Mergers and Acquisitions (M&A) of Municipal Owned Entities (MOEs) in South Africa: The Case of Johannesburg City Parks and Zoo

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Abstract: Mergers and acquisitions are one way to make none performing enterprises productive and profitable. The City of Johannesburg Municipality (CoJ) has gone through a process of merging some of its municipal owned enterprises (MOEs) in recent years. Taking the case of the merger of the Johannesburg City Parks and Johannesburg Zoo to form a new company called Johannesburg City Park and Zoo, this paper draws from secondary sources such as municipal documents and data from interviews with different Johannesburg City Park and Zoo staff. The findings point to various problems which the merger has created for the Johannesburg City Park and Zoo which have negatively impacted on service delivery functions. The findings further indicate that the problems created by the merger are related to poor articulation of merger process; organisational fit; inadequate management of merger process; political imperativeness; low staff morale and satisfaction; and insufficient funding of merger process. These findings are consistent with theoretical exegesis in extant literature on mergers and acquisitions. The paper concludes with recommendations aimed at strengthening policy, strategies, and capacities. These are deemed necessary if the Johannesburg City Park and Zoo is to achieve its intended objectives.

Keywords: Mergers and Acquisitions, City of Johannesburg, Municipal Owned Entities, Johannesburg City Park, Zoo

1. Introduction

The City of Johannesburg Municipality (CoJ) is the largest metropolitan city in South Africa, especially in terms of its population size and economic development. Statistics South Africa (Stat SA), estimates the city's population at about 4.4 million people (Stat SA, 2014). As a result of this, the challenge of building new infrastructure, maintaining and expanding existing ones as well as providing essential services and jobs to meet growing demands continues to increase. Despite the enormity of the task faced by the City, it continues to make effort towards meeting or effectively managing these demands. In this regard, several initiatives have been undertaken at the municipal level to ensure the city meets the challenges facing it and its residents.

One of several initiatives introduced in response to growing needs and services of the municipality, was the decision in 2000, to create non-profit Municipal Owned Entities (MOEs). Generally, these entities provide specific municipal services as business entities to the city and its residents in particular and the country in general. The logic behind the creation of these legal entities to provide services as commercial entities was the understanding that, the strategy would make the MOEs efficient, effective and productive. This in turn will accelerate holistic growth and development in a manner intended by the municipality.

The pursuance of holistic development entails, among other things, sustainable use and maintenance of the city's environment. In this regard therefore, the Johannesburg City Parks (JCP), was created as a non-profit company under the Companies Act 71 of 2008 as amended, specifically to develop, maintain and conserve green open spaces and Cemeteries (The City of Johannesburg Municipality, 2013). Accordingly, the JCP maintains over 20 000 hectares of green open spaces and 3.2 million trees (public spaces) as well as provides services such as urban parks, recreation and leisure facilities; cemeteries and crematoria. Other products and services include botanical services; nature reserves, including bird sanctuaries, nature trails, dams and lakes as well as environmental education; biodiversity and conservation management; eco-tourism products and services; trees and arboriculture services (The City of Johannesburg Municipality, 2013).

The Johannesburg Zoo (JHB Zoo) was established in 2000 as a non-profit company in accordance with

Table 1: Epstein's Six Keys to Merger Success

Key	
Strategic Vision and Fit	Clear merger rationale articulated and focused on long-term competitive advantage and designed for synergies in size, geography, people, or services. Partners are the right choices for merger to fulfil the strategic vision.
Deal Structure	Price paid and type of financing are appropriate and beneficial.
Due Diligence	Conducts a formal review of assets, liabilities, revenues, expenses and evaluation of culture, organisational fit, and other non-financial elements.
Pre-Merger Planning	Formulation of the key integration processes and decisions are coordinated, communicated, and completed quickly.
Post-Merger Integration	Processes including the management of human resources, technical operations, and customer relationships are carefully blended and important decisions made.
External Factors	External factors that damage the long-term perception due to temporary stock declines.

Source: Epstein (2005)

the provisions of the Companies Act 71 of 2008. It was specifically, established to provide conservation and as well as research functions. In terms of its size, the zoo is located on a 690 hectares of land located in Parys. Its animal population totals about two thousand from about three hundred different species. As noted earlier, the overall objective of creating MOEs was to ensure effective and efficient service provision to the growing population of CoJ in line with the overall development plan of the country. Therefore, even though the JCP and the JHB Zoo operated well in fulfilling their respective mandates, it was considered expedient to merge the two legal entities into one organisation. Thus, following the recommendations of the high-level institutional review of the CoJ in 2011, the JCP and the JHB Zoo were merged into one organisation known as Johannesburg City Parks and Zoo (JCPZ).

