

Impact of Amalgamation on Strategic Planning, ICT capabilities and Institutional Performance

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Abstract: Local government areas in Australia are referred to as local councils. These councils are responsible for local community services such as garbage collection and local road works. This study covers the Sunshine Coast council area and looks at the impact amalgamation of local councils in Australia has on strategic planning and the Information and Communication technologies (ICT) capabilities of the newly merged council. The research looks at this impact in terms of institutional advantage and provides a novel perspective to the mergers and amalgamations research domain. The methodology will be a combination of qualitative and quantitative research approaches with the literature review providing the background and a series of focus groups providing qualitative data from relevant administration staff. The focus groups' feedback along with a targeted, mini survey of key decision makers within council will inform the development of the general survey questionnaire which will then be sent out to all admin staff in the council. The results of this questionnaire will be subject to statistical analysis through structural equation modelling. These results will then be related back to the original research questions and to the theoretical framework and specifically to the key variable, namely institutional advantage.

Keywords: Amalgamations, Planning, ICT, Performance.

I. Sunshine Coast Region and the Sunshine Coast Regional Council

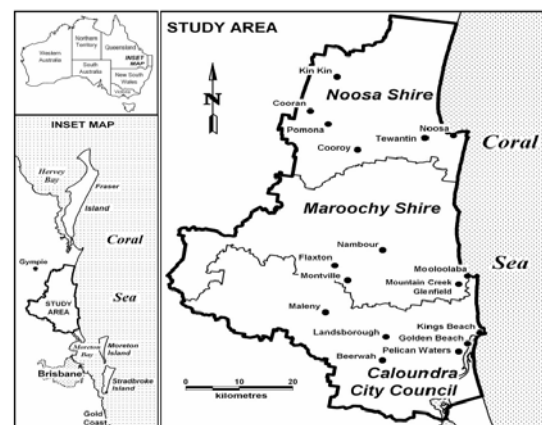
The Commonwealth of Australia comprises six states and two territories (Figure 1). The Sunshine Coast Regional Council (SCRC) is part of the State of Queensland and is the Local Government of one of the fastest growing regions in Australia. The Sunshine Coast has been known with this name since the 1960s when a tourism promotion slogan replaced, in the mind of visitors and residents, the name of the area previously known as the North Coast. Three municipalities: Noosa Shire, Maroochy Shire and Caloundra City (Fig.1) form this region.

Queensland's State Government established, on the seventeenth of April 2007, a Reform Commission to assess the need for compulsory amalgamation of local councils and by the tenth of August the process resulted in a law by which Queensland would minimise the number of councils

from 157 to 73 [15]. Since the 15th of March 2008 the boundaries between the three existing Sunshine Coast municipalities vanished into one single governing local body known from that date as the Sunshine Coast Regional Council.

The Sunshine Coast Regional Council is located in south-east Queensland, about 100 kilometres north of Brisbane and is bounded by the Gympie region in the North, the Coral Sea in the east, the Moreton Bay Region in the south, and the Somerset Region in the south-west (SCRC 2010). Beautiful, pristine beaches and mountains, rivers and national parks surrounded by subtropical flora and attractive dwellings bring tourists to the region year after year [17] and many of these tourists decide at some point to make the Sunshine Coast their permanent home. This population growth trend is the reason that led State Government to amalgamate the three councils despite significant costs and service disruptions during the implementation process [15]

Figure 1: The relative location of the study area, the Sunshine Coast, Australia.



Source: [17]

Local council amalgamations have had an impact on all Australian states at different times for the last one hundred years 48. One of the most controversial amalgamations in recent times has been that of the three Sunshine Coast shires. The 'forced amalgamation' provoked fears of 'development bias' [15, p. 69] as it could result in the destruction of Noosa's natural beauty, but Australian State Government dismissed this allegation in favour of operational efficiency gains at the local government level.

The arguments were that the reform 'would improve the local government's ability to deliver services and undertake environmental, social and economic planning' [46, p. 38] whereas the existing local shires were struggling to compete for highly trained ICT competent employees.

Four main benefits of amalgamations were then generalised by the State of Reform Commission from existing data arguing that 1) 'larger resource base, better infrastructure management and enhanced capacity'; 2) 'scale economies'; 3) 'savings in operational efficiency and asset rationalization'; 4) 'better planning and infrastructure delivery across growth areas' [46, p. 39] would result in stronger local governments with higher capacity to overcome difficulties more efficiently [15].

