

## Research and Evaluation

# Structural Changes to the Public Sector and Cultural Incompatibility: The Consequences of Inadequate Cultural Integration

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*Structural changes are commonly undertaken to achieve gains, such as enhanced efficiency and performance. In this paper, we explore the cultural issues associated with a structural change in the Australian Public Service. We argue that cultural differences across merged functions were disruptive and challenging to overcome. We posit, however, that these challenges were exacerbated by the lack of systemic effort to integrate cultures, thus impeding synergy realization. Our findings are consistent with the private sector literature that warns mergers and acquisitions undertaken with too much haste and without adequate planning can lead to cultural issues when not managed appropriately.*

**Key words:** *structural change, machinery of government change, organisational culture, public sector, integration*

## Introduction

Despite the prevalence of organisational change, and theories to support such change, many change efforts fail to achieve their desired outcomes (Grady and Grady 2013; Higgs and Rowland 2010). Forms of change that have particularly high failure rates are mergers and acquisitions between organisations (Elstak et al. 2015). This is due to the complexities associated with integrating people, managerial styles, policies, and cultures into a single unit (Appelbaum et al. 2000; Olie 1994). Failure has also been attributed to the speed at which organisations tend to undertake change processes. This, coupled with insufficient assessment of

the potential challenges (Weber and Tarba 2012) and the degree of compatibility of managerial styles and cultures across the affected organisations (Cartwright and Cooper 1995; Lodorfos and Boateng 2006), compounds challenges.

In countries that operate under the Westminster system of government, such as Australia, Canada, and the United Kingdom, mergers and acquisitions (or structural changes more broadly) within the public sector are called ‘machinery of government (MoG) changes’ (Davis et al. 1999; White and Dunleavy 2010). MoG changes are pursued on the basis of supposed gains, such as enhanced efficiency and effectiveness; the achievement of political priorities; and/or the achievement of better outcomes more broadly. Yet, as we show in this paper, these potential gains can be lost

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Accepted for publication: June 19, 2017

when a lack of change management and support for overcoming cultural barriers are evident.

## **Machinery of Government Changes**

### ***What are Machinery of Government Changes?***

The term MoG change is used to describe government-initiated organisational or functional changes such as the merging or acquisition of functions across organisations, the separation of functions, or the creation of a new organisation within the public sector (Davis et al. 1999; White and Dunleavy 2010). These changes often involve major restructuring and upheaval of employees. The purpose of this paper is to explore the cultural issues evident in MoG changes in the Australian Public Service (APS).

MoG changes can be undertaken due to both policy and political considerations. Sometimes they are enacted with the objective of optimising efficiency, economies of scale and policy effectiveness (Davis et al. 1999; Gervais 2010; Talbot and Johnson 2007). However, they are often enacted to symbolise key governmental policy priorities, with high priority initiatives allocated dedicated resources (Davis et al. 1999; Pollitt 2007). They can also be used as a mechanism for managing party politics through enticing parties or factions to support policy initiatives (Dowding and Dumont 2009). The decision to embark upon MoG changes can also be based on the personalities, competencies, and vulnerabilities of individual ministers and the extent to which ministers would be suited to, or have preferences for, certain portfolios of responsibility (White and Dunleavy 2010). They may also be based on the decision to satisfy valuable members of Cabinet (White and Dunleavy 2010) or reward certain ministers over others (Davis et al. 1999).

The government-initiated nature of MoG changes means that expediency and political need or pressure, rather than organisational principle, tends to be the strongest influence on decisions to reorganise public sector organisations (even where claims of efficiency are made) (Davis et al. 1999; White and Dunleavy

2010). These factors provide a context for why MoG changes present considerable challenges in their implementation.

### ***Challenges associated with Machinery of Government Changes***

While claims of efficiency are sometimes made, MoG changes often undermine existing effective work practices and can lead to, or amplify, dysfunction (Peters 1992). This is partly due to the disruptive nature of structural change (see Andrews and Boyne 2012) and insufficient time allocated to planning and implementing the changes (Davis et al. 1999; Nethercote 1999; White and Dunleavy 2010). This means that little time is devoted to longer term issues such as synergy identification, corporate planning, and how to establish effective human resources, operations, and finance functions (White and Dunleavy 2010). This is in stark contrast to the approach advocated by studies into private sector mergers and acquisitions that emphasise the importance of effective planning and ensuring strategic fit and complementarity (see, e.g. Marks and Mirvis 2001; Weber and Tarba 2012). These are particularly challenging in MoG changes because they occasionally attempt to integrate organisations that have historically been rivals over prestige, attractiveness, spheres of activity, or their proximity to power (Gervais 2010); they also involve organisations with disparate organisational cultures.

Cultural differences have been found to be a key challenge when implementing MoG changes in the United Kingdom (White and Dunleavy 2010). When extreme, cultural differences can lead to cultural incompatibility across organisations, which have been attributed to the failure of private sector mergers and acquisitions. This is due to the numerous issues associated with cultural incompatibility, including cultural shock, cultural clashes, conflict, employee resistance, lowered productivity, and failure to coordinate activities (see Cartwright and Cooper, 1995; Kroon et al. 2009; Lodorfos and Boateng 2006; Olie 1994; Vaara et al. 2012). Yet, some have argued that differences can create opportunities for

‘synergistic complementarities’ (Larsson and Finkelstein 1999, p. 6). This raises questions such as: Why do these differences in perspectives occur? Why is culture so important? And, how can a better understanding of these issues enhance the likelihood of successful change implementation?

