Mergers & Alliances

STRATEGY

Strategic partnerships, mergers and alliances

As the global development landscape changes and evolves in response to complex challenges, including climate change, economic instability, political unrest or pressure from donors, not-for-profits have adapted to better serve their missions and bring their visions to fruition. In the wake of the COVID-19 pandemic, not-for-profits face unprecedented challenges, such as continuing to provide support to their target communities with social distancing measures in place. For those working outside COVID-19-related causes, the impact on the donor landscape will likely continue due to an increase in competing demands for funding. Not-for-profits' survival and success requires strategic thinking and a willingness to take calculated risks in the name of greater impact.

One such risk that could lead to mutual benefits is for two not-for-profits of a similar remit or values to merge or form a “smart” partnership through an agreed alliance. When taken as a strategic choice, a merger or alliance can allow organisations to strengthen effectiveness, enhance best practices, use technology more efficiently, streamline fundraising activities and achieve greater impact at scale. It can also reduce competition for resources, allowing for a stronger positioning within the market and improved delivery and reach of services.

Choosing an option: increasing success, preventing failure

As a strategic opportunity, an alliance provides for a formal commitment to establish and engage, for a specified period, with a shared or transferred decision-making power. As this option does not impact on the corporate structure of the participating organisations, not-for-projects engage in this process through opportunities such as joint programming, joint advocacy activities and/or shared services and back-office support such as a consolidation of administrative functions. Alignment of process and clarity of the interaction is, like any partnership, essential to formulate and agree at the onset of the alliance.

Conducting a merger of two or more organisations is a more complex process due to its integration of all programmatic and administrative functions, and when undertaken without a comprehensive due diligence of both interested parties a successful merger outcome is not assured. A not-for-profit that may already be in a fragile position due to financial stress or leadership instability may not only see its problems exacerbated in this process leading the merger to fail, but also potentially result in one or either of the organisation's dissolution. Additionally, merging due to financial issues may only heighten one of the more tense aspects of a merger negotiation: the human factor.

Ensuring that your people are on board with the desired level of collaboration– whether through an alliance or merger process – to ensure it realises strategic benefits for your organisation, is a priority. For a not-for-profit already struggling with financial instability, fears of budget cuts and job loss among staff will only be compounded. Even in a stable organisation, people may resist change out of concerns over the future of their position, or the impact on the organisation's programmatic work. In order to ensure your people are fully behind the process, it is best to determine the level of integration, length of partnership or explore merger options that enhance your strategic plan or intended impact through a process of consultation with your key staff. Further engaging them in identifying practical implementation challenges including organisational culture and structure, strengths, gaps, leadership, governance, systems, and back-office support is critical in the process.

These processes rely on the creation of a clear business case for both parties that is further aligned through the discussions. Specific to a merger these may refer to:

- What will be the impact on the operations and structure?
- Who will be the central leader of this new, hybrid organisation?
- How will the Board of Trustees/Directors be consolidated?
- Will there be staff or wage cuts?
- Whose brand will be preserved?

Tensions run high during merger talks. Brand discussions are particularly

contentious as not-for-profits invest heavily in building a trusted, recognisable brand as the cornerstone of their fundraising efforts. Organisations will make sacrifices and compromises for the future of the merger. It may be worth seeking out an impartial, trusted party to facilitate your talks and provide objective advice during negotiations.

The success of an alliance or merger is dependent on the setting of a shared vision, building trust among the parties and undertaking due diligence. Rather than being deterred in these processes, not-for-profits can consider taking the time to weigh the costs against the benefits. With the right amount of planning and the necessary groundwork, alliances and mergers can pay off and ensure the long-term viability of an organisation.

When it comes to combining two organisations successfully, SRI Executive is an experienced facilitator in this field, and can serve as an objective third-party to help you navigate the process by exploring and evaluating your strategic alliance opportunities and supporting the alignment process.

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