The merger of the two entities was considered necessary because it was envisioned to allow the CoJ to take advantage of "a number of opportunities for economies of scale" (CoJ, 2013:9,10). This essentially implies realising the following benefits: "potential for leveraging and enhancing a focus on environmental conservation, education and awareness; expenditure benefits at operational, executive and board level; potential for optimising synergies through combined resources, skills, PR (*public relations*), marketing and technical capabilities; and a targeted and focused new business development and revenue generation capability and capacity" (CoJ, 2013:10). Against this background, this paper generally assesses the extent to which the goals of the merger have been achieved.

2. Theorising the JCP-JHB Zoo Merger (Pre-Merger Gaps)

An examination of the JCP-JHB Zoo merger requires theoretical foregrounding. Admittedly, existing literature on mergers and acquisitions (M&A) is huge. Results of Works examined show general agreement that the presence or absence of certain issues determine the success or failure of M&A. In this regard, Epstein's (2005) identifies six keys to merger success which this paper employs. Similarly, Shrivastava (1986) post-merger theoretical constructs are also relevant to this paper. Epstein's (2005) analytical framework (Table 1) provides a useful guide to analysis relating to pre-merger and post-merger processes. Epstein's model highlights and discusses the complex interplay between different aspects of M&A processes and postulates that careful analysis of strategic vision and fit; deal structure; due diligence; and planning is important in pre-merger phase. However, effective holistic integration and management of external factors are critical to post-merger phase.

Epstein's framework makes it clear that the motivation or rationale behind proposed mergers and acquisitions must be coherently articulated and presented as a strategic vision. The strategic vision must of necessity aim at the "creation of long-term competitive advantage rather than just short-term improvements in operational efficiency" (Epstein 2005). This factor is necessary because business mergers and acquisitions often aim at increasing scale, geographic scope, knowledge, and cross-industry extension. In this regard companies whose strategic vision in a merger is aimed at large scale operations will set to achieve greater efficiency and cost cutting through a merger. The size of its organisation would therefore provide advantage to save cost. Companies that merge to expand geographical space of their businesses will accordingly set their strategic vision. Similarly, mergers that set talent pool to improve efficiency as its strategic vision would take advantage of merger by "matching people, skills, and knowledge to areas of need" (Epstein 2005). In the same manner mergers relating to cross-industry mergers will set as its strategic vision the pooling of products and services to create competitive advantage through variety and satisfaction of customer needs. It is stated that whatever is the motive behind M&A, real growth and profitability are often an overriding goal.

In analysing the pre-merger context of JCPZ, particular attention is paid to issues of strategic vision and fit; structure; diligence and pre-planning. Based on Epstein's assumptions, it is theorised that: *clarity of strategic vision enhances the chances of success of mergers while inconsistency or ambiguity in strategic vision maximises the risk of failure.* The JCP-JHB Zoo merger was a recommendation by the high-level institutional review of the City of Johannesburg in 2011 as previously noted. The strategic vision of the merger is clear and unambiguous and aligns closely with the broader strategic vision of the CoJ to make Johannesburg, "a World-class, African City". It is clear that unlike mergers in the private sector the JCP-JHB Zoo merger sets out neither to increase geographical space nor achieve competitive advantage through offering of variety of products but to improve efficiency, cost effectiveness and sustainable service delivery. Consequently, while in the private sector mergers are decided or sealed by company directors and stakeholders and their strategic visions set based on economic feasibility, the decision concerning JCP-JHB Zoo merger was reached at the municipal council and appears to be based mainly on political expediency rather than economic feasibility since MOEs depend mostly on subventions from the municipality.

3. Post-Merger Gaps

For merged companies to achieve growth and profitability it is necessary to overcome certain post-merger challenges. In this regard, Srivastava's post-merger integration framework (Table 2) acknowledges the recurrent nature of integration problem in large organisations with diverse functional departments. Post-merger integration of such organisations is often time-consuming and problematic. The model underscores the necessity

Table 2: Srivastava's Post-Merger Integration Model

EXHIBIT 1 POSTMERGER INTEGRATION		
CO-ORDINATION	**CONTROL**	**CONFLICT RESOLUTION**
Procedural *Design accounting systems and procedures	*Design Management controlling system	*Eliminate contradictory Rules and procedure * Rationalize system
Physical *Encourage sharing of resources	*Measure and management productivity of resources	*Resource allocations *Asset redeployment
Managerial and Socio-cultural * Establish integrator roles * Change organisation structure	*Design compensation and reward systems *Allocation authority and responsibility	*Stabilize power sharing

Source: Shrivastava (1986)

of post-merger integration of functionally different departments or units of newly merged organisations. Effective post-merger integration entails the coordination of activities to achieve overall organisational goal; monitoring and controlling of individual departmental activities specifically to ensure complementarity and adequacy of performance at levels of quality and output; and the resolution of conflicts between fragmented interests of specialised department and individuals (Shrivastava, 1986). All indicators identified in the model are relevant to this study. The identified gaps can be major obstacles to achieving post-merger success. Thus, these gaps are relevant in exploring issues underlying the performance of JCPZ. These indicators are briefly discussed.

