

# **Non Profit Mergers And Other Deep Partnerships**

*Reflections*

*On*

*What Works*

*And*

*Why It Is So Difficult*

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October, 2003

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## ***An Annual General Meeting In 2005***

*Laura waited by the podium as people of all ages entered the gym. There was a festive air in the room, a sense of excitement, and rising conversations among different groups of clients, volunteers, staff, and community supporters. Laura reflected on the remarks that she had been preparing for the past month, her report as outgoing President to the membership of the combined Evergreen Boy's and Girls' Club and Evergreen Youth Services.*

*The three years of bringing the two organizations together, and creating new programs and community resources, had not always been easy. But, the results were outstanding. Children, youth, families, and adults were far better served through integrated one stop approaches, based on working with individuals and families to build capacities and resolve real challenges. The budget had grown from \$ 2 million to \$ 2.7 million, with parallel increases in programs, volunteers, and staff. New family places had been established in Lightfoot and Evergreen Centre. School aged child care programs had been developed in six different local schools. New partnerships had been created with the municipal parks and recreation commission and the Evergreen Police. Community fund raising had been tripled. And, the three core facilities in each part of Evergreen had blossomed into full fledged community hubs, alive all day and evening, seven days a week, with children, youth, families, and adults.*

*Laura had been President for two years. The year before that, she had chaired the pivotal visioning and strategic planning process that had created the energy and passion for the coming together process. Her eyes scanned the room, noting Board members, key volunteer leaders, and staff, who had been deeply involved in the change processes. They all knew the inside story, that there had been some bumpy parts along the road. Some good staff and volunteers had chosen to leave. A few key donors had chosen to take their money elsewhere. Negotiations with the Ministry of Child and Family Development had not always been easy. Yet, so much had been accomplished.*

*Laura turned to grin at Sandra, the Executive Director. The room was beginning to settle down, as people looked forward for the start of the annual meeting. The door opened at the back, and two older men entered. Both Laura and Sandra waved. Keith was present to give his community accountability report on the merger, change, and growth process. Laura knew that he would be forthright, honest, and positive; and, that he would challenge the new organization to do much more. Gary, whose wise guidance as a mentor had been key to the past three years, was there as always. Tonight was the time to honour his, and others', farsighted vision for Evergreen's children, youth, and families.*

## **Introduction**

These reflections have their roots in our collective years of experience in working with non profit organizations around mergers [1,2] and other deep partnerships: in health, social services, child care, learning and education, the arts, and economic development. We have observed and participated, researched and facilitated, and written up these processes. Most recently, we wrote together a set of stories from across the country of how mergers and other deep partnerships have flowed and emerged in Big Brother Big Sister agencies [3].

There are books, workbooks, and outlines available about "how to do mergers well" in the non profit sector [4]. Appendix A contains an example that one of us uses in his consulting and teaching practice. There is considerable research about the successes and failures of mergers and other deep partnerships in the private sector. But, there is little around of a more reflective nature within the non profit sector. We want to begin to fill this gap.

Talk of mergers and deeper partnerships is increasing for many complex reasons. First, many non profit organizations hold strongly to a stated value of being cooperative and collaborative. Second, for over 15 years, funders and government contractors have been pushing non profit organizations to co-operate, collaborate, integrate, partner, carry out joint ventures, and merge. Their and our dreams of "seamless continuums of easily accessible, efficient, effective, and quality services" have been articulated in many studies. The voices of individuals, families, consumers, clients, donors, and leaders have echoed the same threads. And third, there are real opportunities to make a concrete difference to consumers, communities, and organizations [4].

We know that these rivers of history and change will continue. We also know that there are highly successful stories of non profit organizations that have merged, created deeper partnerships, or built formal coalitions, that actually work. The dreams are not just ideal, at least in some cases. But, what do we really know about all of this, what works, and why? And why is it all so difficult?

#### *A Case Story*

Over a period of seven years, an alliance of community literacy interests and programs is created across a broad region encompassing many small communities, often separated by large distances.