### ***The Importance of Organisational Culture***

Organisational culture has been defined in many ways, from the deeper levels of cognition to behavioural patterns. Some scholars portray culture as a layered phenomenon that consists of interrelated levels of meanings (Lundberg 1990). According to this perspective, these meanings are underpinned by an unobservable, interconnected, and stable system of values, beliefs, and assumptions regarding what behaviours are required for an organisation to succeed and survive (Cameron and Quinn 2006; Schein 2010). These values, beliefs, and assumptions form over time as organisational members learn what does and does not work in a given environment. This highlights the social nature of culture, with shared experiences over time leading to members developing shared ideologies, understandings, and expectations regarding what constitutes appropriate behaviour (Cameron and Quinn 2006; Schein 2010). These shared interpretive norms and understandings are expressed in language, dress, and ‘other symbolic constructions that develop through social interaction’ and provide ‘the basis for shared systems of meaning that allow day-to-day activities to become routinized’ (Smircich 1983, p. 160). In doing so, culture helps manage collective uncertainties and anxieties through creating order, continuity and clarification regarding the appropriate way to think and behave (Schein 2010). This can enable the formation of a sense of common identity and belonging among employees (Cameron and Quinn 2006; Schein 2010) that generates commitment to organisational values and the things collectively perceived to be worth working for and believing in (Ott 1989; Simpson and Cacioppe 2001). It is evident that culture enables the establishment of a deeply felt, and

often unconscious, collective sense of purpose that drives activity within organisations.

Organisational culture has generated considerable interest in both the public and private sectors. In the public sector, there has been a normative aura around culture, with practitioners often portraying it as the critical link for achieving desired outcomes, such as joined-up working (see Buick 2014) and high performance (e.g. AGRAGA 2010; General Accounting Office 2004). This may be largely due to research undertaken in the private sector that has found a relationship between culture and desired outcomes such as enhanced organisational performance and employee productivity and commitment (Cameron and Quinn 2006; Denison 1990). However, culture can also impede performance, particularly when different cultural groups are required to work together, as they are in merged organisations. Members of different cultural groups are likely to perceive issues and problems differently and so may face challenges in communicating and cooperating with one another, in reaching consensus and implementing decisions effectively; all of which have the potential to result in conflict (Cameron and Quinn 2006; Martin 1992; Schein, 1999; Sinclair 1991). Cultural clashes can evolve through awareness of cultural differences, magnification of these differences (where distinctions can become extreme and polarizing), establishing (often negative) stereotypes of other cultural groups, and eventually members from different cultural groups being highly critical of one another (Marks and Mirvis 2011). This can help to explain why cultural differences can be so problematic in mergers and acquisitions.

Yet, prevalent views around cultural clashes do not explain why some have found that it is not cultural differences per se, but the *perception* of problems due to these differences, that is problematic for mergers and acquisitions (Rottig 2013). Moreover, cultural differences can actually lead to the realization of synergies (see Larsson and Finkelstein 1999; Marks and Mirvis 2011). To improve MoG change effectiveness, we must look to the factors that enhance the likelihood of synergy realization, which includes highlighting the role of

integration strategies (Stahl and Voigt 2008; Weber and Fried 2011; Weber and Tarba 2012).

### ***Cultural Integration Strategies***

The success of mergers and acquisitions in the private sector is often attributed to the extent to which cultural and human resource integration has occurred (Bijlsma-Frankema 2001; Cartwright and Cooper 1993; Larsson and Lubatkin 2001; Schuler and Jackson 2001). When integration occurs, the culture, or elements of the culture, of both organisations is preserved (Malekzadeh and Nahavandi 1990), with effective management of the integration process minimising or overcoming any issues associated with these cultural differences, such as cultural clashes (Bijlsma-Frankema 2001; Larsson and Lubatkin 2001). Such integration strategies can include those aimed at enabling positive behavioural intentions of employees, such as their willingness to cooperate following a merger and acquisition. These factors include identification with the new organisation (Kroon et al. 2009), which can be enhanced through senior management's timely communication regarding the new organisation's identity (who we are) and why the changes are beneficial. This can help enhance clarity and decrease employee uncertainty regarding the change (Bijlsma-Frankema 2001; Birkinshaw et al. 2000; Elstak et al. 2015; Nguyen and Kleiner 2003; Schuler and Jackson 2001; Schweiger and Goulet 2015). The actions of leaders are also important for enabling greater cooperation and overcoming cultural differences, requiring leaders who are inclusive, consultative, and demonstrate a willingness to work across group boundaries (Marks and Mirvis 2011; Nguyen and Kleiner 2003).

There is also a recognised need for employees of the merged organisations to interact and build relationships with one another to enhance trust, cooperation, and teamwork (Hajro 2015; Locke 2007), highlighting the importance of developing and implementing socialisation mechanisms. Socialisation mechanisms may include opportunities for dialogue, learning, and knowledge sharing, including physical and online forums (Bijlsma-Frankema

2001; Schuler and Jackson 2001; Schweiger and Goulet 2015). Socialisation mechanisms can also include induction programs, training and development programs; celebrations; and employee job rotation (Larsson and Lubatkin 2001; Marks and Mirvis 2011). This suggests that human resource practices are critical for overcoming issues associated with cultural differences and reducing their impact on merger and acquisition outcomes (Marks and Mirvis 2011).

The cultural issues associated with mergers and acquisitions are well documented in the private sector literature. However, there is limited empirical understanding of culture in the public sector generally (Parker and Bradley 2000; Sinclair 1991) and very little examination of the role of culture in public sector change. More specific to this paper, while MoG changes are common and known to be difficult to implement, there has been almost no empirical investigation or systematic study of MoG changes or the cultural issues associated with these changes. This study seeks to address this gap and explore the role of organisational culture in a MoG change and how integration strategies were adopted (or not) to mitigate cultural issues.