Shrivastava's model proposes a post-merger integration of procedures of merged companies at operational, management control and strategic planning levels as a prerequisite for success. The central objective of post-merger integration is the harmonisation and standardisation of work procedures and the improvement of productivity and reduction of cost and time needed for information processing (Shrivastava 1986). In practical terms, procedural integration implies that "if one of the merging firms possess highly developed, effective, and transferrable systems for performing functional tasks like inventory control, production scheduling, material requirements planning, sales analysis, order processing, costing, etc., these systems can be transferred or implemented in the partner firm" (Shrivastava, 1986).

Shrivastava's framework also makes it clear that discrepancies or gaps in post-merger integration will produce negative impact on the new business entity. Although procedural integration is important, the framework also emphasises that it must be complemented by physical integration of resources and assets. Physical integration refers to "consolidation of product lines, production technologies, research and development (R&D), plant equipment and real estate assets" (Shrivastava, 1986). Problems relating to resource and assets redeployment and sharing often arise despite the fact that most mergers happen because business entities have some assets continuity. For there to be success assets continuity must ensure that merged companies have enough in common to be able to use each other's resources. Among identified common assets are product lines, production systems, R&D facilities, and raw material inventories or reserves. Others include resources such as tax credits, cash flows and reserves, and human assets (skilled workers, management personnel, and technical staff). The framework proposes that the redeployment of these resources requires addressing three essential features of integration, namely, co-ordination, control, and conflict resolution, while seeking to realise the objectives of the merger.

Post-merger success or failure is also largely dependent upon managerial and socio-cultural integration. Basically this refers to the handling of concerns about appointment and "transfer of managers, changes in organisational structure, the development of a consistent corporate culture, and a frame of reference to guide strategic decision making, the gaining of commitment and motivation from personnel, and the establishment of new leadership" (Shrivastava, 1986). Post-merger managerial integration specifically concerns, in most cases, the transfer of some top management functionaries from the acquiring company to the acquired company as a demonstration of ownership and control of the acquired business. It also concerns the appointing of new members to the board of directors. By socio-cultural integration, the framework implies how decisions are made in an organisation. This involves certain assumptions, information, and mental maps that mangers use in decision-making. Adequate information is necessary for success in business. Information are obtainable from personal sources, like the opinions and judgements of close business associates and subordinates as well as from hard objective data taken from well-documented sources. The methods and procedures used to gather and process information form part of the socio-cultural practices of an organisation.

Applying Shrivastava's framework to JCPZ, it emerges that the merged partners (JCP and JHB Zoo) had different systems or procedures of operation even though both were MOEs and followed directives from municipal, provincial and national leadership. Their merger was decided by a high-level institutional review. Organisational roles and functions in the JCPZ were also streamlined to enable delivery on an expanded mandate given to the merged entity. However, streamlining does not imply that previous organisational forms of JCP and JHB Zoo were combined to form new procedures. However, certain parts of previous procedures and practices

Table 3: Sample Size of Interviewees

Tentative Group of Critical Stakeholders	Number of Interviewees
Senior Managing staff	**3**
Financial staff	**3**
Services delivery staff	**3**
Principal Political officers	**3**
Former staff members of JCP and JHB Zoo	**3**
Total Population (N):	**15**

Source: Authors

were retained but redefined in light of new mandate of JCPZ. This can be regarded as part of post-merger procedural integration.

Against the background of the theoretical examination it is important to analyze result of interviews conducted to determine the extent to which they confirm or disprove existing theoretical propositions regarding M&A in the context of JCPZ.

4. Research Design and Methodology

Relevant data for this study was collected by means of one-on-one interviews between 2014 and 2015. The main objectives are determining the extent to which the goals of the merger have been achieved and to identify the main the causes of poor service delivery. Questions posed were open-ended with the intention of allowing participants to expatiate or elaborate on answers provided. Among those chosen for participation in the study were management staff of JCPZ; financial staff directly involved in revenue generation drive; services delivery staff; former staff members of JCP and JHB Zoo prior to the merger as well as principal political officers involved in the process. The participants were chosen on the basis of their direct involvement in the merger processes either as principal driving forces or as affected individuals. The sample population varied in functions and responsibilities. One-on-one interview was preferred because the realisation of the objective of this study requires an in-depth learning of views and perceptions of critical stakeholders. Table 3 shows the distribution of our sample population size.