The initial years focus on building relationships, opportunities for joint professional development, and a common approach to seeking government funding. Later, the alliance emerges in an informal sense, based on a clear vision and set of founding principles. And even later, the alliance was legally incorporated with a regional board.

Throughout the seven years, the successes depend on persistent and faithful leadership, being patient, and letting new forms emerge organically out of community strengths and assets.

### **Starting With The Middle**

### ***A Case Story***

*A very small child care organization decides to explore becoming part of a much larger child care organization. The process flows well until the larger organization carries out its due diligence processes. Issues surface: small monthly financial deficits, some program safety and quality concerns, and staff without the qualifications demanded by the larger organization.*

*There is an initial agreement to proceed, with the smaller organization formally closing down and laying off its staff. They will have the first opportunity in the re-hiring processes, but only if their qualifications meet the required standards. Emotions and conflicts in the smaller child care organization erupt.*

*The Board decides to postpone action and consider other options that involve less change and disruption. A few months later, the smaller child care organization merges with a much larger agency that has no experience in child care services.*

### ***The Stages In Merging And Partnering [6]***

*Two or more organizations begin to build relationships, share information, and initiate joint projects.*

*A decision is made to explore a deeper partnership, a more formal alliance, or even a merger. Considerable work is carried out to identify and test out the benefits and drawbacks, resolve the immediate challenges, and come to an agreement, at least in principle.*

*Months, sometimes years, of work are undertaken to formally build the deeper partnership, alliance, or merged organization.*

Most pieces of writing on non profit mergers and other deep partnerships start with the beginning - a small group of people in a single non profit organization who come to some form of realization that they need to create deeper partnerships or mergers with another non profit organization, or a community of non profits. These writings typically describe formal and rational processes for making a sound decision about the need to partner, finding the right partner, and negotiating a partnership.

We want to start in the middle, that point where two or more non profit organizations have decided to merge, or create a deeper partnership; or, have decided not to, which might be more common. This is where the real work starts.

Imagine a woodworking project. You have decided to build by hand a table out of solid red oak, and have found a design that seems to fit. The materials and the tools are at hand. Now comes the tough work - cutting, shaping, fitting, gluing, sanding, and finishing. This is what the real work of mergers and deep partnerships is all about. Now imagine, a bit more of a stretch, that the pieces of red oak, the brass screws, and the maple dowels are all alive. They remember their separate lives as trees and ores in the ground. They resist coming together. Red oaks do not always like maples, and neither like brass screws. This is also what the real work of mergers and deep partnerships is all about - letting go, facing ambiguity, overcoming fears of change, and beginning to embrace a new vision.

Many mergers and deep partnerships fail because people do not see the real work that has to be done, do not recognize the deep changes required, and do not face the possibilities of resistance early enough. In some cases, the decision in principle to merge or partner becomes undone or never quite resolved. In others, people soldier on, but it is like moving in deep molasses. The cracks between the partners become not so hidden fractures in the new organization. The research on mergers in the private sector clearly indicates these realities.

There is a loose parallel with personal relationships (see Table 1). The decision to marry, even the fact of marrying, does not create an enduring marriage. We all know that. And, separations or divorces may, in fact, lead to healthier enduring friendships.

**Table 1 - A Ladder Of Partnering**

<i>Non Profits</i>	<i>Personal Relationships</i>
<i>Sharing information</i>	<i>Becoming friends</i>
<i>Carrying out a joint project [7]</i>	<i>Taking a holiday together</i>
<i>Creating a joint program</i>	<i>Having an extended affair</i>
<i>Sharing space</i>	<i>Living common law</i>
<i>Sharing administrative services</i>	<i>Starting a joint financial account</i>
<i>Creating an alliance [8]</i>	<i>Becoming engaged</i>
<i>Merging [9,10]</i>	<i>Marrying</i>
<i>Federating [11]</i>	<i>Separating and divorcing</i>

*By deep partnerships, we mean anything beyond and including creating a joint program. Experience clearly shows that the more the partnership moves down the rungs of the ladder, the more difficult it becomes.*

