Guidance Offered to Nonprofits Considering Merging with Others

By Jay W. Vogt

March 31, 2009 — As more nonprofits consider merging as a way to continue to meet their mission while saving operating costs and improving efficiency, they need to be aware that combining forces is a major move that can be fraught with missteps.

Bill Walter, CEO of Innovative Solutions for Non-Profits, a Rhode Island nonprofit that helps organizations identify merger partners and find funding for one-time merger expenses, recently described nine important lessons learned working in this tricky arena.

1. Most mergers are really acquisitions
Most mergers in the nonprofit sector are really acquisitions. Pragmatic partners quickly determine whether they are "top dog"—or not—and act accordingly. The organization being acquired has to define its absolute minimum requirements. The organization doing the acquiring has to define what it is willing to give. Doing this calculus helps make the deal happen.

2. Focus on the mission
Many mergers break down when executives focus on "saving their people" or when boards try to save their executive. Although admirable, a more appropriate goal is "saving their mission." Conversations between merger partners should focus on saving the mission being served. Anything that helps workers in the short run, but compromises the mission in the long run, is counterproductive.

3. Find retiring executive directors
We know prospective savings in mergers come from eliminating administrative redundancy. That often means that when two executive directors reach agreement to merge, only one walks away with a job. If one of them is about to retire, as many Boomers are, there is no problem. However, if the prospect of putting an executive out of work causes hesitation, examine both executives' role in the need for a merger. If underperformance by an executive director led to the need for merger, waiting may only make things worse.

4. It's a race against time
The current economic crisis has created great new economic incentives for mergers. It has also created great pressures pushing nonprofits toward bankruptcy. Acquiring a nonprofit after it can't pay its bills and closes its doors is a graceless merger that interrupts service to the mission. The same forces that are making mergers attractive are making some nonprofits less attractive merger partners. Act before it is too late.

5. Move beyond "We've always done it this way"
A major obstacle to nonprofit mergers is the attitude that "we've always done it this way." Mergers require boards and executives to think and act in new ways. Old ways have brought many nonprofits to unsustainable ends, so clearly different behaviors are required to reach sustainable ones. The old saw applies, "If you continue to do what you've always done, you'll continue to get what you've always got."

6. Focus on the positive
Many merger negotiations stumble when partners start criticizing the work of the other partner. This only makes people defensive. Instead, focus on ways to partner in meeting the mission going forward.

7. Don't fight over identity
The desire for nonprofits to maintain their identity frequently derails mergers. Don't fight that battle. Maintain the identity of each entity and merge back offices. Make one a division of the other. The identity of each organization remains intact; donors still write the same checks; the community doesn't notice a change; the mission continues to be served.

8. Some mergers make more sense than others
Consider available merger options from a client service perspective:

	Serve in same ways	*Serve in different ways*
Serve same clients	Feels competitive	Makes most sense
Serve different clients	May or may not result in savings	Makes least sense

Complementary mergers—where two agencies serve the same clients in different ways—make the most sense. These are win/win mergers that work for workers and clients. Logically, mergers between two organizations serving the same clients in the same ways should be easiest. Yet often such similar agencies have been competing for years for funds and people, and conversations begun in competition rarely end in collaboration.

9. Don't try this at home
Having a third party mediate your conversations helps people stay on task and avoid common mistakes.

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