### **Methods**

The study aimed to investigate the cultural issues associated with MoG changes within the APS. A case study research design was employed, enabling us to investigate new phenomena (Blatter and Haverland 2012) that had not yet been explored empirically: the impact of cultural compatibility on MoG change implementation in the APS. Specifically, we adopted a single, critical, case study design (Yin 2014) focussed on changes within the Department of Prime Minister and Cabinet (PM&C). This was due to PM&C undergoing a large-scale change that brought together PM&C, Indigenous Affairs, the Office for Women, and Regulatory Reform and Finance. This represented an unprecedented change as it involved integrating a boutique central agency with responsibility for the coordination and

provision of whole-of-government policy advice, primarily undertaken from a central location, with geographically dispersed and diverse groups predominantly focussed on program implementation and service delivery. Therefore, it could be assumed that this change involved meshing together groups with fundamentally different cultures. This case study provided an opportunity to explore the potential differences and their impact on the ability of the groups to integrate and work together. In doing so, it enabled analysis of theoretical propositions regarding the impact of cultural compatibility on MoG change implementation and the extent to which other factors were at play. The research adopted an interpretivist approach; seeking an understanding of the cultural factors at play in such an unprecedented MoG change.

We began with purposive sampling of key individuals within PM&C areas affected by the change. This sample comprised the senior and middle managers in affected areas. Individuals were sought who: (1) had been brought into PM&C under recent restructuring or (2) had worked in PM&C prior to (and were present for) recent MoG changes. In total, 16 semistructured interviews were conducted across PM&C, including 'legacy' (i.e. original PM&C employees), Indigenous Affairs,

the Office for Women, and Regulatory Reform and Finance. Participants ranged from deputy departmental secretaries to directors of sections (middle management). Interviewing was ceased when saturation was reached (i.e. no new themes emerged).

Fifteen of the semistructured interviews were recorded, transcribed verbatim, and loaded into NVivo. One participant requested that their interview was not taped; in this interview, one interviewer took notes throughout the interview and attempted to capture verbatim statements wherever possible. Themes covered in the interviews included the rationale for central agency changes, the experiences of implementing the change, organisational planning and change management, and implications for policy design, implementation, and outcomes. Data were analysed by three of the authors using a thematic approach (Blaikie 2010). 'Like' data were grouped together to form categories and subcategories (see Table 1 for the categories specific to this paper).

These categories were developed into more substantive themes, by linking and drawing connections between initial categories and hypothesising about consequences and likely explanations for the appearance of certain phenomena (Strauss 1987). This was done

**Table 1. Categories relevant to this paper**

Categories	Subcategories	Description
Origins and scope of the MoG change		Discussions regarding the political origins of the change and what the change entailed.
Cultural differences	Nature and pace of work Valuing people Workforce: experience, qualifications, motivation, style of dress Communication style	Outline of the cultural differences discussed by participants and how these differences manifested.
Impacts of cultural differences	Perceptions of elitism and conflict	Discussions regarding the conflict that emerged from the cultural differences.
Change management	Lack of due diligence Lack of planning Short timeframes	Issues with political nature of change and lack of due diligence. Issues with the short timeframe provided to change and associated lack of planning.
Cultural integration	Lack of communication Lack of role clarity and development Lack of socialisation	The key factors that were evident that indicated a lack of integration efforts.

through discussion between the team members. In refining themes for publication, selective coding was carried out, whereby transcripts were revisited with the explicit intent of finding further linkages and connections between the central issue being explored and other themes. A key theme that emerged was the cultural differences that existed across the merged functions and agencies and associated cultural incompatibility. We explored the data further to explicate how the cultures were incompatible, the issues associated with incompatibility and why they emerged.

## Findings

### *Scope of the Change*

In late 2013, the Australian Federal Government was restructured, bringing the Indigenous Affairs, the Office for Women, and Regulatory Reform and Finance functions into PM&C. It was a politically driven change, instigated by the Prime Minister's promise to address the wicked problems of Indigenous disadvantage and gender inequality (Senate Estimates 2013; Strakosch 2013). Similarly, Regulatory Reform was brought into PM&C because of the government's commitment to market deregulation. The change also involved merging parts of departments that had responsibility for Indigenous-specific expenditure and service delivery. This involved bringing together staff from eight different line agencies, all of which had different cultures (see Table 2 for a summary of the findings). Hence, it constituted an unprecedented and complex change because it represented a fundamental shift in the way PM&C, as a central agency, functioned.

This shift entailed moving from the coordination of whole of government policy advice to focussing on service delivery: *'we tried to marry a very large number of service delivery functions into a central agency that had not much experience with service delivery at all ... It's a massive change process for any organisation, but for a central agency that was purely focussed on policy with a little tiny bit of service delivery occasionally, it was a*

*massive shock'* (P7). In doing so, this change enhanced the complexity of PM&C's operations as it involved a rapid increase in the size and change of focus within the agency. These changes meant that PM&C went from primarily being co-located in the one building (in Barton, Canberra) to a considerable proportion of its workforce being geographically dispersed across the country: *'the actual central agency was dwarfed by the size, complexity, scale and reach of the new parts that came in ... We went from one location in Canberra to 108 locations throughout the country'* [P7].

Finally, through integrating Indigenous Affairs, the Office for Women, and Regulatory Reform and Finance with PM&C legacy, the MoG change also required the integration of 11 areas due to responsibility for the Indigenous Affairs function previously being dispersed across eight departments. This presented huge cultural challenges for the new PM&C as it involved bringing together 11 disparate cultures within the one organisation: *'you've got one, the elitist [PM&C legacy], the 11 disparate [cultures], and then the 11 collectives that are facing against the elite, that's a cultural clash as well. So we'd never had that before, so hence people's discussion with you around the messiness of the MoG, the time it took, and to be quite honest, the brutality of the thing'* [P11]. Interestingly, participants did not reflect on the cultural differences between PM&C legacy and the Regulatory Reform and Finance group, which was attributed to this function previously being within a central agency, thus minimising differences. Therefore, in this paper we focus on the differences across PM&C legacy, the Indigenous Affairs Group, and the Office for Women.

