which makes this partly a matter of ethics. Already in 1967, Kitching (according to Buono & Bowditch, 1989:17), talked about the "organizational problems" intensified by the threat of reductions in force. This has been supported in findings by, for example, Pate et al (2000).

Because resistance often is defined as a matter of attitudes and behaviours, these dismissals are expected to reduce the risk of extensive resistance. I would argue that what happens may just as well be the opposite - but management may not note this at first, since resistance then becomes silent. Employees become afraid to be "targeted" in the great review of personnel, and made redundant. Personnel are reminded that they are subjected to an evaluation, and will tend to hesitate to express resistance, or distinguish themselves in a way that may be perceived as negative. As a result of this evaluation and these dismissals (rather than of change in itself), anxiety and stress increase. This view differs from traditional assumptions about anxiety and stress in M&A theory. Anxiety and stress can here be understood rather as a

result of a moral shift at management level, than a result from attitudinal problems among personnel. Expressions of resistance are taken as evidence for a lack of loyalty, on the part of management. A negative circle is established, as pointed out in Chapter 6.2.

Marks and Mirvis (1998), too, point out the importance of the symbolic message conveyed to the remaining personnel, when their former colleagues are made redundant. They talk about the relevance of personnel's perceptions of the "fairness" of terminations, and write (Marks & Mirvis, 1998:184):

> There are humanistic reasons for treating layoff victims fairly and compassionately, but layoff policies should be developed with an eye toward how survivors respond. As with every other management action during the combination phase, employees look for signals as to what life is going to be like in the new regime.

Not least, the distinction between instrumentalism or utilitarianism, on the one hand, and psychological contracts (based on more Kantian ethics), on the other hand, as described in section 6.1, is important here. What kind of morality does management communicate with dismissals? In particular, what kind of morality is communicated if rational justifications cannot be presented for all of these?

In the RRV/PA merger, the 3AG were surprised that personnel described a fear of expressing opinions to them. This process of sorting out individual employees is one factor that contributed to a silent culture. Those who expressed resistance in the merger process were seen by management as overly critical (not having understood the rationale behind changes) or disloyal – either to them personally, or to the merger project.

Bullying is a way to provoke exits. Because Swedish legislation makes it difficult for management to choose single-handedly which employees to keep and who to safeguard, certain procedures have become common, if not even praxis. According to legislation, the basic principle is that those employees who have been most recently employed, have to leave first, when there is a need to downsize. To get round these rules, employers offer employees severance packages in return for their letter of resignation (or a mutually signed agreement). Another path, however, is to shift the decision to leave on to employees themselves,

using other methods, such as bullying. Bullying can simply be a matter of putting these individuals in a position where they have no work tasks or social interaction with colleagues. This happened on several occasions in the RRV/PA merger. After the merger, several employees stood without a position, and without enough work to fill their days. Some of them were also isolated from their former colleagues, as they were placed on a separate floor. Auditors themselves gave accounts of several cases of bullying.

A person who openly declared to the 3AG that this was a matter of bullying was Linda, the former Administrative Manager at PA. She raised the issue with union representatives and managers, and pointed especially at Luke. Already during their time in the NAC, there had been events of this kind. This matter became highly infected and led to numerous meetings. The RiR Human Resources Director did not want to discuss it while the interview was being recorded or to stand for any quotes on the matter. In the end, Linda finally agreed to leave. RiR had then accepted to keep her on the pay-roll until her retirement, some years later. Many of her former colleagues were upset to see the way she was treated; she had been a key asset at PA before the merger, highly efficient, and very committed to optimizing the new authority.

It is somewhat surprising that large scale dismissals continue to be norm in M&A, given the fact that job security and work role stability are recognized as factors of special importance for employees in organizational changes (Rousseau, 2001; Marks and Mirvis, 1998; Guzzo et al, 1994). In M&A where management has promised that there would be no redundancies, the message is later often changed, and dismissals are still implemented, and this strategy generally causes extensive personnel resistance (Lohrum, 1996; Buono & Bowditch, 1989).

Although career implications are an important concern for employees in M&A, the effects of these dismissals on the motivation of remaining employees, are rarely investigated. Still, in the empirical data at hand, dismissals were clearly connected to resistance also among these remaining individuals, who perceived that management has been disloyal to the entire personnel.