Gathered Information on JCP-JHB Zoo merger are organised and analysed according to set objectives or benefits. Analysis of gathered data was done with specific intention of making sense of interviewees' responses regarding JCP-JHB Zoo merger. Thereafter, gathered information are reduced to descriptions and themes of ideas (coding) as they appear relevant to the study. Emerging themes are used to present larger and broader picture and meanings. Identified themes are linked and their role in motivating or demotivating the merger process demonstrated. The interpretation of the findings is benchmarked against merger objectives and theoretical exegesis. They are also reviewed and compared to findings in other studies on mergers and acquisitions.

5. Results and Discussions

The analyses of interview results were based on the intended benefits of JCP-JHB Zoo merger. This entailed a determination of the extent to which the merger has leveraged and enhanced JCPZ's focus on environmental conservation, education and awareness. Furthermore, a determination of how expenditure benefits at operational, executive and board level has been achieved and how JCPZ has optimised synergies through combined resources, skills, public relations, marketing; and technical capabilities are also focused on. Equally determined are how a targeted and focused new business development and revenue generation capability and capacity have been achieved. These goals are subsequently examined in light of interview results.

5.1 New Business Development and Revenue Generation Capability and Capacity

Questions posed with the intention of determining how new business development and revenue generation capability and capacity in post-merger of JCPZ have been achieved or improved. Responses by interviewees indicate that "JCPZ is still wobbling financially". They blamed this on poor management style. Poor management had taken the form of inadequate articulation and dissemination of the motivation and rationale behind the merger among staff of previously separate MOEs. Several respondents claimed that business plan for revenue generation was not well articulated. According to one of the respondents:

> *"…there was no real pre-merger business plan to generate revenue – as far as I am concerned… the business plan did address the 10 city priorities and one of these is financial sustainability… but in practice it was more focussed on business as usual. Both entities had plans to make money and had acted on these before the merger such as the ESD activities, zoo tourism aspects, marketing of products etc… but the real commercialisation planning for the merged entity occurred throughout 2013…the revenue generation move came with the appointment of the new MD..."*

What this indicates, is that information dissemination regarding the merger was probably insufficiently done. From the literature Epstein's framework makes it clear that motivation or rationale behind proposed mergers and acquisitions must be coherently articulated and presented as a strategic vision (Epstein, 2005). Merged entities were supposed to consolidate their individual business plans into one. This would have also required a form of training to enable the new staff understand the business plan and how to implement it. The absence of this resulted in poor planning and consequent poor revenue generating capacity and capability.

Similarly, responses to other questions indicated that poor funding of the process may have largely contributed to poor revenue generation. Whereas adequate funding of the process was supposed to have been provided by the CoJ, responses from interviewees indicated that this was not the case. According to one of the respondents:

> *"…the merger process was supposed to be funded in my opinion by the CoJ… I am not sure if aspects of the merger were funded at all by the CoJ… but it seems to me that the budget was reduced…instead of zoo budget plus parks budgets, it became parks budget only and the original zoo budget seems to have disappeared…"*

Thus, investment in areas that could have helped in revenue generation was not done due to insufficient funding. Furthermore, respondents identified the problem of fleet management. Fleet of one of the merged companies (JHB Zoo) had been in bad shape. Sufficient funding would have helped in solving this problem and putting the merger in a sounding footing for revenue generation. Funding the merger process from budgetary allocation of one of the companies therefore proved grossly inadequate.

Improved public service delivery through efficient management of urban parks, recreation and leisure facilities; cemeteries and crematoria, botanical services; environmental education; biodiversity and conservation and eco-tourism, is cited as one of the reasons for the merger of JCP and JHB Zoo. However, a drop in service delivery since the merger of the two companies has been observed. Three different questions relating to certain factors that can affect post-merger productivity and efficiency of an organisation were posed with the intention of ascertaining if these factors are present in JCPZ or not. The majority of the answers provided by interviewees suggested that the presence of factors such as organisational culture and leadership as well as inadequate training and poor integration of staff in the presence of poor funding may have contributed to poor post-merger service delivery by JCPZ. Responses from different interviewees indicated that the organisational culture of JCP was quite different from that of JHB Zoo. While in addition to providing services to the public, the JCP was also concerned about meeting certain political objectives. JHB Zoo as an MOE was more business oriented, and inclined to meeting international professional standards. A respondent pointed out that:

> *"The cultures of the two MOEs look similar on the surface but in fact there is a vast difference between staff looking after animals, working in a facility where visitors pay to enter, expecting certain standards and value for their money compared to staff who took pride in delivering excellent parks for the sake of the community and maintaining open spaces. It was quite clear that as an example –a concept such as conservation did not have the same meaning to staff from the two entities…"*