***A Case Story***

*Two health organizations decide to merge to create a larger organization with more influence in an increasingly turbulent environment. They start with a joint video project and cross-Board*

*appointments. They reckon it will take at least two years before a formal merger process can be initiated.*

*The merger eventually happens. Over 4 or 5 years, a stronger organization is built. Eventually, it is bought out by an even larger quasi-public organization that has decided to move away from contracting to direct service delivery.*

### **A Case Story**

*Two small youth mentoring organizations share a competitive relationship for years, particularly around fund raising. The new Executive Director of one of the organizations recognizes that its signature fund raising event could become more profitable and prestigious by including the other agency. The other agency agrees to participate.*

*This opportunity leads to a more collaborative relationship. The two agencies eventually begin to share one employee to fill part-time casework positions in each organization. This, in turn, leads to a greater recognition of the commonalities between the two agencies.*

*During some challenging times, one Board seeks out the strengths of the other agency's management team. Eventually, the two agencies conclude that a merger would allow for the best use of each groups' resources, and for improved services for families in the region.*

*They create a merger committee. After a year of planning and negotiating, they successfully merge.*

There are two threads that we want to point out at this point.

*It is the process of letting go [12], and the fears of change, that frequently block mergers or other deeper partnering relationships.*

*Mergers and deeper partnerships work best when the two separate non profit organizations have been able to build up a positive working relationship over several years - creating mutual understanding and trust, sharing information, and carrying out joint projects.*

## **Organizational Readiness**

Mergers and deeper partnerships likely will require organizational change - new visions, values, structures, policies, staff relationships, and ways of doing business. The further one goes down the ladder in Table 1, the more organizational change will be required, and the more difficult will be the process. We know a good deal about organizational change processes, and about the conditions that create organizations that

are more open to change. Table 2 lists some of the factors within organizations that promote and deter change.

**Table 2 - Some Factors Influencing Organizational Change**

<i><b>In Favour</b></i>	<i><b>In Opposition</b></i>
<i>Diverse people</i>	<i>Homogenous people</i>
<i>New people</i>	<i>Long term people</i>
<i>People who see the forest</i>	<i>People who mostly see only the trees</i>
<i>People who are committed to the mission</i>	<i>People who mostly focus on programs</i>
<i>New leadership</i>	<i>Old leadership</i>
<i>Founding members no longer active</i>	<i>Founding members still present</i>
<i>Learning from the outside</i>	<i>Closed to the outside</i>
<i>Diffusion of ideas within</i>	<i>Old ways of doing business</i>
<i>Support for innovation</i>	<i>Support for tradition</i>
<i>Always planning and evaluating</i>	<i>No time to plan or evaluate</i>
<i>Changing external environment</i>	<i>Static or turbulent environment</i>
<i>Smaller, decentralized units</i>	<i>Larger, top down structures</i>
<i>Budgets linked to change</i>	<i>Budgets tied up in current business</i>
<i>Time to dream, plan, and act</i>	<i>Time tied up in normal business</i>
<i>Balance between process and outcome</i>	<i>Focused solely on outcome or process</i>
<i>Commitments to learning</i>	<i>No commitments to learning</i>
<i>Tolerance of risk and failure</i>	<i>Fear of risk and failure</i>
<i>Organization seen as important, but not essential</i>	<i>Organization seen as sacred</i>
<i>Hope, passion, and spirit</i>	<i>Despair, insecurity, and fear</i>

***A Case Study***

*Two medium sized organizations decide to explore a merger or deeper partnership. The work goes on over nine months. A decision is well reached, not to merge, but to create a deeper working partnership around joint programs, best practice models, and shared administrative resources. A memorandum of understanding is developed between the two Boards.*

*One of the management teams requests that new language be added, "subject to the resources available". One of the Boards agrees, the other does not. The issue is not about the words, but the subtle message they imply about readiness for change.*

*Nevertheless, the partnership moves forward with a first step of sharing a financial controller.*

Two more threads emerge from Table 2.