In a geographic area spread over 200 km and containing a diverse population of 312,000 people (Table 1) with differing identities, it would not be unreasonable to argue that the quality of service delivered by the new council would be influenced by the diverse organisational cultures of the pre-existing shires and their employees.

Table 1 Facts at a Glance

Estimated Resident Population (ABS 2008)	312,804
Total area of region	3,127 km ²
Land Area	3,014 km ²
Waterways	113 km
Coastline	Over 200 km
Parks and Bushland	Over 13,000 ha
Roads	Approx. 4000 km
Bikeways	Approx. 800 km

Source: SCRC (2010)

Employee engagement in the new planning process and their ability to integrate/utilise new ICT capabilities and how they impact on the quality of service delivery by the council to the taxpayers (citizens), here termed as the institutional advantage, will be the key focus of this research. There are 2800 employees (Table 2) in the council who are considered as the internal customers of the ICT facilities.

Table 2 Number of Employees

SHIRE	Employees (2010)
Old Maroochydore	1400
Old Caloundra	800
Old Noosa	600
New Sunshine Coast Regional Council	2800

Source: [26]

This paper has been divided into four major sections: research justification and the possible contributions of this research to theory, management and government; the research questions and then the development of a theoretical framework; a brief literature review of the key dimensions of the theoretical framework (strategic planning, culture, ICT capabilities and institutional advantage through quality of service delivery); and a brief outline of the proposed method proposed and a plan for future research.

II. Why this research?

The literature review suggests that there is a lack of empirical evidence about the impact that amalgamations have on employees' perception of operational efficiency through quality of service delivery in the local government context during the integration process following the amalgamation of three different organisations (Councils).

Improvements in quality of service delivery through better planning processes that embrace diverse cultures and use ICT capabilities to provide ratepayers' value and rewards to employees will determine/influence the level of institutional advantage of any public administration embarked in the process of amalgamation.

Some of the key issues of institutional amalgamation as discussed in the management literature include cultural integration and system integration (communication and reporting system, financial system and so forth) [21]. These issues play a negative role in the achievement of value creation. According to Yang and Hsieh [54, p.861] it is important to develop 'solid theories to explain the conditions and mechanisms that can lead to successful performance measurement' in public organisations. Yang and Hsieh [54] have further argued that middle range theories are needed today to provide integrative frameworks addressing specific aspects of performance measurement that are clearly formulated around verifiable statements of relationships between variables.

Contribution to theory

Derived from the concept of competitive advantage, institutional advantage has a scant presence in the strategic management literature. Therefore as public and not-for-profit organisations adopt the concepts of strategic management, there is a need to develop a framework linking institutional performance with the antecedents of performance such as culture, ICT capabilities and planning and this will provide a theoretical background for future studies on performance in public organisations.

Contribution to Management Practice in the public sector

Managers in Government organisations, where amalgamations are not unusual, will be able to assess the impact that cultural changes have on the planning process,

ICT capabilities and through them on quality of service and institutional advantage.

Contribution to Public Service Policy

The research aims to provide support to any public organisation undertaking a process of amalgamation with objectives similar to those of Queensland State Government by which local government amalgamations 'would improve the local government's ability to deliver services' by undertaking 'environmental, social and economic planning' [46, p. 38].

III. Research Questions

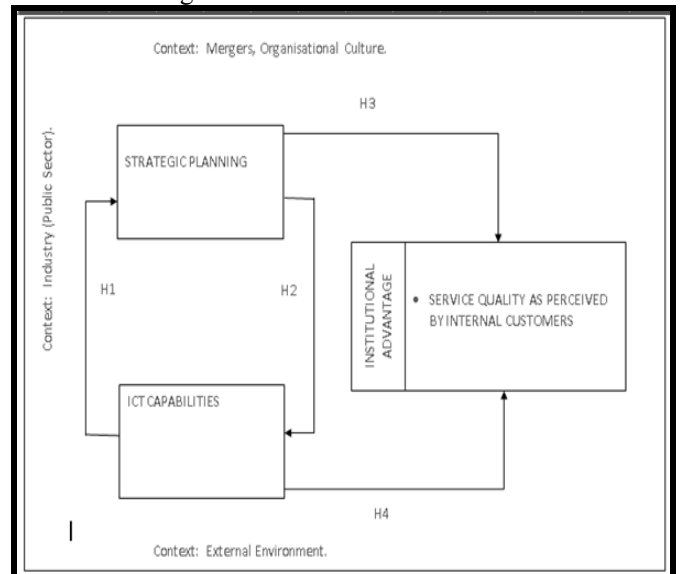
Based on the gap identified in the literature, this study proposes to investigate the following questions:

1. What are the implications of Council Amalgamation in the Strategic Planning Process?
2. What are the approaches taken by the council to integrate Information and Communication Technology (ICT) capabilities following the amalgamation?
3. Does the Council's strategic plan have a strategy for building ICT capabilities?
4. What is the role of ICT in strategic planning?
5. What is the relationship between Strategic Planning and service quality as perceived by internal customers (employees)?
6. What is the relationship between ICT and service quality as perceived by internal customers?

IV. Theoretical Framework

The framework in Figure 2 will be used to assess performance specifically through service quality process, the dependent variable identified by Ray, Barney and Muhanna [40], using internal customers perceptions of service quality through strategic planning, culture and ICT capabilities as it applies to local governments in the process of post-amalgamation integration.

Figure 2: Theoretical Framework



V. A brief review of the literature Institutional Mergers

Amalgamations, mergers and acquisitions have been widely used by public and private organisations as a strategic vehicle to increase market opportunities and/ or enhance internal operations [43]. Amalgamations expand the scope of a company in new directions, but many amalgamations fail to add value to the organisation and often only dissipate it. It has been widely argued that mergers seldom deliver a real return on investment [52] [53].

Moreover, there is enough empirical evidence to ascertain that many amalgamation, merger and acquisition processes fail to realise their expected objectives in the short and midterm [39] [8] and in many cases this is due to poor or lack of integration. Integration is a complex task for any organisation but in the case of government and other non-for profit organisations this complexity is exacerbated by what has been identified as a lack of capability to measure programs' performance [16].

After amalgamation newly formed organisations have to develop new plans to integrate all business processes within the new organisational structure, they must adopt new management practice and control systems and create new linkages to share information and personnel. In the process of integration most problems stem from differences in planning processes, information and communication technologies (ICT) and in corporate cultures and when this occurs organisational performance suffers [25] [21].

VI. Institutional Performance

The literature on public service performance measurement has been 'largely descriptive and prescriptive' [54, p. 861] with little attention paid to theory building and hypothesis testing with the exceptions of empirical studies by De

Lancer Julnes & Holzer [12] addressing factors affecting the adoption and implementation of performance measures, Ho [22] assessing the value of performance measurements and Wang & Berman [51] who empirically tested a number of hypotheses relating to government performance.

This paper proposes to use strategic management theory, specifically the concept of 'Competitive Advantage' as adapted by Goold [19] to the context of public organisations. While a private company's concern rests on the attractiveness and profit potential of the industry in which it competes and on how to develop resources and capabilities to achieve superior performance and hence competitive advantage, in the case of public organisations this is not clear as the public organisations do not have a market orientation.

Goold [19] identified the two key assumptions of competitive advantage. The first assumption being that a competitive environment must exist before organisational performance can be benchmarked against other competitors' performance. Secondly Goold identified profit maximising as the main goal of all competing organisations. Goold [19] further suggested that public and not-for-profit organisations achieve 'institutional advantage' when a not-for-profit body 'performs its tasks more effectively than other comparable organisations' (p. 292) and it is on the strength of this statement that institutional advantage will be assessed in the proposed study as a reflection of employees' perception of the quality of service delivery which we propose is affected by strategic planning and ICT capabilities and culture.

VII. Integration and Organisational Culture during amalgamations

The fundamental aim in post-acquisition integration is to make effective use of existing capabilities [11] because of the difficulty of managing integration effectively due to conflicting management styles, reward and evaluation systems, organisational structures and organisational cultures despite the possibility of possible cost reduction.

Noosa, Maroochydore and Caloundra shires had distinctive cultures before the amalgamation that took place on March 2008. Cultural dimensions such as shared values, principles, traditions and ways of doing things had been developed over time [20] [13] [44] and greatly influenced the way employees behaved when providing services to the local community.

