

Summary

Deloitte hereby presents a summary of the main findings in the rapport. The main target of the project has been to systemize relevant knowledge and experiences in regards to employer policy related challenges. A core issue in the project has been to identify relevant knowledge, gained from relevant experiences and literature from Norway, Denmark and Finland. We have adopted a qualitative methodological approach, including interviews and document analysis, to accentuate policy measures taken by employers during municipal mergers.

In the report, we have highlighted experiences based on experiences from former municipal mergers after 1994. Most of the mergers has been between two relatively small municipalities, characterized by volunteerism. This will probably change in future processes. Mergers between several municipalities and following challenges in terms of redundancies will probably arise stronger in the coming reform.

Mergers presented in the report:

Municipality	Characteristics
The municipality of Fredrikstad	Merger in 1994, between Fredrikstad, Borge, Kråkerøy, Onsøy and Rolvsøy
The municipality of Re	Merger in 2002, between Ramnes and Våle
The municipality of Bodø	Merger in 2005, between Bodø and Skjerstad
The municipality of Aure	Merger in 2006, between Aure and Tustna
The municipality of Vindafjord	Merger in 2006, between Ølen and Vindafjord
The municipality of Kristiansund	Merger in 2008, between Kristiansund and Frei
The municipality of Inderøy	Merger in 2012, between Mosvik and Inderøy
The municipality of Harstad	Merger in 2013, between Harstad og Bjarkøy
The municipalities of Tønsberg, Nøtterøy and Tjøme	Mapping process, prior to decision of merger
The municipalities of Ørland and Bjugn	Cancelled process towards merger

Prerequisites for a successful merger

Most of the mergers are perceived as relatively successful, although conflicts and resistance of the employees have affected some of the processes. However, whether the merger is characterized as a simple fusion or a larger restructuring process, affects the results and experiences of the implementation. The need for change and reorganization will be affected by employer policy measures made in the first stages of the mergers. Several municipalities have had the need to take further organizational measures after the merger, to develop a better and more efficient organization in the new municipality.

The main purpose of the project has not been to uncover the results of the processes, but rather to accentuate the employer policy measures undertaken as part of these. The report gives a description of overall success factors, including the preconditions for a successful completion of a merger and appropriate exercise of political and administrative management.

Strong leadership

The need for both political and administrative management, to be clear on the goals and aspirations for the new municipality has been identified as a critical success factor. It is important to communicate what you want to achieve through the merger. A municipal merger is not necessarily a goal in itself,

but rather an instrument, used to achieve benefits for the population. The national goals of the municipal reform, is to strengthen the professional expertise, secure professional and financial robustness, and facilitating regional development. Political leadership in particular, must have a clear vision of how these objectives are evident in their municipalities. This requires a focus on what one wants to achieve as a new municipality, and how to achieve these goals. When required, this will assure that restructuring efforts and initiatives for change will have a common direction.

There has been different aims and goals of the municipal mergers, mainly because of differences in the local context and conditions, but also due to national policy. There will probably be an increase in objectives based on national goals, when municipals initiate mergers after the implementation of the municipal reform. Deloitte considers that this requires the political and administrative management to communicate the transmission of these objectives to their municipality, to its residents and employees.

Roles and mandates of the political and administrative actors and bodies in the merger

Implementation of a municipal merger is understood as a comprehensive and complex project, which requires strong project management, change management and the ability to identify employer policy issues in the context of overall political visions and objectives. The municipalities that are included in the report, has organized the restructuring process of the merger in slightly different ways, but they all have adhered to the guidelines given in the *Inndelingsloven*. After a formal, political decision on municipal amalgamation, the relevant municipal councils established a joint committee, *fellesnemd*, which makes decisions on behalf the new municipality. Most municipalities also established a joint committee consisting of municipal management and employee representatives, *partssamensatt utvalg*, which had an important role in the discussion of employer policy issues.