These dynamics can be understood using psychological contract theory. According to this, an informal contract is made between management and personnel, as a guideline for their cooperation. This aims at building loyalty and trust, rather than fear, and to ensure personnel that formal and just processes will be applied in the organization. Hirschman (1970) has explained that voice can be understood as a sign of more loyalty to the organization and its mission, than exit. I would argue that resistance can be understood in the same way. The main argument that management in the RRV/PA merger used for breaking the psychological contract, was that there was a need to increase control. Dismissals were justified based on efficiency requirements. The question is if these efficiency benefits outweigh the cost of the extensive resistance that arises as trust between personnel and management is severely damaged. In M&A, the most competent individuals tend to leave rather soon after the merger has been announced (Hambrick & Cannella, 2003), and this also involves great expense for the organization, as does resistance among those remaining. If resistance were minimized, psychological contracts would be respected. Dismissals should be handled in a just and professional manner, or preferably be avoided, if at all possible. This is supported also by findings by, for example, Hubbard and Purcell (2001), who emphasize the importance of personnel expectations in terms of "fairness of action", where redundancies are an important aspect.

7.5.2 Respect for past performance (degree of change)

In a context of professional services, resistance is also connected to management's respect for personnel's past performance. Especially highly skilled professionals will demand this respect and recognition. A key aspect in this regard is the pace and degree of change in M&A. I shall discuss these implications in the following.

What is the optimal pace and degree of change? This question is classic, it has been discussed for years (Buono & Bowditch, 1989:15). I would argue, that findings in this thesis point at incremental changes and a gradual process, at least in a context where there are strong and highly competent professionals. The departure from old routines that is often

recommended in change processes cannot readily be done in this context. Such a departure may be interpreted by professionals as saying that the profession has not been performed very well before.

Whether this conclusion is valid for other contexts is difficult to say. Yunker (1983) argues that it is. He compared nine acquisitions by large multi-division corporations, and noted the importance of the moral aspects of leadership. He also came to the conclusion that the process preferably should be run slowly and gradually. As an advantage, the corporation will gain goodwill from both the acquired entity's people and from external partners (Yunker, 1983:137f):

> The parent will be regarded as fair and careful in its relationships with both its own people and others. A useful reputation for any corporation to have, and one that no amount of advertising will create, since actions, as always, speak louder than words.

Like me, he noted a "temptation" for the acquirer to exert control. A common argument, he claimed, was the need for rapid conformity, to create an efficient administration (Yunker, 1983:22). Just like Yunker, Brandinger (1975) has experience from numerous M&A. Brandinger (1975), too, argues that small, incremental changes should be preferred over more radical ones. This author (1975:48) writes:

> As concerns the pace of merger implementation, there are two schools. One claims that the big issues should be solved quickly and together. The process becomes painful, but it is better to have it done with so that you can resume efficiency in operations. The other school claims that one should proceed softly, accepting even less successful organizational solutions, not to cause worries unnecessarily. As main approach, Pripps chose the latter option. Even in an evaluation now ten years later, this approach stands out as correct.

Smith (1985:114, in Buono and Bowditch, 1989) is another example. He advocates incremental changes, claiming that controversial changes such as reorganizations and relocations should wait in M&A. Buono and Bowditch (1989:84) claim that "a minimalist integration strategy" often can be "quite effective, especially for unrelated acquisitions", and confirm that radical change in M&A is a risky adventure, although this is a delicate balance. They (Buono & Bowditch, 1989:15) write:

> Thus, it seems that since employees expect change, telling them that little will actually change undermines the credibility of top management. Trying to push for change too quickly, however, can generate resentment, dissatisfaction, and the loss of key personnel. The basic question that needs to be addressed is what actually constitutes too fast or too much change.

One reason why many M&A still are characterized by radical and quick change, I would argue, is the pressure to resume former productivity levels, or to rapidly improve these and prove the merger or acquisition successful.