### *Cultural Differences and Incompatibility*

Participants reported there were cultural differences and issues within PM&C at two levels: between the eight groups that comprised the Indigenous Affairs Group, and then between this group as whole and PM&C. Cultural differences across the line agency functions (i.e. the eight groups brought together from different line agencies) were due to the

**Table 2. Summary of findings**

Theme	Subtheme	Summary
Scope of change		<p>Politically driven: symbolised key policy priorities.</p> <p>Involved a merger of PM&amp;C legacy (key central agency) with line agency functions (Women, Indigenous Affairs) and another central agency function (Regulatory Reform).</p> <p>Resulted in the combination of whole-of-government generalist policy advice, specialist whole-of-government policy advice, and service delivery.</p> <p>Increase in size, moved from one location to being geographically dispersed across the whole of Australia.</p>
Cultural differences	Nature and pace of work	<p>PM&amp;C legacy as highly reactive, short-term oriented, generalist focus, and highly risk averse and conservative.</p> <p>Indigenous Affairs and Women as focussed on the longer term, on specialist issues, adopting a trial and error approach and acceptance of mistakes.</p>
	Valuing people	<p>PM&amp;C legacy as results and not people focussed, hierarchical and impersonal communication, top-down.</p> <p>Indigenous Affairs and Women as highly people focussed, with a strong emphasis on frequent and personalised communication, openness, and consensus.</p>
	Workforce differences	<p>PM&amp;C legacy employees as highly ambitious, university qualified (honours), see PM&amp;C as a stepping stone to advancement, generalists (so somewhat detached from policy issues), and formally dressed.</p> <p>Indigenous Affairs and Women as having extensive experience, deep knowledge of specialist policy area, not necessarily tertiary educated, as having a strong identification with the policy issue and informally dressed.</p>
	Differences in communication style	<p>PM&amp;C legacy communication as concise, sharp, and active (not very detailed).</p> <p>Indigenous Affairs and Women as detailed, in-depth, and verbose communication.</p>

*(Continued)*

Table 2. Continued

Theme	Subtheme	Summary
Cultural differences and conflict		Cultural differences as leading to hostility, tension, frustration, and negative stereotyping.
Culture and the nature of change		Political nature of change meant that due diligence into compatibility between the merged groups was not undertaken. Short timeframes were allocated to the change, with little planning undertaken.
Lack of integration	Communication	Poor communication regarding the change process, the common purpose of the new department or desired outcomes.
	Role clarity and employee development	Lack of role clarity for employees and investment in developing knowledge and skills necessary for working in new department.
	Socialisation	The different groups were physically separated, with the new groups experiencing a lack of engagement and inclusion. This was described as leading to feelings of exclusion and isolation.

function being dispersed across multiple agencies for over a decade: *'The thing about Indigenous Affairs Group is we've inherited eight separate cultures, so we're trying to blend and manage and shape that'* [P02]. However, these differences were only given a cursory mention by some participants and were not considered to be a significant impediment to integration or effectiveness. In fact, it was considered that bringing the agencies together into one place was an important step for bridging these differences.

### ***Cultural Differences between PM&C Legacy and Line Agency Functions***

The cultural differences between PM&C 'legacy' (i.e. pre-MoG PM&C) and the line agency functions (Indigenous Affairs, Office for Women), in contrast, were seen as detrimental to the functioning of the department. Consequently, these differences are the focus of this paper. Critical differences were evident in terms of: (1) nature and pace of work; (2) ex-

tent to which people were valued; (3) the type of workforce that each area or agency attracted; and (4) the way in which employees from each area communicated.

#### *Differences in nature and pace of work*

Key differences were evident in the purposes for which each group existed. PM&C legacy existed to serve the Prime Minister. This meant they were driven by the need to be responsive to the Prime Minister's requests and provide whole-of-government policy advice within short timeframes. In contrast, the line agencies were concerned with a particular realm of responsibility (i.e. Indigenous or women's affairs), which often involved undertaking detailed and time-consuming work.

... a lot of the program implementation work is reiterative, it's developing a series of products whether it be guidelines [or] help manuals for the providers ... [whereas with] a PM&C central agency approach, you have to take a very strategic high level [approach]: 'is this in line with the government's other 50 million policies?

Are there implementation issues? Are there people in my area who need to know about this in case it conflicts with something they're doing?' [P01].

... the fact that [PM&C legacy] ... were a central line coordinated agency ... [they try to] round up the Prime Minister and develop task-forces and discussion papers and policy and do all the executive support for the whole outfit and have portfolio branches to reflect the various priorities of the current Prime Minister of the time. So there was a huge cultural shift [P11].

The culture within PM&C legacy was described as highly risk averse and conservative. This was attributed to its primary purpose – serving the Prime Minister: *'So PM&C, by its nature, is a very risk averse organisation. Its job is to basically serve whoever is Prime Minister, and keep them safe'* [P02]. Risk aversion was considered to be a necessary by-product of PM&C's purpose because it involved protecting the Prime Minister from receiving bad press or making preventable mistakes. This role also resulted in *'PM&C [being] very reactive'* [P04], as the Department was required to respond to requests within a short timeframe. In contrast, the line agency functions of Indigenous Affairs and the Office for Women were considered to be *'a bit more of a ... slow burn, let's set up things, let's set up things for two years into the future, let's work on design'* [P04].

The inclusion of the Indigenous Affairs function was particularly seen as counter to the way in which PM&C operated, because the sheer nature of dealing with such a politically fuelled, wicked problem meant that staff had learnt over time to adopt a trial and error approach and acceptance of making mistakes was key to learning. Moreover, the targeted timeframe of outputs was much slower – driven by the difficulties of addressing wicked problems rather than changing political priorities. In turn, this meant that mistakes were made, which was counter to the way in which PM&C traditionally operated:

So you attach something like Indigenous Affairs, which has a history of kind of problematic service delivery, it's a lightning rod for a whole set of politics. Big P and small P politics ... So you take

nice little bijou-niche PM&C and then you smash on something that's got all of that service delivery program management, difficult politics, 110 locations, none of them easy locations ... And basically there's always something going wrong in service delivery. That's just the nature of an operational kind of function. And that can rub up against a kind of risk averse older style PM&C operation [P02].