The inability to reconcile these differences and carve out new organisational culture for JCPZ during the pre-merger phase produced adverse effects on staff morale, understanding, and effectiveness in the post-merger phase. Findings from other studies confirm the importance understanding and integrating cultural differences in merger projects. Hoberg and Gordon (2010) in discussing cultural clashes in mergers and acquisitions, emphasised that due diligence must be taken in order to understand the philosophies and cultures of target companies for merger. Failure to do this produces post-merger negative effects. The adoption of the hierarchical culture of the JCP implied easy adaptability of former staff of JCP in JCPZ and poor adaptability of former staff of JHB Zoo. Furthermore, the adoption of JCP's culture tends to strongly suggest that rather than merger, what most probably occurred was the incorporation of JHB Zoo into JCP. The use of the term merger would therefore seem a misnomer. Viewed from this perspective, it becomes clear, as some interviewees stated, why most senior management positions in the JCPZ are occupied by former management staff of JCP.

5.2 Optimised Synergies Through Combined Resources

Combined resources, synergies of functions and high staff morale produce positive effect on general productivity and service delivery in any organisation. Poor synergy, lean resources and low staff morale produce the opposite on productivity and service delivery. Based on this logic, four interview questions were posed with the intention of determining extent of integration or synergy of roles and resources as well as level of staff morale in the JCPZ. An important fact that emerged from analyses of interviewees' responses is that the morale and satisfaction level of management and staff of JCPZ appears to be low and this also tends to affect job performance and service delivery. Thus, as some respondents pointed out, some senior management staff members supported the merger project because they could see potential for growth based on larger budgetary allocations. However, these management staff appears dissatisfied because contrary to expectations, the merger has not brought about increased budgetary allocation to pursue expansion and growth. Rather the merger has brought about decreased budgetary allocation with added responsibilities as some of the respondents previously quoted had noted. Specifically, staff members of the Zoo appear more dissatisfied, because JHB Zoo "has been swallowed", by the larger JCP and the zoo's specialist business form, is no longer adequately funded.

5.3 Expenditure Benefits at Operational, Executive and Board Level

Moreover, despite assurances of job security during consultations, fears of retrenchment have not completely disappeared among several categories of staff. This, according to respondents, is partly due to the hiring of new staff rather training, upgrading and promotion of existing (old) staff. Thus, reporting structures of JCPZ appears to cause dissatisfaction among its staff thereby affecting morale and job performance. Staff morale appears to be also affected by lack of proper pre-merger consultation with staff other than senior management staff according to respondents.

Although staff inputs were sought during the merger process, those inputs appeared to have centred mainly on employment conditions and how the merger would affect those conditions. Technical inputs of staff were not wholly sought, especially as they relate to revenue generation and improvement on service delivery. It does also appear from the responses of respondents that staff of both the JCP and the JHB Zoo did not fully understand the main reasons behind the merger and saw it as an opportunity to move up the ranks or simply "to get increases in salary". Respondents made it clear that a pre-merger survey was conducted and the result indicated a low staff buy-in among lower staff members of JCPZ. Thus, labour actions at the beginning of the merger were cited as indicative of staff dissatisfaction. From the analysis of results that combined resources of both companies were insufficient to implement revenue generating projects. Thus, there were seemingly unrealistic expectations in the business plan in the context of lean resources.

It was also noticeable from interviewees' responses that, dissatisfaction among staff who felt they lost out in the merger process and who now report to newly recruited staff are among factors affecting staff morale and dissatisfaction. This tends to indicate inexperience on the part of the human resources department of the JCPZ in the handling of the merger processes. Several of the respondents indicated that this situation has contributed to the current problem in the company. Equally emphasised is the fact that inconsistencies in policy implementations may also be contributing to dissatisfaction among staff.

Despite pre-merger and post-merger consultations and assurances of job security, it can be deduced that staff members of both companies felt they were not adequately consulted. It would also seem that despite assurances of job security, certain categories of staff, particularly fixed term contract staff lost their jobs. A respondent pointed out that:

> *"…staff retention…not sure if enough was done in this regard but I think it was lacking because of the limited budget and vacancies were simply not filled. In some cases, key staff were not retained… but the truth is in other cases staff who do not belong, are still employed…"*

This is viewed as a mark of policy inconsistency by staff. Job losses are not strange especially in merger projects however; adequate psychological preparations of affected staff should have been done through pre-warning of possible retrenchment. By not informing the staff of possible retrenchment, the management could have been trying to prevent labour actions and lack of support or buy-in by labour unions. The analysis of results in the preceding section shows the emergence of several critical issues in the JCP-JHB Zoo merger. These issues include among others, political over economic imperativeness; imprecise articulation of merger process; poor revenue generation; ineffective business plan and service delivery; and staff morale. It also became obvious from the analysis of results that JCP-JHB Zoo merger has created challenges capable of preventing the CoJ from attaining its goals, mission and vision in its merger projects. These issues are subsequently discussed in line with the literature on M&A.