I would maintain that another reason is the prevailing assumption that change should be conducted according to Lewin's (1951:228f) classical theory. This theory holds that change shall be implemented in three steps: Unfreezing, moving, and freezing again. The performance level of a group is thereby increased from L1 to L2, where it is frozen to this new (assumed to be steady) state. Assuming that the new organization can simply be refrozen in a new state, management can argue that they might as well make all the changes they like – while there is a window of opportunity. This technical view of a change process may have its advantages, but it presumes that personnel are still there when management chooses to refreeze all procedures in the new state, while more recent research reveals that the most competent employees often leave already when the merger decision is announced (Hambrick & Cannella, 2003). At that stage, management might not even have started to unfreeze the organization!

Lewin's (1951) model was presented almost 60 years ago, at a time when Scientific Management was still strong, and industrial organizations dominated theory. A mechanistic approach to the organization was adopted. Today, we embrace a more organic understanding of the organization, and recognize the need to satisfy employee needs and wishes in order to maintain performance. This early work of Lewin (1951), and especially the unfreeze-change-refreeze model, "continues to serve as the basic foundation for most organizational change models", Buono and Bowditch (1989:109) point out, without reflecting on the potential limitations of this model in today's organizational life.

In the RRV/PA merger, support for the merger decision was strong among personnel. Auditors explained that what had gone wrong in the RRV/PA merger was clearly the way that the merger process had been handled. An auditor (Anne) explained:

> I cannot recall anyone at RRV that I have talked to during the years when this reform has been coming, who has been critical to this change, actually. Personnel at both RRV and here at PA have considered it a good change to place all audit under Parliament. […] It is implementation that has gone wrong, while the position in principle has been positive all along. So they had unusually good prior conditions.

Initially, during merger preparations, some personnel expressed frustration over the slow pace of change. After the 3AG had taken on their positions, this pace changed drastically – and so did also the perceived opportunities for personnel to influence management decisions. Resistance against management during merger preparations was very low, but following this change, it increased rapidly and encompassed most parts of operations. Later, the 3AG (Sophie, 28 September 2004) explained that they "intentionally had torn down" many of the old structures, in order to be able to establish them anew according to their wishes and what they meant came by the new authority's political mandate.

This radical change (both quick pace of change, and high degree of change) was not coupled with much management support, personnel complained. For example, the 3AG declared that audit hereafter should be conducted in a new way, but they could not explain how this was to be done in practice. The case was the same regarding to the requested cooperation between performance audit and financial audit, and the use of templates.

As I have explained, this radical change approach was seen as criticism of personnel's past performance, and thereby their competence and status as professionals. There will always be this risk with a radical change approach, and accordingly, its usefulness in a context of professional services is likely to be limited, if resistance is to be minimized. In modern organizations with highly competent professionals, personnel tend to be involved in decision-making in both

operative and strategic matters (Mintzberg, 1993). Blom (2007:241) speaks of self-demonizing in change processes, explaining that this is

> a type of identity work where the subject's organizational past is used as an anti-thesis to give the current state of the organization and its members a positive gloss and appear even more reformed, modern, and in line with current organizational ideologies

I would say that criticism of this approach increases. In a popular publication, Naomi Klein (2007) speaks of a "shock doctrine", where actors with financial strength or power tend to use situations of shock in society to implement radical changes. She is critical of this approach. Millward and Kyriakidou (2003) have conducted an extensive literature review and come to the conclusion that it is imperative to be able to maintain continuity of identity throughout the merger process. One way to achieve this, they argue, is to ensure each employee a continued positive career with personal development, throughout the merger process. This stream of research is different from the traditional theory, where scholars talk about the need to depart from old identities. Schweiger and Goulet (2005:1480), for example, talk about "ego defenses that maintain the existing identities of the acquirer and target".

Maintaining identities and ensuring individual careers, is difficult when a fast and radical merger approach is adopted. Perhaps the dominance of the opposite assumption, where old identities are meant to be left behind, is part of the reason why a radical approach has become so common in M&A. Angwin and Vaara (2005:1445) argue that the main reason why integration is not allowed to take as much time as before, is that the pace of M&A activity has accelerated so rapidly. In management consultancies, it is also common to recommend a swift merger process. McKinsey writes (2005:461), in a tutorial book on financial management, that the speed of execution is positively correlated to the realization of synergies in M&A:

> In a recent study, McKinsey's Post-Merger Management practice found a direct correlation between the speed of execution and the ability to capture estimated synergies. Experience shows that synergies not captured quickly may never be captured. We recommend starting implementation planning in parallel with the valuation and negotiation process. At the time of announcement, you should have a clear picture of who will run the integration team, the merged company's new

organizational structure, and ideally who should fill the new company's key positions.