*Before entering into a merger or deep partnering process, non profit organizations should assess their readiness for change (see Table 2 and Appendix B).*

*If the forces against change are greater than those in favour of change, then work needs to be done in building openness to change before starting a merger or deep partnering process.*

## **Organizational Differences And Due Diligence**

### ***A Case Study***

*Two community economic development organizations are forced to merge by their common government funder. One is hard-nosed, focused on making realistic loans to small businesses, The other is softer, focused on facilitating and catalyzing community planning. Everyone knows about these fundamental differences in culture and mission, but they are not addressed,*

*The fractures lie within the organization for years. People leave in frustration. Eventually, a new Executive Director is able to bring the two sides together, and build trust.*

We all know that personal relationships are much more difficult and challenging, though also potentially more creative and exciting, when there are large differences between the two people. The same applies to teams. We have all been part of a work group where the differences in personalities, natural group roles, values, leadership styles, beliefs, and languages create clashes and conflicts, often enduring. And, at times, these work groups magically morph into synergistic teams. Relationships among non profit organizations are no different.

Organizational differences can be concrete and obvious, such as size, numbers and types of programs, numbers and types of staff and volunteers, revenue mixes and financial situations, numbers of facilities,

policies and procedures, and links to provincial or national associations. These are relatively easy to describe, compare and contrast, and develop mutual understandings about. Organizational differences can also be much deeper, often hidden, reflecting history, leadership style, fluidity and form, and culture [13]. These differences are much more thorny to confront. It is hard to overcome differences that we only suspect exist, and where we do not even have good languages to describe our own situations. Somewhere in between are differences between mandates, missions, and strategic directions. These too can be thorny. Often, non profit organizations say they do not have a strategic plan or strategic directions. Yet they do, they have just never been made explicit. In the merger discussions, the differences can begin to feel immense. Typically, it is the hidden differences that cause the real troubles.

In bringing organizations together into a merger or deeper partnership, it is critical that mutual understanding be fully developed. This takes time, often best done over a period of months or a few years, where information is shared, joint projects are undertaken, cross Board appointments are made, and people have an abundance of opportunities to interact.

*Love at first sight* is not a good approach to organizational mergers or deeper partnerships.

Personal relationships, particularly when we are younger, are opportunities to grow, change, and learn more deeply about who we are as individuals. The other is a mirror for ourselves. In organizations that are merging or coming together in a deeper partnership, there is much less time for this organic process. If we are to be able to answer truthfully and openly the question, *What is our/your organization really like?*, we need to have done some deep reflecting beforehand.

#### ***A Case Study***

*Three organizations that offer counselling and support services for apts and families come together to pursue a merger. They hire a consultant to assist with the due diligence process. After several months of study, the consultant presents her report, and facilitates an educational session with the three Boards.*

*Through this due diligence process, they discover not only the facts about each organization's finances, personnel, programs, and facilities; but also get a taste of each organization's cultural flavour.*

*Following this session, the three Boards decide not to proceed with further merger talks due to what they perceive as unbridgeable gaps in the missions, and leadership values, approaches, and priorities.*

The process of looking at the differences between two organizations that are looking to merge or create a deeper partnership is often called *due diligence*. The words have two separate meanings in most situations. First, *due diligence* refers to ensuring that there are no hidden or unforeseen liabilities (for example: unresolved staff grievances and financial debts) that will cause grief later down the road. Second, *due diligence* also means looking at the deeper cultural differences [13], ensuring that there is some kind of *fit* for the two organizations.

## **Organizational Resistance**

Table 3 points out the different levels of organizational change. The further down the ladder, the more difficult is the change process, and the more likely differences will have major impacts. Mergers and deeper partnerships involve the deeper levels.

### **Table 3 - A Ladder Of Organizational Change Challenges**

*Staff and volunteers*

*Programs*

*Policies and procedures*

*Systems, structures, and reporting relationships*

*Strategic directions*

*Values, mission, and spirit*

*Fundamental beliefs*

*Language*

The reality is that deeper partnerships and mergers lead to resistance to change. This means that the processes in the middle of creating a deeper partnership or merger need to:

*Give people opportunities to participate in the process*

*Involve people who will champion the deeper partnership or merger, as well as those likely to resist*

*Make sure that there is sufficient time and resources to do the work well.*

Several other key threads in mergers and deeper partnerships arise.