5.4 Political Imperativeness

From the literature, mergers are decided or sealed by company directors and stakeholders; and their strategic visions set based on economic feasibility (Epstein 2005; Investopedia, 2010; Fubini, Price & Zollo, 2007). From analysis of results against existing theoretical postulations, it is clear that the decision to merge JCP and JHB Zoo was not reached by managements of the two merged companies but decided at the political level. Thus, the merger was based on political expediency rather than economic feasibility. This finding is supported by Kilfoil and Groenewald (2005) who argue that non-profit organisations such as MOEs merge, specifically for political reasons. Thus, although a business plan for JCPZ was articulated from the beginning as documentary evidence (The City of Johannesburg Municipality, 2013), shows the implementation of the business plan may not have been effectively pursued. Therefore, although the JCPZ may have achieved its political goals, this has not translated into economic goals in terms of revenue generation and improved public service delivery. Political imperativeness rather than economic imperativeness appears to account for poor post-merger integration of resources. It came out clear from the analysis of results that integration of human and material resources of former companies was not effective. Judging from the literature, mergers involve careful staff reorganisation and retrenchment where necessary (Shrivastava, 1986; Field & Edward, 2003; Epstein, 2004; Epstein, 2005; Jarrod, Max & Paul de Lange, 2005). However, for political reasons, staff reorganisation at JCPZ did not involve retrenchment of redundant permanent staff. This indicates that political gains may have been preferred over efficiency, cost effectiveness, synergy, business development and revenue generating capacity.

5.5 Articulation of Merger Process

Another issue emerging from the analyses of results relates to articulation of the JCP-HB Zoo merger process. Reflecting back, Epstein (2005) as well as Epstein (2003) and Ulrich and Kummer (2007) describe mergers; acquisitions; incorporations, and conglomerates, as different approaches to growth and expansion. A merger is described as the bringing together of relatively comparable companies of equal strengths to form a completely new organisation (Jarrod and Paul de Lange, 2005; Alzira, Wayne and Gerald, 2003). Acquisition is seen as the process of fitting one small company into the existing structures of a larger organisation. Conglomerates refers to the process of bringing large companies together without any clear attempt to create synergies or meld strategies, keeping them separate to provide the advantages of decentralisation and autonomy (Epstein 2005; Martynova & Renneboog, 2008).

From South African perspective, a merger as defined in Section 23 of the Higher Education Act 101 of 1997 is "the combination of two or more separate institutions into a single entity with a single governing body, whereby all the assets, liabilities, and responsibilities of the former institution are transferred to the single new institution". Furthermore, section 24 of the same Act states that: "Incorporation of a subdivision refers to the situation when an identified subdivision, faculty, school, department, section or component of a public higher education institution becomes part of another public higher education institution while the latter institution's legal personality... is not affected" (Council for Higher Education, 2001). Although this definition has the educational sector in focus, it is applicable to other sectors.

Thus, from the definitions of mergers, acquisitions and conglomerates as found in the literature, it emerges that the JCP-JHB Zoo "merger" was imprecisely articulated. Precise conceptualisation is critical to empirical operations, success or failure of any business or public service oriented project to large extent. Poor articulation of JCP-JHB Zoo merger is revealed in the characteristics of the company. The JCPZ is characterised by different approaches to growth and expansion. For example, although JHB Zoo no longer legally exists, findings show it has retained an observable degree of autonomy within JCPZ structures - "the zoo will continue to operate as a ring-fenced business unit, retaining its brand in the market, and maintaining its proportional funding arrangements at a minimum" (City of Johannesburg, 2011). From the literature, it is clear that "retention of autonomy" is an attribute of conglomerates. Similarly, it was also determined that JCPZ is an acronym of the names of former companies that were merged. The literature shows that name combination is an attribute of a merger of equals. Furthermore, the study also determined that based on the terms of the "merger", JHB Zoo did not survive the merger process. However, JCP survived the merger (MSN, 2013). Again the literature shows that this is an obvious attribute of acquisitions and incorporations.

Thus, it is concluded that, JHB Zoo was not merged but incorporated into the existing structures of JCP to form JCPZ. The use of the term merger was therefore a misnomer. However, exhibiting the characteristics of 'Incorporation', 'merger' and 'conglomerate' implies that JCPZ can neither be described as a merger of MOEs of equal ilk as name combination and other attributes of the process tend to suggest nor can it be described as a conglomerate. Therefore, the merged company suffers from poor articulation or conceptualisation.