I do not agree. Because resistance has become recognized as a key explanatory factor for failure to capture synergies in M&A, research on the human side of M&A has grown rapidly during the past years. Findings in this study indicate that a slow process with incremental changes is understood as a sign of respect for the past performance of personnel, and thus does not cause as much resistance as a more radical approach. Contextual factors will, however, always need to be considered, and this advice will sometimes need to be adjusted depending on other factors as well.

Findings concerning respect for past performance support conclusions by Empson (1994) regarding the risk for exploitation and contamination. Panchal and Cartwright (2001) have also described how personnel's attitude to M&A partly depends on their outlook to improve social identity. This is also supported in my study, although I would like to emphasize that corporate status is connected to the status of professionals. Because these are seen as interconnected, resistance can just as well be seen as guided by a wish also to optimize outcome on an organizational level. As I explained in the theoretical introduction, a study by Covin et al (1996:139) indicated that personnel in M&A gave priority to the long-term growth or survival of the whole organization, rather than to their personal career development, in order to ensure continued employment. However studies have also found that if previous career investments in an organization (past performance) are abused or betrayed, the employee may not be as willing to invest in the new organization (Herriot, 2001).

7.5.3 Respect for present performance (quality assurance)

Resistance is related to what personnel perceive as management's respect not only for their past performance, but also for their present performance. With an instrumental approach, control increases at the time of the merger, with new control mechanisms and focus on the quality assurance process. This may be seen as a natural consequence of the organizational review that always takes place in M&A. It may also

be a way for management to try to meet expectations that the new organization should prove to be more efficient than the former ones, in order for the reform to prove successful. For key stake-holders and decision-makers this may be crucial not only for investments, but also for careers.

Imposing new control mechanisms is one way of ensuring that the merger or acquisition proves successful. A technical approach is adopted. As I have explained, control can be placed against trust in M&A. Professionals will tend to request trust as evidence for management's respect for their professional competence. These two values stand against each other and serve to explain a large part of the resistance that emerges in M&A.

Quality assurance processes are imperative in many professional organizations. One way to achieve control is to standardize services within the framework of these processes. Standardization of services may de-motivate highly skilled professionals, who wish to maximize autonomy (Mintzberg, 1993). Although it may be necessary to review quality assurance processes as two organizations are merged, resistance may be minimized if the further elaboration of these can wait until later. A lengthy quality assurance process, and new control procedures, are easily interpreted by professionals as evidence for distrust in their competence and loyalty on the part of management.

7.5.4 Respect for opinions and values in the merger (policy for influence)

Professionals expect management to respect their opinions and input in the merger process – and to allow them influence accordingly. Resistance can partly be explained by management's reluctance to allow such input to influence their decisions. Influence is not the same as involvement. This difference is important to note. In the RRV/PA merger, personnel were highly involved in merger preparations and also in part of the post-merger integration process, but they were not given much leeway to influence decisions. Allowing involvement does not require management to let go of much control, but allowing influence does. As I have noted, focus on control seems to increase in M&A,

following a moral shift towards utilitarian values and an instrumental people approach.

Personnel influence is thus a key factor, when discussing management's respect for personnel's opinions in M&A. Influence, power, and authority will always be a critical issue, as a new group is formed, Schein (2004:120) argues. It has been concluded in this thesis that two fundamental aspects in this regard are:

- personnel influence in decision-making, and
- the relative influence of merger partners.

I have explained how there can be, for example,

- different channels for vertical influence(line of command, representation, direct democracy),
- different levels of vertical influence (none/authority, input/involvement, influence),
- different balance of horizontal influence(take-over by A, equal influence, take-over by B)

Influence and pace/degree of change are related. Without proper time for discussions, there will be small prospects of exerting broad influence. This was also a central argument by the 3AG in the RRV/PA merger concerning resistance during the last months before the merger. However, they adopted the same authoritative approach before the process became so rushed, and they continued with it after the merger. Input was allowed, but not much influence. Employee relations are "frequently one of the most badly mishandled [areas] when acquisitions are made", Yunker (1983:21) explains. Employee morale is "a fragile thing", according to him, and therefore changes in existing policies and procedures must be carefully and fully explained to personnel before implementation. Yunker (1983:23) writes:

> Sufficient time must then be allowed for a reaction and feedback, and then a second round of detailed explanations and discussions. If thought necessary, then a third round. Overcompensation is vastly preferable here than too little explanation, not enough time for

> discussion, for feedback, for answering logical questions and quieting emotional or irrational worries.