These differences meant that PM&C legacy and the line agency groups had different drivers, worked to different timescales and worked in fundamentally different ways on fundamentally different issues.

#### *Differences in valuing people*

Another critical difference between PM&C legacy and the line agency functions was the value placed on people, relationships, and communication. PM&C legacy was not regarded as having a strong emphasis on people, with its emphasis predominantly on achieving results: *'I think one of the issues is that the culture of PM&C was, and isn't, I don't think it's ever been, a people focussed culture. It's a department that people come in, they work very hard, often they get promoted and they go out again. So there ... [is] not a huge emphasis on the people side of things'* [P07]. The lack of people focus manifested in a lack of direct communication from senior managers, which was cited as an ongoing issue. The ways in which an organisation communicates with its employees is a manifestation of culture (Ott 1989; Schein 2010) as it reflects underlying values and assumptions around the importance of open or direct communication. In PM&C legacy, value was not placed on open or direct communication, with messages sent through senior managers on the assumption that they would filter to middle managers and operational staff. The lack of direct communication meant that those brought into PM&C from Indigenous Affairs often did not receive messages so therefore did not know what was happening: *'I have to say that kind of a culture does make it difficult to know what's happening across the area and what other things could be necessary to know'* [P12].

The lack of ‘people’ focus within PM&C legacy was contrasted with the Indigenous Affairs and women’s functions which came from departments, which were said to have ‘*had quite a huge emphasis on people . . . And you brought them into this department that was like, “well suck it up, work hard, get on with it”. Which was really tough for a lot of people*’ [P07]. It was assumed that people were key to advancing the interests of Indigenous people and women. Central to this focus was the value placed on communicating and consulting with staff, with the departments that both functions had previously operated in said to have ‘*really open communication and everything was really shared. And when messages were communicated, they were shared to all staff, not a hierarchy kind of system*’ [P12]. This emphasis on open and regular communication was also evident in their approach to stakeholder engagement and management where importance was placed on adopting: ‘*more of a communal or a consensus driven approach to engagement with the stakeholders*’ [P05].

*Workforce differences: qualifications, experience, motivation, and style of dress*

Key cultural differences also stemmed from the type of workforce attracted to PM&C legacy, Indigenous Affairs, and the Office for Women. Some participants referred to the ‘elitist’ nature of PM&C legacy, which was partly a function of it being the Prime Minister’s department and partly a function of the workforce differences that existed across the agencies. The workforce in PM&C legacy was said to be highly ambitious and well-educated:

[PM&C is] at the top of the pyramid, if you like, for government so it necessarily attracts in all its line areas high quality, often ambitious, people who are very interested in policy so you can pick the very best [P05].

This meant that PM&C legacy was largely seen as a ‘*stepping stone*’ [P07] for promotion in line agencies. This meant that the employment lifespan within PM&C legacy was short-lived: ‘*it’s a thing we do for a number of years, three to five years. And then because you’ve been able to climb the tree or demonstrate*

*amazing ability you can quite more quickly pop out and just climb*’ [P01]. Participants posited that the transient nature of PM&C contributed to a lack of staff identity with PM&C. In addition, the purpose of responding to the ever-changing policy priorities and focus of the Prime Minister prevented people from investing in departmental issues because the work they focussed on was ever-changing, with little time or opportunity to become attached to specific issues:

. . . what I see now in that there is a different skill set required when you come in to PM&C in terms of that advice across government than what you might necessarily see . . . in a line agency . . . You’re providing more of a policy coordination role and bringing that all together and advising the Prime Minister on that whereas you can’t pursue particular micro issues on a project [P05].

In contrast, many of the staff in the Indigenous Affairs group argued that they had to have an incredible depth of knowledge about Indigenous issues, often gained through years and decades of experience, but with ‘*no degree, didn’t finish school, but incredibly valuable and important people who do really important work out on the ground*’ [P02]. This was also reflected in discussions regarding the Office for Women staff. To some degree, this reflects the perennial debate regarding specialists versus generalists in the public sector (see, e.g. Encel 1988).

Staff specialisation in the groups brought into PM&C meant that they often had a strong identification and affiliation with the subject matter, and were often ‘*passionately interested in the issues*’ [P05]. This is a broader reflection on the line agency – central agency divide:

In a line agency I think it attracts staff who are interested in the subject matter and have perhaps more of an activist’s approach to the issues . . . that’s not to say that they’re not good quality policy officers and able to provide a level of dispassionate policy advice to the Minister, that’s certainly still the case, but they’re attracted to working with us because they’re often interested in the issues [P05].

Cultural differences were also manifested in the way in which employees from each

group dressed. Patterns of dress are a form of cultural artefact; that is, a manifestation of cultural values and norms (Pratt and Rafaeli 1997; Schein 2010). In PM&C they represented cultural differences across the agencies. Reflecting the more elite focus within PM&C legacy, staff dressed in a more formal manner: *'you know when someone from PM&C is coming in because they're all suited up and very formal'* [P12]. This was contrasted with the more relaxed approach adopted by those from Indigenous Affairs and the Office for Women: *'the majority of people in the office were ... ex-Human Rights or Women's Affairs lawyers who'd worked at domestic shelters, who wore a lot of fluffy sweaters and tie-dye skirts and had their dyed hair and big earrings'* [P01]. Even something as simple as dress code was a dividing factor within the new Department, as it created *'an us and them'* divide and a sense that those from the line agencies were *'kind of a little judged, and maybe they're a little judged as well'* [P12]. It also led to some line agency staff feeling inadequate and as though they were not taken seriously.