5.6 Communication and Management of Merger Process

It emerged from the analyses of results that communication and sensitisation process of the JCP-JHB Zoo merger among management and staff was ineffective. These findings are consistent with those of Hoberg and Gordon (2010) who discuss the importance of communication in merger processes. Communication of the merger process was discovered to be predominantly downward and was rarely upward as inputs and suggestions of management of merged MOEs were not fully taken into consideration. Thus, it is postulated that effective communication enhances the chances of success of merger deals, while discrepancies in communication maximize the risk of failure.

The findings further show that information dissemination on the motivation and rationale behind the merger among lower categories of staff by management was most likely ineffective. Although the merger has a well composed leadership and a comprehensive business plan, it came out clear from the study, that several staff members were not familiar with JCPZ's business plan. This makes it difficult for the merger to achieve full support or buy-in among staff. Reflecting on the importance of communication in mergers, acquisitions, and conglomerates, Epstein (2005) as well as Field and Edward (2003) finds that motivation or rationale behind proposed mergers and acquisitions must be coherently articulated and effectively presented as a strategic vision to stakeholders which include staff members. Chipunza and Gwarinda (2010) also observe that lack of strategic direction, leads to dissatisfaction, and failure.

A related issue that also emerged from analyses of result, which also confirms poor management of the merger process and consequent poor revenue generating capacity is the incompatibility of merged entities. It is evident that the strategic vision of the merger is clear and closely aligns with the broader vision of the CoJ, "to make Johannesburg, a World-class, African City". Areas of synergies existing between the two previously separate MOEs were also carefully identified. Both companies were concerned with the environment and reported into the Community Development sub-cluster, which is part of the Human and Social Development cluster of the CoJ. However, as important as clear strategic vision and identification of areas of synergies are, these factors are not sufficient grounds to make, the two former MOEs compatible merger partners. Other considerations such as organisational culture and sufficient funding are equally critical.

In this regard, it emerged that the organisational cultures of the merged companies radically differed. As an MOE, JCP was concerned about meeting political objectives while the JHB Zoo was more business oriented, and inclined to meeting professional standards. Analysis revealed that the merger has neither reconciled these differences, nor provided a new organisational culture for JCPZ. The negative impact of this is poor understanding among staff members of the company's business plan. Problems relating to 'silo mentality' are also identified among management and staff of JCPZ. Hoberg and Gordon (2010) emphasize that due diligence must be taken prior to mergers in order to understand the philosophies and cultures of target companies for merger. Epstein (2004) and Epstein (2005) further stress that actual due diligence implies a holistic assessment of the potential merger candidates throughout the entire business operations. Assessment of merger targets should not stop at analysis of cash flow and financial stability but should also involve effective stakeholder consultation. In the study, it emerged that although staff (as critical stakeholder) were consulted and their inputs sought during the merger process, those inputs mainly centred on employment conditions. Technical inputs of staff regarding revenue generation and improvement on service delivery were not wholly sought.

5.7 Stakeholders Buy-In

Danzon *et al.* (2007) among other things, discuss the importance of personnel buy-in and integration if mergers and acquisitions are to succeed. They call this the sociology of M&A. Based on this, an important fact which emerged is that support, morale and satisfaction level of management and staff of JCPZ was low during pre-merger and post-merger phases. Thus, it is theorised that low staff morale negatively affects performance and service delivery. This may have been compounded by inexperience of the human resources department of the JCPZ in handling merger processes. As a result, noticeable inconsistencies in the implementation of policies were reported.

Inconsistent implementation of policies negatively impacts staff satisfaction and morale. Among the management, dissatisfaction and low morale came from increased responsibilities in the presence of insufficient budgetary allocation to pursue expansion and growth. Among other categories of staff, dissatisfaction and low morale were caused by a number of factors. The first is fear of redundancy and retrenchment. The second is the new reporting system in which more experienced staff now reports to newly recruited and inexperienced staff. The third is seemingly unrealised expectations from merger process in terms of promotions. Incompetency among both old and new staff indicates that the JCPZ did not undertake sufficient skills assessment and identification of suitable employees to carry out specific duties to fulfil its mandate. It also fears political backlash to carry out effective reorganisation involving retrenchment of redundant staff.

5.8 Service Delivery

Against the background of the CoJ's objective to provide improved services through M&A, it emerged strongly from the study that JCP-JHB Zoo merger was not sufficiently funded to improve service delivery. From the literature, sufficient funding is necessary for efficient service delivery (Epstein, 2004; Epstein, 2005; Investopedia, 2010; Chipunza & Gwarinda, 2010). It is pointed out that M&A raise capital base of a merged company in order that it can achieve growth and expansion through investments. In this regard, it is argued that insufficient funding does not allow for investment necessary for increased revenue generation, cost effectiveness and growth. This becomes compounded by fleet management, especially if the fleet of one of the merged companies had been in bad shape. It was clear from the study that the fleet of JHB Zoo was in an unhealthy state before, during and after the merger.