I would argue that it is important to note that management should not only explain its decisions, but also be flexible to change them when personnel have superior arguments. This is what separates information from a truly two-way directed dialogue, allowing for personnel influence.

It is common to establish a temporary project organization during merger preparations. Sometimes, however, these serve rather to make personnel feel involved, than allowing them to actually influence management decisions. There were several problems with the culture integration method in the RRV/PA merger as regarded the temporary NAC project organization.

First, projects were composed of representatives from RRV and PA to a fairly equal extent. One problem concerned the appointment of members to these. It had not been done in an open procedure, so personnel had had little influence over the choice of their representatives. Accordingly, these members did not always have the support of their colleagues. No-one could explain how these decisions had been made. Luke (20 November, 2003), the NAC chairman, hesitated and responded:

> I think we appointed in the way that we… We discussed what employees we wanted to have in. Partly we discussed this within the committee, then we discussed with each authority and had their suggestions. We also had our own ideas and then it became a mix of this.

An RRV manager described how he had been able to influence this process through the RRV representative in the NAC. Several claimed that Rachel (the RRV General-Director) had been involved. In interviews, project members from RRV often had a more aggressive and confrontational attitude towards PA, than the members from PA had towards RRV.

Second, a connected problem, on the part of the project members, was that it was not clear in what role they had appointed. Was their task to represent their own organization and its interests, or was it to represent

the new organization, RiR? Was their task to represent personnel or had they been appointed according to their personal experience and expertise? Not all of them spread information from projects, and they rarely asked colleagues on a broader basis for input. The problem was the same in the NAC, as concerned Linda and Tom. A NAC member, who wished to be anonymous, explained that Tom tended to represent the interests of RRV, while Linda tended not to be so concerned about the RRV/PA distinction, but rather looked at what could be best for RiR.

Third, there was no co-ordinating forum to gather updates from projects. The NAC and its communicator, Bonnie, could have assumed this role, but Bonnie explained that project members and project leaders rarely spread this information after their meetings. Information gave them too much power compared to other employees, she explained. Many of those involved in projects also thought – or hoped - that this commitment would benefit them in their career. When this did not happen, they described a vast sense of disappointment.

Partly due to these problems, it was mainly those involved in NAC projects who perceived influence as high, in the RRV/PA merger. John, a performance auditor at RRV, explained that he had not felt at all involved in merger preparations until he was asked to join one of the projects.

A participative approach does not always lead to actual influence or lower resistance. Representative designs (e.g. the temporary project organizations that are common in M&A) sometimes serve more in representing management than representing personnel, depending on how representatives are appointed. Findings suggest that this fuels resistance.

Another important aspect of a temporary project organization is the tendency to label every aspect of organizational life as culture. Angwin and Vaara (2005:1447) share this experience, and argue:

> it seems that 'culture' has become a broad umbrella encompassing beliefs, norms, values, cognitions, emotions, practices, rules or routines, often without clear specification. This presents a problem when trying to go further in any analyses related to culture: its all-embracing nature and poor definition lead to obfuscation.

Accordingly, every aspect is also a potential field of conflict, since they become loaded culturally and symbolically in the competition for control.

Fostering cultural tolerance may be easier when existing cultures are allowed to remain, and merge gradually and organically. This fosters cultural tolerance and indicates respect for personnel, their past and present performance, their opinions and values. I would say that it is naïve to believe that culture can be designed. In a study reported in 1992, Chatterjee et al. had investigated the correlation between a number of factors in M&A and shareholder value. They concluded that there was a clear positive connection between the buying firm's tolerance for multiculturalism and shareholder value. This tolerance was set against an approach where management forced its culture upon the merger partner, using different control mechanisms. Chatterjee et al (1992:331) write:

> The finding concerning tolerance of multiculturalism also suggests that an overemphasis on controlling newly acquired firms by imposing goals and decisions on them may be dysfunctional.