#### *Differences in communication style*

A final way in which cultural differences were manifested was the approach adopted to writing briefs and policy advice. A collective sense of identity is often facilitated through the development of a common language that enables communication and coordination within and across members as it permits interpretation and the ability to discern what is most important (Schein 2010). In this study, participants commented how staff from PM&C legacy wrote short briefs with *'a lot of active language, a lot of very precise wording, a lot of very clear wording [and] a lot of precise wording. No waffle'* [P03]. This was attributed as being a function of serving the Prime Minister whose time constraints meant there was a need to get across issues quickly and succinctly:

Briefing styles for a Prime Minister has really got to be short and sharp, and not a lot of detail ... Don't have a lot of capacity to give a lot of background and detail because of the time constraints of the leader, so you've really got to

get your message across pretty succinctly and pretty clearly. [P03].

This approach was contrasted with that adopted by some line agencies which were more verbose and provided detailed policy advice: *'[the line] agencies, because they're often talking about the detailed policy matters ... [they] will have, you know, huge chunky paragraphs'* [P01]. These differences were a major source of frustration:

Too often it would be like something would ... come through us for Indigenous [policy]. We hadn't heard of it, there'd been no earlier conversations, we had no idea what was going on and then we're told, 'Oh yeah we need to show you this. Our Associate Secretary and the Minister's fine with [it] ... so just you know, give us some feedback and then it'll go up'. And we're like, 'OK, it's not written the way we write it, I don't understand what you're saying' [P01].

The cultural differences between PM&C legacy and the line agency groups were still evident 2 years after the MoG change occurred: *'... the sad thing is ... we actually have two PM&C's operating under the same roof ... it feels like two very different cultures when you move between the two'* [P07]. These cultural differences led to low cultural compatibility across the areas and had an adverse impact on interpersonal dynamics across the groups.

#### ***Low Cultural Compatibility and Conflict***

The low cultural compatibility between PM&C Legacy and the line agency groups – Indigenous Affairs Group and Office for Women – led to a considerable amount of tension and hostility between the groups. This was largely due to perceptions of elitism, particularly that PM&C legacy staff considered themselves to be more educated and knowledgeable than the others. Participants described the environment as 'hostile' and 'demoralising' because of the apparent irreconcilability of the differences and status differentials across the different functions. Despite the considerable wealth of experience evident among staff within this area, there was a strong sentiment of

underutilization of this knowledge and expertise. Instead, perceptions of the dominance and elitism of PM&C legacy were prevalent and often spoken about in a highly emotive manner:

[The cultures were] just separate ... you had people talking at each other still a year later. You had legacy PM&C go, 'I don't understand why they don't know about all the things they should be doing to make our job easier because we keep ... fixing their messes and picking up their rubbish'. And non-legacy people going ... '[PM&C legacy people are] like little drones doing all these like strategic b\*\*\*\*\*t things and not actually changing stuff on the ground' [P01].

There was a lot of really unpleasant conversations that were politely veiled between people who saw the people at one national circuit [PM&C legacy] as upstart central agency people, and themselves as real, on the ground practical people, and vice versa. And every decision that was made was often a sense of frustration and fear and annoyance [P07].

The ongoing prevalence of cultural differences, and intensity of emotions they elicited, contributed to strong cultural divides within PM&C. Throughout our study, however, it was apparent that the tensions associated with cultural differences were exacerbated by the lack of effective planning and change management.

### ***Culture and the Nature of Change***

As noted at the outset of this paper, MoG changes are pursued on the basis of a range of supposed gains. These include enhanced efficiency and effectiveness; the achievement of political priorities; and/or better outcomes more broadly. However, our findings suggest that these potential gains are lost when unrecconciled cultural differences are evident across organisations. In doing so, our findings support propositions in the literature regarding the detrimental impact of low cultural compatibility for merged organisations.

A way of mitigating cultural issues in mergers and acquisitions is to undertake appropriate pre-merger due diligence to ensure strategic fit and cultural complementarity between

partners (see, e.g. Marks and Mirvis 2001; Weber and Tarba 2012). However, the (often) politically driven nature of MoG changes means that this is not always appropriate or possible. The political nature of the PM&C MoG change meant that '*there was [not] enough thought about the cultural fit of the people coming in*' [P07]. Thus, the change was not underpinned by a strong organisational principle, with the line agency groups fundamentally different to PM&C legacy.

The cultural issues evident in the PM&C case were exacerbated by the short timeframes involved in the change effort. The decision to combine the departments was made by the Prime Minister, with the departments given inadequate time to plan and implement the change:

The first problem [was] with the planning, because ... there wasn't any, [to] be honest. Because it was such a short unrealistic timeframe, so, for example, the election was in September, the decision was made that we're going to move this direction in the October, and it was going to be finalised by the following March. So therefore there wasn't any time to do any planning ... So as a result, the process of course hasn't even finished today. The integration is still occurring. And a lot more angst was caused [P07].

The short timeframes provided by the government for implementing the MoG change meant that the process had to be undertaken hastily, with insufficient time devoted to planning. This meant that '*... we have a central agency that had a very particular culture, and then we were bringing people in from nine different agencies, and we wanted them all to work together within five months, within the same sort of frameworks, without thinking, how are we actually going to do this?*' [P07]. The need for planning is well-recognised in the literature (see Malekzadeh and Nahavandi 1990; Marks and Mirvis 2001) and is particularly important for ensuring effective change management. Our findings suggest that the detrimental impacts of low cultural compatibility are fuelled when adequate change management and supports are not put in place

to overcome the associated cultural barriers. Specifically, it was apparent that the lack of attempts to integrate the disparate groups perpetuated the dysfunctions associated with the cultural differences.

### ***Lack of Integration and Realization of the Gains of MoG Changes***

The short timeframe allocated to the PM&C MoG change meant the Department was unable to plan appropriately for how to integrate the different cultures. As a result, little consideration had been devoted to the mechanisms necessary to facilitate integration, including communication, employee training and development, and socialisation between groups.