*Size counts. Bringing together a small organization with a much larger organization is a very different process. Inevitably, it is the people of the smaller organization that have to change, adapting their ways to those of the larger organization. This can be very, very difficult. "We have to leave our small, comfortable, well known, trusted home and family for a larger, colder, and less trusted corporation" is often the cry.*

*Building mutual understanding needs to start with surfacing and overcoming perceptions and misperceptions of each other. The first question needs to be: "What are your images of us?" The answer is: "This is who we are".*

*But, in order to be able to say, "This is who we are", we need to know ourselves - the obvious such as programs and services, the written such as mission and values, but also the not so obvious such as culture and strategic direction.*

## **Vision And Self Interest**

### ***Case Study***

*Two youth agencies begin to think of coming together, after several years of experience with joint projects. They have a dream of diverse, integrated, accessible, and responsive youth services across the entire community.*

*There are also self interests. One needs access to government funding. The other needs access to community fund raising; and its Executive Director is retiring. And, both are small organizations, not quite able to afford the depth and quality of management that they need to survive and thrive.*

Imagine a large non profit organization with diverse programs and services. *What holds it together?*, many people ask. This is a challenging question. There are many answers - a common history, vision, and values; abundant opportunities for people from different parts of the organization to come together to interact, learn, and build deep relationships; a sense of pride and celebration in all of the organization's accomplishments; common policies, procedures, or even uniforms; and top down directives from the Board.

Now ask the same question about a potential merger or deeper partnership: *What will hold it together?* At the middle stage of creating a deeper partnership or merger, the answer is both the vision and self interests.

### ***A Case Study***

*A small child care organization opens up a conversation about merging with a larger one, out of a place of frustration. The parents on the Board are tired, having just come through a major building renovation and capital campaign process. There are not enough staff resources to handle the administrative duties, parents have to volunteer weekly. Their self interests are relatively clear.*

*There is a family and community benefit in maintaining quality and affordable child care services.*

*But, what are the benefits for the larger organization?*

Non profit organizations typically come together in coalitions, alliances, partnerships, and mergers to build a community dream, to follow a joint passion. Their vision, often stated in the language of angels, can be powerful. It acts to inspire and energize the coming together processes, and to help people overcome the bumps along the road. But, there is another side. *Mergers and partnerships are good business, only if they are good for business.*

The tough reality is that mergers and deeper partnerships do not work well unless the self interests of each partner are successfully addressed. Yet, non profit organizations have a difficult time identifying and talking openly about their self interests. Self interests are powerful forces. Discussions about a merger or a deeper partnership may not even get past the first step if they are not openly put on the collective table and addressed. Overcoming the natural inclinations of people in non profit organizations to avoid talking about self interests and getting people to *put all of their cards on the table* is not easy.

#### ***A Case Story***

*Three organizations consider co-locating their preventive services for children and families. The early discussions proceed smoothly, involving only program staff. Once the organizations become involved, the road becomes bumpy.*

*One organization is small, a single program, and people are quite happy with how it works. A second organization is somewhat larger, and in a growth mode. The third organization is in trouble. A core of Board members act as the Executive Director, government contracts are about to be lost, and staff are very frustrated with everybody. Getting the organizational issues and interests out on the table is difficult.*

*The staff in the third organization see the co-location as a saving grace, a way to sustain what they do and their jobs. These issues never surface in the discussions.*

There are several more threads here.