As a conclusion, the authors suggest that integration needs to proceed carefully. This is confirmed in findings in the RRV/PA merger. By allowing influence and multiculturalism in the merger process, management can indicate respect for personnel's opinions and values.

A competition for control easily arises in both vertical and horizontal dimensions. This can be understood also as a competition for influence, since influence means control.

Findings in this study show that knowledge of the other party's culture and procedures does not necessarily benefit the merger process. Rather, it brings into focus differences, rather than similarities, and hence it may lead to increased polarization and resistance.

Furthermore, former management may reinforce tendencies to horizontal resistance, claiming the superiority of their organization, as compared to the other. For them, recognizing the competence of their former organization will mean recognizing their past performance as managers. Again, this points in favour of a process with only

incremental changes in order to show both personnel and former managers respect for this performance.

The perceived fairness of the division of influence/control between merger partners, strongly affects trust in management's competence and sense of morality. While M&A theory has tended to focus on horizontal resistance, this indicates that an imbalance in control between merger partners will tend to fuel vertical resistance as well.

The relative level of control is understood as a measure of management's trust in, or respect for, the competence of professionals.

In this case study, management increased its focus on control in the merger, and looking at findings from other M&A, it appears as if this increased control is common. A pillage and plunder approach replaces an initial cooperative approach – a shift that contributes to resistance. The relevance of trust and leadership for the success of M&A has been emphasized before (e.g. Stahl & Sitkin, 2005; Sitkin & Pablo, 2005; Haspeslagh & Jemison, 1991). This has been confirmed – and further explored - in this thesis.

Finally, the respect for opinions and values in M&A will always affect the extent to which personnel dare to express resistance. If opinions are not respected, but rather seen as problematic, there is a risk that personnel become silent. In such a case, resistance is likely to remain, and the organization runs the risk of losing valuable personnel.

7.6 Summary of practical implications

Some practical implications have already been touched upon in section 7.5. These, and some others, are summarized in this section. Please note that the general validity of findings in this case study has not been tested in other case studies or contexts.

My findings indicate that resistance should be welcomed as an important message from personnel, and that the organization may benefit from an approach where the content of resistance is respected and recognized. This way, a relationship of trust is established and the new organization can be optimized.

I would rather recommend incremental changes than radical change, given personnel's need for respect and trust. This is in accordance with suggestions by, for example, Duncan and Mtar (2006), Haspeslagh and Jemison (1991), and Empson (1994). Van Knippenberg et al (2002) have found, maintaining identity from pre- to post-merger is critical for personnel to adjust successfully in M&A, and a gradual process allows this. A reason why a radical and control maximizing approach is often chosen may be pressure from key stake holders. This is also recognized by Haspeslagh and Jemison (1991:125), who, like me, have noted that initial promises are often broken:

> High acquisition premiums sometimes forced senior managers to demand a rapid return on their investment. As a result, performance expectations for the acquisitions we studied were often so rigorous and precise that the acquisition's managers were driven to quick fixes to meet these performance hurdles. […] Performance pressures were sometimes eased by offering the new subsidiary a grace period during which the performance requirements were less stringent. But promises of autonomy or grace periods are frequently forgotten […]"

Furthermore, I would argue that extensive dismissals should be avoided. They will easily be understood as a breach of the psychological contract between personnel and management, and cause a silent atmosphere, where personnel hesitate to speak their opinions and thereby improve the process. In such an environment, resistance is likely to increase.

In accordance with Gaertner (1986), I claim that equal relative influence between merger partners is important, not least for symbolic reasons. Decision-making procedures in the merger process must be clear, consequent, and morally supported. It is clearly an advantage if personnel can be allowed influence in management decision-making, not only involvement. However, a temporary project organization such as that which was applied during preparations for the RRVPA merger, may fuel resistance and polarization, rather than build support. As concerns vertical resistance, direct votes in minor issues may be one option (e.g. the office issue in the RRV/PA merger).

With regard to culture, a blending approach allows previous cultures to amalgamate naturally. With such an approach, personnel will learn that they are allowed to have different opinions, values and standpoints in questions, and a corporate cultural openness and flexibility for new

lines of thought can be fostered – an attitude that will also make them more apt to respond rapidly to environmental/market changes. This is necessary for an organization's long-term survival. I would say that it is naïve to believe that management can "design" a new organizational culture.