Research papers by Chatman and Jehn [9] and O'Reilly III, Chatman and Caldwell [30] have argued that the essence of organisational culture can be assessed by seven dimensions and that the composite of these dimensions provides a perceptual picture of an organisation's culture and that some dimensions are more influential in some organisations than in others. These dimensions are: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, innovation and risk taking.

New management styles may contribute to what has been termed as cultural ambiguity [6] characterised by uncertainties regarding which culture will be dominant [11] and as a result there may be loss of identity and heavy resistance to change amongst the employees as their perception of belonging to a weaker, vanishing organisational culture, may affect performance.

VIII. Strategic Planning and Performance

To overcome the problem and with the aim to provide cost effective services [36] many public managers have resorted to strategic planning [2] [5] or the strategic management processes [50] [36] but results-oriented management tools require baseline data and techniques to evaluate performance.

Several studies have investigated the relationship between planning and performance [35] [41] [36]. Formal planning has a direct positive impact on financial returns [42] and the quality and successful implementation of plans have more impact on company performance than the extent of planning. Furthermore, when formal planning does not achieve expected higher levels of performance it is due to the power of environmental constraints [42].

Empirical investigations on performance measurement in public organisation have provided mixed results [27] [22] due in some cases to lack of fit and in other cases to the unintended consequences of planning [24][45], but performance has become an important part of the reform agendas for governments all around the world. Ratepayers today demand increasing levels of accountability, quality and customer responsiveness [29].

Employees' understanding of value delivered provides feedback to the planning process and the planning process then informs performance. Planning is important because it gives direction to managers and other employees and limits the possibility for task duplication in newly merged organisations. Planning decreases uncertainty through anticipation and it helps to eliminate wasteful activities, and aids through goal achievement controls [42].

Strategic Planning is the cornerstone of strategic management [49] but must be linked to strategic implementation. Powell [38] following Miller [28], under the theoretical umbrella of the resource-based view, described and tested 'planning for competitive advantage' as the interrelation of three variables namely: goal setting, analysis, and scanning.

It must be observed at this point that plans created by managers without consultation may be resisted by employees threatened by changes in conditions or changes in operational plans or changes in control systems [18]. The strategic management process also requires the assessment of organisational capabilities, power structures, organisational structure, culture and leadership [49, p. 203], and hence the focus of this research: 'the relationships

between planning, ICT capabilities, culture and their impact on service quality 'surrogate measure of institutional advantage'. Each of these dimensions will be researched in depth in later studies.

Public organisations are an important part of society because they provide services that may not be economically feasible through private enterprising, hence to measure public organisations' outputs something has to differ from that of the strategically managed private organisations. If the measurement of performance is transferred from financial performance to service quality performance then value creation and institutional advantage may become relevant measures of performance in the local government context. Furthermore, as most services in modern public and private organisations are driven by Information and Communication Technology (ICT), it would be important to understand the effect of ICT capabilities on amalgamated organisations.

IX. ICT Capabilities and Performance

The controversy over the importance of ICT as a source of competitive advantage was termed the 'productivity paradox' and it was a source of vivid debate during the late 1990s [3]. Many studies argued that competitive advantage gained through information and communication technologies was short lived because it was easy to replicate [7] and hence concluding that there were no relationships between ICT investments and any measure of firm profitability[47]. Meanwhile other studies have suggested that ICT improves organisational performance and competitive position [3].

The resource-based view of the firm determines that organisational performance is affected by resources and skills that are specific to the firm, difficult to imitate and/ or substitute [1]. Several studies [3] [40] [4] have argued that ICT is an organisational capability and that firms with stronger ICT capabilities outperform those without them.

Bhatt and Grover suggested that competitive advantage is 'rooted in the deployment and use of idiosyncratic, valuable, and inimitable resources and capabilities' (2005, p.256). Resource picking and capability building are therefore the two distinctive strategic mechanisms that a firm must leverage in order to affect performance. ICT capability building is then the ability to embed these ICT capabilities and unique competencies into the operations of a firm and hence develop sustainable, heterogeneous value [4].