Deloitte considers it important that the established committees and groups have clearly defined mandates, which can contribute to the division of roles between political and administrative levels. It is also important that key actors, both political and administrative, are empowered and authorized to take necessary decisions. The interim board (*fellesnemd*) has a particularly important role in taking decisions on behalf of the new municipality, and provide guidelines for how the old municipalities should prepare for a merger. Important considerations in the establishment and composition of the project organization involves both 1) how to ensure an appropriate allocation of participants across municipalities and stakeholders, and 2) how to ensure an appropriate division of labor between political and administrative leadership.

Innovation and generosity

Most municipalities that are merging will perceive the merger as a significant change. Thus, municipalities should have an innovative approach during soundings and discussions with representatives of other municipalities. This will for example be particularly important for the political leadership in discussions on the name of the municipality, or the location of the municipal center and management. Furthermore, a critical success factor is the ability to show generosity. A concern that larger municipalities will consume the smaller actors in the process can be a possible challenge and barrier to constructive dialogue. Local identity, culture and values are of great importance for most municipalities. Thus, large municipalities must show respect and understanding for local needs, and should show generosity in dialogue with smaller municipalities. This generosity should be present in both the political and administrative processes. However, balancing generosity with the need to find optimal solutions by sustainable use of resources, are necessary.

Broad involvement and an open approach

Informants in the project states that broad involvement in the merging process, ensuring the rights of the employees through participation of union representatives, is a critical factor of success. It appears important to involve as early as possible, and preferably as much as possible. Many of the decisions that follow a municipal merger could potentially have significant impact on the working conditions of both managers and employees of municipalities. In practice, all employees will receive a new

employer by an undertaking. However, experiences show that most of the changes will affect managers and administrative staff of the municipality. Since most examples of municipal mergers from Norway in recent years are between two municipalities, it should also be noted that the need for redundancies have been a manageable challenge. Some municipalities also state that they eventually find that recruitment is a bigger problem than redundancies. The municipalities primarily found duplication of positions in the administration and management. By using discussions and direct placement in positions, the mapped municipalities has been able to solve employment challenges that have arisen.

Overall, the broad involvement of union representatives in decision making and the planning process, has ensured that organizational changes have been well received and anchored among both managers and employees. Transparency and communication during the merger will also contribute to this. However, balancing a broad involvement against the need to make decisions and secure progress in the merger are necessary.

Based on the identified critical success factors, Deloitte will make some recommendations and suggestions for municipal efforts to meet the challenges and goals of the upcoming reform.

Recommendations and suggestions

KS presents a model for leadership in the municipal sector in their reflection booklet for development of local employer strategy, "*Skodd for fremtiden*". This model emphasizes that management of a municipality is dependent on task orientation in terms of governance and structure, relational orientation and change orientation in terms of development. Both political and administrative leaders must have an active focus on these factors, while municipality culture and surroundings will set guidelines for the adaptation of the model. Deloitte believes that adequate management principles are central to the municipality's exercise of its employer policy in municipal mergers.

Furthermore, Deloitte considers it important that municipalities acquire the necessary expertise to deal with the issues and challenges that arise in a municipal merging process. A municipal merger requires that municipal leaders are able to organize and lead the process in a structured and efficient way to manage change and restructuring efforts, and facilitate a good integration between municipal organizations.

How to organize and lead the municipal merger as a project?

Deloitte consider municipal mergers to be extensive and complex projects, requiring expertise in project management. This entails the ability to plan and operationalize projects, by defining critical milestones and clarify requirements for commitment, expertise and resources. The implementation of the project will require prioritization of project work, and implementation in accordance with the approved plan.

Organizing the project

To design a distinct project organization is one way to structure the merger project. One must then consider which bodies and groups that need to be established. It is important to consider how the representation of actors from the municipalities and expertise are organized. What should the mandates be, and are delegation of power needed? How is the interaction between bodies supposed to work? To ensure a well-driven merger it is important that municipalities design and choose a project organization that meets their needs. However, an adequate project organization should meet some criteria:

- It should follow the requirements in *Inndelingsloven*, *Kommuneloven* and *Hovedavtalen*
- The distribution of representatives from the various municipalities should be perceived as equitable and fair
- The organization should not be too complex, but have clear lines of command

- The project manager should have knowledge about restructuring processes and sector understanding, as well as sufficient time and capacity to lead all phases of the merger
- There should be established workgroups, where experts from the various service areas, as well as union representatives are participants

Use of policy documents

Experience from previous municipal mergers is that municipalities have developed policy documents when needed. However, informants have emphasized that some documents have been particularly useful. We will therefore present a selection of policy documents that we believe municipalities could benefit from in the restructuring process.