Findings indicate that the moral side of M&A needs to be addressed not only for moral or humanitarian reasons, but also for business reasons. Professional service organizations are especially vulnerable to loss of personnel, and employees have a considerable degree of knowledge and power. This makes straight-forward and honest communication especially important in this context, Empson (2000) argues. By understanding and respecting the moral side of M&A, organizations can use resistance to optimize the merger process and its outcome.

7.7 Limitations and future research

Although an in-depth understanding has been provided by this case study, a limitation is that the general validity is not certain. Further studies are therefore welcome, in order to explore the general relevance of findings in this study, both in this context, and in other M&A contexts. Meanwhile, I have attempted to provide nuance to my findings by including data from other M&A studies.

I have concluded there is a tendency in M&A to increase control. The standardization of services is part of this. Is it possible to motivate highly skilled personnel, while adopting such a control focused implementation strategy? Control versus motivation is a classic dilemma in organization theory. I talk about control versus trust in this thesis. However, findings in this case study merger, where there was a rapid increase in the managerial control ambition, indicate that the problem may rather be the un-supported change in this balance, than the balance itself. A psychological contract is broken, and this moral change was an important factor behind resistance. Further studies on this subject would be welcome.

Leadership is a central aspect of M&A, and it also involves the decision-making process in the merger process. Leadership has long been neglected in M&A theory, and when mentioned, it has been only in sweeping terms (Sitkin & Pablo, 2005). Sitkin and Pablo (2005) provide a detailed list of roles of a good leader, with a typical review of important characteristics, suggesting six types of leadership that are all necessary in M&A. I would argue that leadership needs to be addressed together with aspects such as the structure of the merger approach and its decision-making models, as well as issues of morality or HRM ethics.

As the reader may have guessed, there is one area where I hold special hopes to see more research, as a sequel to this thesis. This is the moral side of M&A. These aspects have long been neglected, but I believe findings in this study show that there is an important business side of morality. To encourage people to remain through a merger process, and to stay motivated, the morality of management is crucial. It is not just about making promises to keep personnel happy for a while, but it is also about keeping these promises, entering dialogue, proving respect, and building long-term trust. I would argue that this trust is vital for personnel in mergers of public professional service organizations. In the future, I hope to find more specific moral theories applied in M&A theory – not only psychological contract theory, but also other theories. In the end, morality serves to guide our conduct towards fellow human beings, and resistance is about objecting to conduct that is perceived to be (morally or formally) wrong. Bonnie explained, at the merger preparations kick-off for the RRV/PA merger:

> It is about love – love for the job, the work place, connections. Therefore it is wrong to say 'such boring people who have objections'.

I agree, it is a matter of love - and not least loyalty. As I have explained, loyalty is part of the moral side of M&A. It is a matter of people's loyalty to personal, professional, and societal ideals, to colleagues, and to the organizational mission. If managed properly, this is a highly constructive and positive force in an organization, also in a merger.

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Interviews

Code names. From 1 July, 2003, the previous organization is stated.

Allison	NAC	3 December 2002
Linda	PA	3 December 2002
Anders Forsberg*	Parliament	3 December 2002 *) true name
Ron	RRV	3 December 2002
Bonnie	RRV	4 December 2002
Tom	RRV	5 December 2002
Norah	PA	5 December 2002
Susanne	PA	5 December 2002
Rachel	RRV	5 December 2002
Bonnie	RRV	10 December 2002
Christopher	PA	11 December 2002
Anne	PA	11 December 2002
Keith	PA	15 January 2003
Peter	RRV	15 January 2003
Bonnie	RRV	16 January 2003
Ernest	ESV	16 January 2003
Kimberly	RRV	16 January 2003
Brad	RRV	16 January 2003
Adam	RRV	16 January 2003
Rose	RRV	16 January 2003
Ryan	NAC	17 January 2003
Jonathan	PA	17 January 2003
Linda	PA	7 February 2003
Rose	RRV	3 March 2003
Vivianne	Central union	7 March 2003
Gregory	RRV	9 April 2003
John	RRV	9 April 2003
Charlotte	PA	11 June 2003
Jonathan	PA	12 June 2003