*Part of the process of merging or creating a deeper partnership needs to focus on building an initial common vision. "Why are we doing this together?" or "What will be the eventual benefits to our community, and our common clientele?" are important questions. This common vision needs to be held "front and centre" in the discussion processes, helping people overcome the rocky parts along the way.*

*At the same time, each of the partners needs to answer another set of questions: "Why are we doing this?, Why are we doing this now?, and What do we expect to gain?" The*

*issue is one of identifying what is not negotiable, and what is the "bottom line". The answers need to be shared openly.*

*If one of the partners sees the merger or deeper partnership as a strategy for addressing immediate crises such as funder pressures, financial problems, Board recruitment issues, program quality questions, and lack of administrative resources, be wary. Mergers and deeper partnerships, much like personal relationships, work best when each of the partners walks to the common table out of a position of strength.*

*Mergers and deeper partnerships need to be formed and constantly evaluated against both the common vision, and the diverse self interests.*

## **Time, Leadership, And Critical Mass**

It should be clear from what we have said so far that mergers and other deep partnering processes take considerable time, and can easily become thorny. Deeper partnerships or mergers cannot be built off the corner of people's desks. The path is often rocky. It is easy for people to throw up their hands, and say: *Enough is enough, let's go home.*

Internal leadership within each of the partners is critical, people who catch the vision, see the possibilities, and are ready to listen to and encourage others who see more the concerns and challenges. Organizational change processes require change champions to help those who follow or are prone to resist.

External leadership or facilitation is often essential. Such a person needs to understand both organizational change and partnering or merging processes, to be trusted by people in each of the partnering organizations, and to be able to facilitate often challenging dialogues. This is not, in our experience, a negotiator, shuttling back and forth from one room to another, but rather someone who can *hold a large and comfortable space* while others struggle with the tough questions. In the end, organizations are about relationships, and healthy organizations are about healthy relationships. Partnerships and mergers are no different. Like blossoming personal relationships, they sometimes need a wise counsellor, friend, and cheerleader.

Support for the merger or deeper partnership needs to be built slowly and carefully over time. Board members, managers, staff, volunteers, and external stakeholders need opportunities to learn, imagine the possibilities, surface their fears, and become actively involved in creating something new.

At a certain point, a critical mass of support will emerge. Otherwise, the merger or deeper partnership will fall apart, or be created in name only. Executive Directors alone may be able to help their Boards reach a decision to merge or partner in principle; but, they cannot take it much further without the enthusiasm and willingness of their managers, staff, volunteers, and external supporters.

Two more threads of mergers and deeper partnerships emerge.

*In the middle stage when several organizations are trying to reach a decision in principle to merge or create a deeper partnership, it is important to involve and educate the memberships of the various organizations. In the end, it is these people who will have to vote in favour for a deeper partnership or merger to proceed.*

*It is also important to listen to clients' or consumers' perspectives. They may not have much interest in program administrative issues or organizational development and sustainability questions. However, they know much about what they want and need.*

## **Concreteness, Ambiguity, And Unruliness**

### ***A Case Story***

*Two provincial organizations concerned with prevention issues decide to share office space. The larger organization hires the part-time Executive Director of the smaller one to manage two of their programs that fit with the mission of the smaller organization. The partnership emerges and unfolds over 18 months.*

*Administrative issues arise that are resolved on a case-by-case basis.*

*Later, the two organizations decide that they need to step back and develop a more formal Memorandum of Understanding to provide a framework for the partnership. The Board of the smaller organization has become fearful that they might eventually be swallowed up.*

*We need to know what it will look like?* is a very common cry even at the beginning of many merger or deep partnering processes. But, the reality is that you neither can, nor should, know what it will look like. Designing the new organizational structures is a later, fourth, stage in the process. Structure needs to flow out of function, and function needs to flow out of visions, dreams, goals, and deepening relationships.

What this means is that there will be considerable uncertainty, ambiguity, and unruliness along the way. There will not always be easy answers to people's fears: *Will I have a job?*, or *Who will I be reporting to?* The organizational change literature [12] provides lots of ideas about how to face this middle stage - not two organizations, yet not one organization either. We need to look at ways of celebrating the past, giving people opportunities to grieve and let go, creating temporary systems and structures to give people a sense of *home*, and communicating, always communicating, the imaginative new vision for the future. Stories, pictures, poems, and social events are powerful tools.