- We recommend that municipalities at an early stage reach to an agreement on the content of a memorandum that defines the political objectives of the merger and outlines the overall framework for the new municipality (municipality name, localization, etc.). Every individual municipality council should pass the agreements of the memorandum.
- We also recommend that the municipalities design a process document, which provides guidelines for how the transition of employees will take place and the implementation of employer policy measures during the merger. The process document can be seen as a temporary political employer strategy for the merging period. It can describe rules for undertakings, redundancies, placements or harmonization of benefits.
- In addition to a memorandum and a process document, the project leader might find it helpful to prepare a project plan with a description of the project phases and milestones. A project plan should be a dynamic document and contain the operationalization of political goals, milestones, and organization.

Merging municipalities by managing change

An important question in any municipal merging process is whether the merger requires significant restructuring of the organization. The extent to which the merger will require significant changes will depend on the local organization. A recognized methodology in change management is John Kotter's eight steps. These steps can be normative for the communication of the change (Kotter and Rathgeber, 2006). One important step is about the need to develop change leaders. By ensuring a wide understanding in the municipal organization and provide executives, professionals and elected politicians with important roles in workgroups, municipalities have succeeded in developing influential leaders and staff to be agents of change work. The working groups, where actors across levels and municipalities have worked together to develop solutions for the new municipality is also emphasized as a beginning of a new and interactive culture. It is also important that there is no a distinction between those involved and those who are not, and that leaders actively ensures a flow of information to the rest of the municipal organization.

Merging municipalities by integration management

Deloitte sees mergers between municipalities a fusion between two or more organizations, which requires a thorough integration of the organizations. Experiences from other sectors, including the private sector, shows that inadequate management, cultural differences and lack of integration are the biggest barriers to extract desired gains from a merger. For municipalities to be able to extract gains in efficiency and quality, one must clearly define the wanted gains as an objective of the merger at an early stage. Then, the rest of the process can planned and implemented with this aim. It is necessary that the parties agree on the gains, if citizens are to consider the result as a success. A municipal merger is mainly a mean to ensure better services to the citizens. By identifying and highlighting the goals of the merger, a well-designed project organization and restructuring process can help to provide the desired result.

Furthermore, it is clear that a merger, as mentioned, will require an extensive effort, and prioritization of critical tasks. It is recommended that municipalities prioritize the tasks that ensure continuity in

municipal operations when day 1 (first day of the new municipality) arrives. This to ensure that the merger does not go beyond the municipality's ability to deliver services to citizens.

The interaction between political and administrative management

The municipal council has the formal employer responsibility for the employees of a municipality, but in practice, the responsibility is delegated to the chief administrative of the municipality. Employer responsibility and authority as employer is best managed when the municipal council adopts an employer strategy and delegates the authority to exercise the employer function to the chief administrative. An employer strategy provides a clearer division of roles between the elected representatives and the chief administrative.

By adopting important decisions and delegate power to the administrative level, the political level can conduct its responsibility as the employer. Early in the process, a memorandum could provide the employer policy guidelines, especially if job-guarantees are given to employees. Moreover, the political leadership add strategic guidelines for the restructuring process by adopting a process document. The political level also safeguards their employer responsibilities by ensuring an adequate project organization and delegating powers to the chief administrative and project leader. In a municipal merger, it is important that the chief administrative can exercise his responsibility as an employer towards his employees in a good way, while the project manager gets leeway to implement the necessary changes in the merger process. Administrative leadership must ensure good cooperation with union representatives and ensure that employees in the organization is experiencing genuine involvement and information flow in the process.

Deloitte considers it appropriate to address the employer policy issues at an early stage, with the aim to get an overview of what might be possible consequences of the merger.