Peter	RRV	12 June 2003
Anne	PA	27 June 2003
Bonnie	RRV	20 August 2003
Daniel	RRV	21 August 2003
Anne	PA	21 August 2003
Tom	RRV	22 August 2003
Linda	PA	15 September 2003
Norah	PA	15 September 2003
Kimberly	RRV	2 October 2003
Maria	PA	8 October 2003
Allison	NAC	8 October 2003
George	PA	8 October 2003
Rebecka	PA	9 October 2003
Ben	RRV	9 October 2003
Keith	PA	10 October 2003
Donald	RRV	10 October 2003
Carl	PA	10 October 2003
Rachel	RRV	10 October 2003
Carrie	RRV	16 October 2003
Anne	PA	6 November 2003
Luke	NAC	20 November 2003
Sophie	0	20 November 2003
Ashley	0	21 November 2003
Olivia	0	21 November 2003
Linda	PA	23 January 2004
Hannah	PA	5 February 2004
Gregory	RRV	6 April 2004
Olivia	0	6 April 2004
John	RRV	7 April 2004
Emily	0	7 April 2004
Ashley	0	14 April 2004
Chloe	PA	3 June 2004

Hannah	PA	10 June 2004
Nathan	RRV	14 June 2004
Natalie	RRV	27 September 2004
Carrie	RRV	27 September 2004
Ashley	0	28 September 2004
Matthew	RRV	28 September 2004
Sophie	0	28 September 2004
Olivia	0	30 September 2004
Ashley	0	20 January 2006
Luke	NAC	20 January 2006
Sophie	0	20 January 2006
Peter	RRV	20 January 2006
Gregory	RRV	20 January 2006
Dylan	RRV	13 October 2006
Tyler	RRV	13 October 2006
Jacob	RRV	13 October 2006
Lauren	0	13 October 2006
Tom	RRV	13 October 2006
Alexander	RRV	20 October 2006
Rose	RRV	14 March 2007
Angelina	RRV	20 March 2007
Kimberly	RRV	20 March 2007
Carl	PA	21 March 2007
Luke	0	20 April 2007
Sophie	0	20 April 2007
Bill	RRV	20 April 2007
Brooke	0	20 April 2007
Alexis	RRV	20 April 2007
Sam	RRV	14 June 2007
Anne	PA	14 June 2007
Howard	RRV	21 June 2007

Plus numerous more informal conversations

Appendix 1

Extract from questionnaire to RRV and PA, distributed April 24, 2003.

6. Hur delaktig känner du dig i förberedelserna inför bildandet av Riksrevisionen?

[scale 1, very little – 7, very much]

7a. Har du medverkat/medverkar du just nu i någon av de formella grupper som arbetar med förberedelserna?

[If yes, then 7b/Why? And 7c/In what ways?]

[If no, then 7b/Why not?]

8a. Hur stor hänsyn upplever du att har tagits till personalens synpunkter av ansvariga för förberedelsearbetet?

[scale 1, very little – 7, very much].

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Personnel resistance in public professional service mergers

The merging of two national audit organizations

The human side of mergers and acquisitions (M&A) – with focus particularly on resistance - has puzzled scholars for decades. Still, there is little discussion as regards tohow the concept should be defined or understood. Often expressions of resistance, ratherthan its actual content, are described. What do personnel actually oppose?

In this dissertation, the content, process, and context of resistance are explored, in a broadand integrative approach. A personnel perspective is adopted. Observations from alongitudinal real-time case study on the merger of two national audit institutions inSweden are reproduced.

Findings suggest that more attention needs to be directed to the moral side of M&A, inorder to understand resistance.

In the case study, management took the merger as an opportunity to increas organizational control, thereby breaking a psychological contract with personnel andturning to utilitarian values. Opposition to this united professionals in the twoorganizations, and resistance rapidly shifted from a horizontal to a vertical dimension. Such a displaced balance between trust and control may be a common reason forresistance in M&A.

An evaluation of the competence and morality of the opposite party occurs, in order toestablish a level of trust. With distrust comes a competition for control, since parties inthis context may experience a moral obligation to optimize the new organization.

A new definition of the resistance concept is suggested.

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