### **Power And Status**

*Will there be a job for me?* or *Who will I report to?* are common questions in merger and deep partnering processes. There are two Executive Directors, two financial directors [14], and so on. Power, status, pay, perks, and sense of *home* are all critical for staff. Making changes to these will inevitably lead to resistance.

### ***A Case Study***

*Two community mental health agencies, one large and the other small, are discussing a merger as a means of strengthening and integrating their programs, and creating organizational and financial efficiencies.*

*Despite initial support for the merger, resistance begins to grow as they enter the middle stages of the merger discussions.*

*The potential pitfall is the people issue. There are two Executive Directors who need to be accommodated as the new organizational structure is created. Staff fears, anxieties, and opportunism rise.*

*To overcome these hurdles, all current staff are assured of on-going meaningful employment. There is an agreement to deal directly with the feelings associated with change. Management positions are reconfigured in the light of the new organization's priorities and functional requirements, as well as people's personal preferences. The jobs of most staff remain stable, except for the reporting relationships.*

*Through constant attention to communication, striving for consensus, and talking through feelings, a new working team is built.*

## **Starting At The Beginning**

Now, after exploring some of the middle stages of merger and deeper partnering processes, we need to come back to the beginning. *Where do we start?*, is a common question. And, our answer needs to start with: *There is no single recipe for success.* Here is what we think we know.

*Start with learning about merger or deeper partnering processes by talking with others in your community or field about their experiences. What did they do, what did they gain, what happened, where were the surprises, ... ? Read what you can find, particularly case stories.*

*Spend some time answering the key questions - Who are we?, Why are we doing this?, Why now?, What do we hope to gain?, and What is our bottom line? Be careful. Answers to these questions will inevitably deepen and shift, clarify, through the merger or deeper partnering process. The dialogue with another organization will act as a mirror.*

*Start small and slow. Find ways to build relationships with the other organization(s) - social events, joint Board meetings, cross Board appointments, joint projects, staff secondments. Be careful with the words merger and partner because they create fears. They spark people's fears. Other words such as acquisitions and leveraged buy outs spring to mind. People's dislikes of the worst of the private sector emerge and get in the way.*

*Find a wise consultant to help.*

*Do it before you have to. Partnering or merging out of weakness, fear of survival, or shotgun pressures do not work well.*

*Focus the merger discussions constantly on the mission, on the benefits to the community and consumers. Create a new vision of what is possible that provides people with support for investing in the future and taking risks.*

*Take time to get to know each other, lots of time, and even more time. And, remember to put the people issues squarely on the table.*

## ***Aunts, Uncles, Sisters, And Brothers***

*It is Calgary, Alberta, 1992. Three separate organizations exist that offer one-to-one community based mentoring relationships for children and youth. All have experienced success over the years; all now see the writing on the wall. Continued success is unlikely unless they re-think their organizational approaches.*

*Aunts At Large is the biggest, with the most financial, volunteer, and staff resources. Uncles At Large, which five years earlier had taken on the responsibility for Big Brothers' matches when that organization folded, is beginning to experience the strains of a difficult fund raising environment. It is dipping into reserve funds to maintain service levels. Big Sisters is the smallest of the three, experiencing the burnout that is so common in a busy agency primarily managed by volunteers. The three organizations have many differences in histories, sizes, specific mandates, national affiliations, staffing models, and leadership approaches. Yet, they serve the same general target population, single parent and needy families, use the same mentoring models, and do not receive funding from either government or United Way. Also, they are facing the same environmental challenges, increasingly fierce competition for the charitable dollar and volunteers, greater demands for services, and increasing accountability requirements. Over the years, there have been informal co-operative relationships, sharing information, and referring families. Overall though, they have been insular from each other.*

*The first major move towards a merger comes in late 1992. Aunts At Large and Uncles At Large, both sharing a number of service clubs as funders, strike a merger committee as a cost savings strategy. The committee disbands after a few meetings, a result of lack of trust, misinformation about each other, and turf issues.*