### ***Lack of Communication***

Participants reported that a key integrative mechanism that was lacking in the PM&C case study was communication regarding the change process and the guiding common purpose of the new PM&C. They reported that the desired outcomes of the new PM&C and what it meant for individuals and groups were not communicated.

I think the first thing is to actually sit down and tell people what you wanted the outcome to be. There was a lot of guessing of what the outcomes was, what people wanted. So I think a group of you sitting down saying, 'this is what the outcome is, these are the five things we want. It's more than just a slogan, 'one PM&C', this is what it means across our five key areas. This is what it means in terms of service delivery, this is what it means in terms of the network, this is what it means in terms of policy design, this is what it means in terms of implementation. This is what it means in terms of the internal culture'. That didn't exist, there was no game plan at the end [P07].

The lack of communication undermined the ability of employees to establish a strong identification with the new entity. In the academic literature, it has been argued that senior management communication regarding the new organisation's common purpose and identity acts as crucial integrating devices as they help increase employee certainty (Elstak et al. 2015;

Lodorfos and Boateng 2006; Ollie 1994) and enhance employees' identification with the organisation (Kroon et al. 2009; Ollie 1994) and the willingness to cooperate following a merger and acquisition. Arguably what was required in the PM&C case study was clear and consistent communication that enabled integration of, and cohesiveness between, the disparate groups. This would require the utilization of multiple forms of communication, incorporating both formal and informal day-to-day communication. Instead, participants reported an overreliance on 'corporate' and formal forms of communication, with messages posted on the intranet site or sent via formal emails that remained at the surface level. This meant that communication was not utilised as a tool to integrate the different groups and, in fact, served to highlight their distinctiveness and separateness. In addition, it can be argued that the lack of communication meant that the overall change process was not supported.

### ***Lack of Role Clarity and Development***

Another key factor that was cited by participants as an impediment to integration was the lack of investment into the development of the knowledge and skills necessary for employees to perform their roles in the new agency. Despite coming from very different backgrounds and agencies with a range of cultures, perspectives, and ways of doing things, there seemed to be little to no systemic efforts to guide employees from the new groups through important aspects of their roles, such as how to undertake different processes and write briefs in a particular way, or the rationale for adopting this approach. In particular, the move into PM&C appeared to be accompanied by the expectation that the line agency groups would suddenly be able to bridge both the line and central agency worlds. This involved the ability to develop specialist advice from a functional perspective, which traditionally had been detailed in nature, and then translate this advice and situate it in a bigger picture, whole-of-government context. This was an issue for integration across the groups because it meant the Department did not support employees' development of the

knowledge and skills required to bridge cultural differences. Their understanding of the world-views of other groups was not enhanced, nor were they taught how to adapt to new ways of thinking and operating or, at a minimum, understanding. This is despite recognition in the literature that the cultural aspects of mergers and acquisitions can be better managed through enabling deep cultural learning between different groups (Locke 2007; Marks and Mirvis 2011).

### ***Lack of Socialisation: Physical Proximity, Inclusion, and Interaction***

Participants reported a lack of socialization of the new groups into the new PM&C, with low physical proximity between, and interaction across, the different groups. In the capital city where the central offices were located, the core groups operated from different locations. Some participants stated that the physical separation itself was not a serious issue, as they were used to operating across different locations. It appeared, however, that the issue was more to do with how the physical separation of the different groups symbolised the separateness between them. Despite the rhetoric around 'One-PM&C', participants said that key senior managers '*wanted the Indigenous group very clearly put in the side space*' [P07]. Some participants argued that this led to '*hostility with the people from the Indigenous [Group] because they weren't together. Because they were like "we don't get to see you do things, we don't get to know what you do. We're the exiles"*' [P01]. Feelings of marginalisation and segregation were also obvious: '*people felt they were being dumped in sub-standard buildings, miles away from One National*' [P07] and '*forgotten about . . . we're the poor cousin*' [P10]. Some participants from the Indigenous Affairs Group expressed the view that they had been excluded from key operations and social activities; although this exclusion may not have been intentional, it remained a feeling that perpetuated the sense of otherness. This was demonstrative across a number of areas, including the provision of policy advice and development of cabinet submissions: '*cabinet submissions took a long time to be shared with us. It took a long*

*time for our colleagues to trust that we would uphold cabinet conventions*' [P10]. These feelings were exacerbated by the lack of communication across the whole department.

The lack of integration across the disparate groups undermined the ability of PM&C to capitalise on the potential gains associated with the MoG change. Rather than the cultural differences being complementary, which is cited as being key to synergy realisation and enhanced performance (Larsson and Finkelstein 1999), the lack of integration within the PM&C case meant that the cultural differences were confronting and an impediment to working together. In the literature it is argued that integration efforts, such as the integration of functions, opportunities for job rotation, and opportunities for intergroup socialisation (Lodorfos and Boateng 2006; Olie 1994), can enhance interaction and efforts to coordinate across the different groups. The intention is not to assimilate cultures, but to preserve cultural differences (Cartwright and Cooper 1995; Malekzadeh and Nahavandi 1990; Nahavandi and Malekzadeh 1988) and utilise these differences to optimise synergies. Thus, in the PM&C case, it is likely that the preservation of the cultural differences would be desirable; they just needed to determine ways to make them work for, rather than against, the department's effectiveness. In the literature, however, it is also argued that cultural integration is often given relatively little attention in the pre- and post-merger stages (Lodorfos and Boateng 2006; Marks and Mirvis 2001). Our study supports these claims and highlights the ramifications associated with not utilising integrative mechanisms.

