COMMUNITY-MADE CONTENT WHICH YOU CAN IMPROVE

HOW TO MERGE ORGANISATIONS

Tweet Share on Facebook Share on Google+ Print

Public wiki – **Fehler! Linkverweis ungültig.**

This is a brief guide highlighting key points which will be helpful for those contemplating a merger.

Things you'll need

- A clear vision which can be translated into an action plan with targets and timings.
- Time and resources
- An open mind to consider the unthinkable
- Commitment and perseverance

1

Understanding the need

Understand what you are trying to achieve. It could be that you are trying to achieve:

- A larger and stronger organisation able to deliver new, bundled together contract opportunities.
- Growth and a step change.
- Strategic or administrative rationalisation, be they proactive or reactive.
- Service or product preservation.
- Survival.

Aim to collect enough information so you can provide a robust rationale for your decision to pursue a merger.

- Through self, cost benefit and environmental analysis identify whether merger is the most viable option *at the current time*, to enable your mission and objectives to be achieved.
- When looked at in terms of the risks, costs and time involved, you may decide that a less complex form of collaboration could be equally successful in achieving your aims.
- A key consideration will be the reactions of your stakeholders, For example, how will your key funders react?

2

Finding that perfect partner

A time consuming process but worth the effort to get it right.

- A shared vision and level of commitment to the process will be paramount.

- 1+1=3. Try and seek a partner who will complement your own operations in a multitude of ways such that the post-merger entity will achieve more than the sum of the individual, legacy parts.
- "Suits versus hoodies". Whilst a factual paper analysis will give you an initial starting point it will be the softer information that will help compile your short list. For example, operating culture, management style or mode of service delivery may be critical considerations and your knowledge of your market place will help identify those who meet your key criteria.

3

Making that initial approach

First impressions count.

Consider:

- Assistance in making the initial approach, for example, the scripting of a letter or phone conversation.
- Who should be making the initial approach and what form it should take, for example, an informal sounding or a more formal meeting between Chairs and CEOs.

A successful, initial approach will lead to a series of "getting to know you" meetings the outcomes of which should be:

- To facilitate a high level exchange of information.
- For both parties to agree in principal to explore a merger.
- To set out housekeeping rules, for example on non-disclosure agreements, data collection, internal and external communications.

4

Sourcing the resources

Mergers are resource hungry for both time and money. There is the need to balance the demands of the "day job" with those of a time consuming and often protracted process. Minimise spending until there is a formal understanding between both parties of the key principles and an agreement of intent to merge.

Consider:

- Your project team: a vital element to the success of a timely process. This could include all or some of:
  - key SMT members.
  - an external project manager to drive the project forward.

  - external advisers; for example, legal to advise on merged entity structure and TUPE, financial for due diligence and pension valuations, PR to maximise your message to key stakeholders.
  - a Shadow Board with members drawn from both parties to help in building trust, negotiations and decision making.
  - independent facilitators who can maintain momentum and focus intent and will during the negotiations and/or assist in developing the new management structure, strategy, business plan.
- Funding: needs to be considered at an early stage. Approaches could be to existing funders, or government and other funding bodies who have specific collaboration funds.
- "Business as usual": try not to commit resources which you don't have available. It is vitally important for "business as usual" to be able to continue throughout the process.

5

The process itself

- Keep an open mind.
  - Inevitably, one party often sees themselves as being taken over by the other. In reality this is often the case but ask yourself "is this so bad?" Remember that your responsibility is to achieve the best possible outcome for your beneficiaries, so be open and innovative when discussing merged structures. For example, being a subsidiary of a larger organisation may allow you to scale up and achieve more whilst still enabling you to keep your brand and identity.

- Negotiating.
  - Agree early on what the deal breakers are for you and don't waste time going through a lengthy process of negotiation if you know in your heart that you are unable to compromise.
  - Agree to disagree on issues where there are clear differences of opinion, table the issues and park to one side. It would be unnatural if each organisation didn't have some areas where they believed their way of doing something was the best. These are resolved best at a later stage.
  - Negotiate from a position of strength wherever possible. It is seldom helpful to be over keen or submissive – you need to achieve the best possible outcome for your beneficiaries.
- Due Diligence.
  - Ensure you know your trustees' requirements before agreeing scope with an external expert.
  - Aim for a pragmatic and cost effective approach.
  - Put your house in order and prepare yourself for the rigours of due diligence being done on your own organisation. Remember that you will have commissioned the same investigative process to look at your potential partner.
  - Perform sufficient cultural due diligence to ensure the organisations are compatible.
- Day 1 planning. Consider:

- Leadership and management, Business planning, HR, and systems integration are just some of the areas that must be given attention well ahead of day 1.
- What post-merger support will you require?
- What will a successful merger look like and how will you evaluate whether you have achieving this?

- Communications.
  - Keep communications to staff and stakeholders as open as possible.
  - Decide how and when they will be informed. What will be the process for answering questions?
  - Make sure they know that once you have the answers they will be the first to be told, but at times these answers are simply unknown.
- Timing
  - Run the merger project timeline against scheduled Board meetings so that the Board can sign off decisions expeditiously.
  - Build Day 1 planning into timeline.

6

Agreement to merge

- Commit in principal but only take final decisions when facts are known and their full implications have been considered.
- You are nearly there ....but remember if it makes practical sense you can agree to merge but go live on a date in the future, thereby delaying the date of completion.

7

Completion

You've made it and now the hard work really begins!

Further information

- Bassac (2010) Collaboration for Communities: Giving power to partnership
- Capacity Builders (2010) ***Learning from Mergers***
- Cass Centre for Charity Effectiveness (2009) Tools for Success – Guide 10 Revitalise
- Charity Commission (2009) CC34, Collaborative Workings and Mergers
- Eastside and Prospectus (2012) The Good Merger Guide by Richard Gutch
- Institute for Voluntary Action Research (2012) Thinking about ... merger

- Institute for Voluntary Action Research (2011) Story of a merger: DTA and bassac create Locality
- Institute for Voluntary Action Research (2011) Merger as strategy: The experience of TACT
- J Harrow and M Bogdanova (2006) Sink or Swim? Towards a 21st century community sector, Bassac, London
- NCVO (2006) Due Diligence demystified. What it is and how you can manage it, Obtained from NCVO, London
- Social Finance (2009) Charity mergers: Tackling the issues in practice