Using the resource-based view Bhatt and Grover [4] empirically assessed three sets of ICT capabilities and competitive advantage. :

1. **Value Capabilities:** *ICT Infrastructure* it is argued to be valuable as a source of competitive advantage.
2. **Competitive ICT Capabilities:** *ICT business experience* or the integration of business strategy and ICT; *Relationship infrastructure* or the ability

of the ICT group to understand business needs and create partnerships with business groups.

3. **Dynamic Capabilities:** *Intensity of organisational learning* or the ability to respond quickly to environmental threats and leverage opportunities.

Ray, Barney and Muhanna [40] proposed that sometime adopting the effectiveness of business processes as the dependent variable may be better than using overall firm performance as the dependent variable.

X. Quality of service delivery and Institutional advantage

When Barney [1] developed the resource-based view theory he argued that organisations achieve sustainable competitive advantage when they utilise resources and capabilities that are inelastic in supply. To test this quantitatively at the corporate and business level of analysis most studies have used similar approaches. The approach implies the development of measures of organisational resources and capabilities that are then correlated against 'some measures of firm performance' [1, p. 23].

Ray, Barney and Muhanna [40] have suggested that, although valid, this approach is limited in the sense that its focus is on a highly aggregated dependent variable, firm performance, and this may not be the best approach to test resource-based theory. They contend that a more appropriate way to test the implications of the resource-based view theory may be to adopt 'the performance of a business process as the dependent variable'(p.25).

Resources and capabilities of the firm are only valuable if they can be exploited and they are exploited through business processes. Porter [37] argued that resources are valuable because they allow organisations to perform activities and hence 'business processes are the source of competitive advantage'(p.108).

In this study 'Service Delivery' is the process or processes used to provide customer service to rate payers. The research aims to ascertain the extent by which the quality of these processes is influenced by culture, ICT capabilities and planning, in the local government context after amalgamation. The perception of quality of service delivery by internal customer is therefore the measure of what then will be correlated against other local governments to ascertain institutional advantage.

XI. Method

The method proposed for the completion of this research will be a combination of quantitative and qualitative techniques. Firstly, it will involve an extensive review of the relevant strategic management and information and communication technology literature as it applies to planning, ICT capabilities, culture and quality of service delivery for institutional advantage. After the literature review focus groups of relevant council administration

employees will follow to obtain insights into the planned dimensions and variables, and to assist in the development of the second stage of the research, namely the questionnaire.

The questionnaire will then be distributed to all employees using Dillman's [14] total design method. The relationship between different dimensions of this study will then be examined using statistical techniques including structural equation modelling [23].

The survey will use a variation of ServQual [31] [32] [33] [34] modified for the purpose of using performance of the service quality process as a dependent variable by Ray, Barney and Muhanna [40]. While the independent variables used by these authors were service climate, managerial knowledge, technology resources in customer service and investment in customer service at this point more literature is required to ascertain whether these independent variables are more or less suitable than those proposed by Bhatt and Grover [4] and second to evaluate service climate or organisational culture as more appropriate for the purpose of the research.

To conclude triangulation will be conducted between qualitative data, quantitative data and other secondary data available to then assess institutional advantage.

A construct is reliable if it provides the same set of scores for a group of subjects upon repeated testing. Reliability will be tested for consistency of measurement using Cronbach's alpha [10] and then face validity will be tested [23].

XII. Conclusion and Further Research

In conclusion the paper has proposed a research plan to contribute to the theory and management of strategic management of ICT in the public sector through quality of service delivery to achieve institutional advantage. The literature review provided a brief overview of the fundamental dimensions that will be researched after the approval of this proposal including an empirical approach to evaluate the integration of cultural and information and communication technology dimensions as they apply to the amalgamation process in local and other public organisations, and then to provide an instrument to improve private organisational competitive advantage that can be

used to measure institutional advantage and to increase the support for this concept to be more widely used in academia and in management practice. Future research will involve operationalisation of these dimensions, collection of information from the Sunshine Coast Regional Council using employees as the target respondents, data entry, data analysis using various statistical techniques such as factor analysis, regression analysis, and structural equation modelling.

XIII. References

Please contact the author to get the reference lists

Background of Authors

Oscar Imaz-Mairal studied Business Information Systems at the University of the Sunshine Coast where he then completed a Masters in Business Administration. Oscar is now a PhD candidate at the same University. Oscar has had 25 years Business experience in areas as diverse as banking, hospitality investment and property development.

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