As a merger, JCPZ relies on statutory budgetary allocation to provide mandated services. The merger entailed expansion of mandated roles as well as streamlining of salary structures of staff from both sides, and revaluation of functions. These require financial resources for proper implementation. In addition, the merger entailed increased use of combined resources, maintenance and purchases of new equipment, where existing ones are insufficient. The merger also involved new staff recruitment especially for highly skilled and specialised areas such as research and development (R&D). All this requires increased capital expenditure. Despite the financial implications of merger processes, evidence shows the merger of JCP and JHB Zoo has not translated into increased budgetary allocation. It therefore becomes clear that where inadequacy of funding of mergers is exists, the risks of failure is extensively maximised. Sufficient funding puts merger processes on a sounding footing.

6. Lessons Learned and Prospects of the Merger

Findings from the study indicate that JCPZ's prospects look good, especially if identifiable gaps are systematically resolved. The following can be regarded as key lessons from this study:

- Adequate conceptualisation of projects such as mergers is critical for success. It helps in setting objectives, goals, visions, and the devising of strategies for their realisation.
- Sufficient funding of mergers of MOEs is indispensable to their success. Lack of adequate funding hinders the realisation of stated objectives, and goals.
- Adequate integration and coordination of activities as well as information dissemination among critical stakeholders are important in mergers of MOEs.
- Political considerations should not take precedence over economic considerations in mergers of MOEs if financial self-reliance forms part of the goal, mission and vision and
- Contingency plans must be made in advance before new projects are implemented, otherwise after-thought ameliorative measures cannot work.

7. Conclusion

This paper has evaluated the extent to which the CoJ has realised its mission, goal and vision through mergers of MOEs. This has been done by specifically looking at the merger of JCP and JHB Zoo. Analyses of interview results led to the drawing of broad conclusions in light of what is revealed in the literature. Among the broad conclusions drawn were, poor articulation of merger process, merger process as a political imperative, poor management of merger process, low staff morale and satisfaction, insufficient funding of merger process. Discussions and analyses of these identified gaps in the merger process of JCPZ brought out some important lessons. Among these lessons include, the necessity of adequate conceptualisation of projects such as mergers; the necessity for sufficient funding of mergers of MOEs, as well as the need for adequate integration and coordination of activities and information dissemination among critical stakeholders. The study also shows that political considerations must not take precedence over economic considerations in mergers of MOEs as this will result to failure. Similarly, contingency plans must be made in advance before projects such as mergers are implemented, otherwise after-thought ameliorative measures cannot work.

8. Recommendations

Based on the findings of this study, and conclusions drawn, the following recommendations can be made.

8.1 Improve Funding

Adequate funding should be provided to JCPZ to enable it to meet its expanded mandate. Findings from this study show that the CoJ has not increased the statutory allocation of the new company based on increased mandate. This calls for urgent consideration.

8.2 Improve Staff Training

Adequate training should be provided to new and old staff consistent with policy guidelines of the new company to improve skills levels. Sufficient training is a necessity because one of the reasons for staff dissatisfaction and low morale is lack of training for older staff with low skills and preference of new staff with required skills level.

8.3 Review Policy on Staff Hiring and Retention

A review of JCPZ's hiring, retention, placement and promotion policy is necessary to ensure that it is transparent enough. One of the issues that emerged from this study was the concern around hiring and retention processes. It was revealed that certain staff members (fixed term contract) with skills were not retained in the merger process while those without skills were retained. The company had fewer personnel left to deliver on its core mandate.

8.4 Reconsider the Non Retrenchment Policy

If JCPZ is to achieve effectiveness, efficiency, growth and improved revenue generating capacity, a reconsideration of its non-retrenchment policy is necessary even though it will result in job losses.

Job losses are not strange in merger projects, however, adequate psychological preparations and transitional programme for affected staff should be made. In addition to this, improvement on marketing strategies is also needed. This would ensure JCPZ recruits new skilled employees in line with its demands.

9. Future Research

Issues relating to funding came up time and again during this study. Apart from lack of increased budgetary allocation for the merger, it also emerged that adequate staff training to improve skills level had not taken place due to insufficient funds. Thus, going forward, the CoJ will immensely benefit from funding research in the following areas:

- Alternative means of financing mergers of MOEs besides statutory allocations.
- The relationship between organisational cultures and MOEs before embarking on merger projects in the future.
- Skills audit to determine appropriate and strategic staff placement.

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