### **Conclusion**

The PM&C MoG change represented an unprecedented change within the APS. It involved the merger of a central agency whose core responsibility was the provision of policy advice to the Prime Minister with line agency groups responsible for program implementation and service delivery. It also involved a rapid increase in staffing numbers and the geographical expansion of departmental functioning. We

focussed on a single case study because it was an extreme version, and a critical case (Yin 2014), of a MoG change. It also enabled analysis of theoretical propositions regarding the impact of cultural compatibility on MoG change implementation. In doing so, we determined that cultural differences created challenges for effective change implementation, with these challenges exacerbated by the lack of integration.

The findings of this study generate important lessons for broader structural changes in the public sector, both nationally and internationally. This case study highlights the issues associated with a lack of planning for a change process, including the lack of assessment regarding synergies and complementarities, deemed important for partner selection in the private sector management literature. The resultant low levels of cultural compatibility across the disparate groups was problematic for inducing cooperation and coordination across the groups, which continued to operate separately from one another post-merger. In this paper, we argued that the issues associated with low cultural compatibility were exacerbated by the lack of systemic effort to integrate the cultures. It meant that not only did the groups continue to operate separately, but the tensions and hostility between the groups was amplified and fragmented their willingness to work together cooperatively. Thus, it could be argued that the anticipated gains of combining different functions and departments were far from realised and, in fact, undermined effectiveness due to the associated tensions.

The findings of this study highlight the issues associated with undertaking MoG changes too rapidly. They also highlight the perils associated with low cultural compatibility across combined organisations. In doing so, they support warnings in the literature regarding the issues associated with undertaking private sector mergers and acquisitions too quickly, with inadequate planning (see, e.g. Weber and Tarba 2012) and assessment of managerial and cultural compatibility across the organisations (Cartwright and Cooper 1995; Lodorfo and Boateng 2006; Nahavandi and Malekzadeh 1988). However, to date, this literature has been

focussed on private sector mergers and acquisitions, rather than structural/MoG changes in the public sector. Thus, it presupposes that organisations make independent decisions regarding their choice of partner. A differentiating feature of the public sector, however, is that the government makes decisions that affect the mechanics and operations of the public sector, such as the initiation of MoG changes. In the PM&C case, the government made a political decision to combine PM&C legacy with Indigenous Affairs, the Office for Women, and the Regulatory Reform and Finance group. Thus, this was not a decision made by the different groups themselves.

Our findings suggest that public sector organisations could improve their implementation of structural change through:

- (1) Establishing an integration team that focuses exclusively on developing and implementing integration strategies (Schuler and Jackson 2001; Schweiger and Goulet 2015). This should incorporate consideration of organisational, process, and people matters that are most likely to derive value and enhance integration (Schuler and Jackson 2001; Schweiger and Goulet 2015). We also suggest that integration teams should comprise representatives from all merged entities and from different functional areas to enable a broader understanding and greater effectiveness (Beard and Zuniga 2006; Schuler and Jackson 2001).
- (2) Devoting closer attention to effective communication to enable employee understanding of the rationale for the change, anticipated benefits, and the desired new organisational identity. This can help enhance clarity and decrease employee uncertainty regarding the change (Bijlsma-Frankema 2001; Birkinshaw et al. 2000; Elstak et al. 2015; Nguyen and Kleiner 2003; Schuler and Jackson 2001; Schweiger and Goulet 2015) and enhance employees' identification with the new organisation (Kroon et al. 2009).

- (3) Utilising performance management to support employees through the change process. Doing so will enable the clarification of expectations (Blackman et al. 2017) and what is required of employees during a change process (Bijlsma-Frankema 2001; Buick et al. 2015). This is important for reducing employees' uncertainty and resistance to change because the establishment of clear and achievable goals and expectations provides them with a degree of psychological safety (Bijlsma-Frankema 2001; Nguyen and Kleiner 2003), which is essential for change realization (Schein 2010).
- (4) Providing opportunities and forums for employees from the different groups to engage in dialogue, and share ideas, learnings and knowledge; doing so may enhance cohesiveness, cooperation, and the establishment of better solutions (Bijlsma-Frankema 2001; Schuler and Jackson 2001; Schweiger and Goulet 2015). Such forums may be informal or formal, focussed on key challenges, and problems faced by the organisation. They may also incorporate job rotation (Larsson and Lubatkin 2001; Marks and Mirvis 2011) across the different groups to provide exposure to different ways of thinking and working.
- (5) Focussing on enhancing cultural learning across the organisation. This can be achieved through holding facilitated discussions whereby employees from different groups collectively discuss their various ways of thinking and operating and the function they serve (Marks and Mirvis 2011). Through enhancing cultural understanding, groups can acknowledge that differences exist and the complexities associated with these differences, understand why certain approaches are adopted, and determine how they can optimise the strengths of the various cultures (Locke 2007; Marks and Mirvis 2011; Saunders et al. 2009). It can also reveal perceptions the different groups have of one another's

culture and clarify aspects that lead to conflict, misunderstandings, and communication breakdowns (Locke 2007; Marks and Mirvis 2011), enabling a better understanding of how the groups could enhance cooperation and work together. We acknowledge this process is not necessarily straightforward and will require skilled facilitators with knowledge of organisational culture and the ability to navigate differences.

Flyvbjerg (2006) has argued for the natural generalizability of case studies. As such, it is unlikely that the issues identified here are unique to this case; instead, it is likely that they are characteristic of the challenges associated with structural change faced by public sector organisations globally, particularly those in Westminster countries. As such, there is a need for more systematic investigations of MoG changes. This study was limited by its focus on a single case study of a unique MoG change. This highlights the need to undertake a broader study into MoG changes based on a comparative case study research design employing cases from state, federal and international contexts. Such a study would enable exploration and analysis regarding when it is most appropriate to undertake MoG changes, and the benefits and challenges associated with a range of MoG changes, including those that are deemed to be both successful and unsuccessful. It would also involve investigation into what mechanisms are necessary for more effective integration and acculturation in such changes.

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