*By the Spring of 1993, the staff leadership in all three agencies changes. The new senior staff are more collaborative in their personal styles, and quickly begin to develop joint projects on volunteer recruitment, staff development, and social events for families. With the support of a local funder, Aunts At Large and Big Sisters create a formal partnership to develop a child abuse prevention program. Other funders begin to encourage and pressure the three agencies to work more closely together. The Presidents and senior staff of the three agencies begin to meet to discuss how the three could restructure in the light of the changing environment. A recommendation is made to all three Boards to strike an Amalgamation Committee. The Boards' first reaction was: "Why?" An information session was held in the Spring of 1994 to provide each Board member from the three agencies opportunities to learn about the changes in the environment and the possibilities in successful mergers. The recommendation was adopted by all three Boards.*

*The Amalgamation Committee took three months to bring forth a full merger proposal with the help of an outside facilitator, experienced in both mentoring programs and merger work. All through their discussions, they kept returning to two key questions: "Why are we here as agencies?" and "Why are we merging?" Their proposal was formally presented to the three Boards, the service clubs that jointly funded two of the agencies, and a large general meeting of the membership of all three organizations. The final decision, in three separate membership meetings, was unanimous to move ahead with the creation of Big Brothers And Big Sisters of Calgary.*

*The process of implementing the new organization, and of integrating the three agencies, had bumps along the road. Some members lamented the loss of intimacy. A few volunteers and staff left. Stress took its toll because of the huge amount of work that had to be done quickly.*

*In the end, this was a major success: improved services, a higher community profile, increased funding, increased corporate support, financial efficiencies, learning opportunities, and positive changes in organizational behaviours.*

## Notes

- [1] We face a language difficulty in the non profit sector. Words like mergers, acquisitions, takeovers, and leveraged buy outs all sound like nasty corporate thinking.

We have no language of our own, except for the much softer words such as cooperation, collaboration, and integration - or coming together.

- [2] Closely related to the issue of language are the legal structures and founding stories within the non profit sector. They too make deeper partnerships and mergers more difficult.

In the private sector, there are owners, who hold shares which can be given a measurable value through the market place. The business can be valued financially - its hard assets, knowledge capital, and goodwill. When one private business takes over another, there is greater clarity that one is buying another. The legal processes are clearer.

In the non profit sector, there is none of this. There are owners, called members, but what they own is less tangible, being part of the organizational history and mission. The assets of the organization, rarely assessed in financial terms, do not belong to the members as owners. There are formal dissolution clauses in constitutions. It is not possible to talk of one organization buying another.

The founding stories and languages of the non profit sector do not include words like bankruptcies. It is much harder to talk about the death of a non profit organization. In fact, non profit organizations rarely die. Those that, perhaps, should dies, tend to limp along into the future.

There is a tendency to assume that each non profit organization is essential, even sacred: *No one else can do what we do as well and as creatively as we can.* All of this also makes deeper partnerships and mergers more difficult. People say: *I am happy to relate and partner, but do not talk to me about the A word.*

All of this may explain why informal cooperation and partnering is more common, and seems to work better, in the non profit sector. The experience with more formal arrangements such as Memoranda of Understandings and wholly owned, legally incorporated joint ventures is more limited.

- [3] Sherry Ferronato and Gavin Perryman, *Big Brothers Big Sisters: Facing The Challenges Of Organizational Sustainability*, March, 2003

- [4] See, for example, [www.lapiana.org](http://www.lapiana.org)

- [5] Opportunities include: shared facilities and back up services, shared information, shared policy development and efficiency audit processes, shared senior managers, joint contract bids, joint entrepreneurial ventures, social marketing campaigns, jointly owned recruitment and training ventures, .....

- [6] It is worth reflecting on two of the common patterns in non profit organizations. Several services come together under a loose, informal umbrella - seeking safety and administrative services.

The umbrella grows, and eventually needs to consolidate, becoming much more formal and internally structured. It merges inside. Further growth happens. Eventually, pieces may be spun off, particularly foundations and social enterprises into wholly owned separate entities.

Or, the parts grow and mature, more able to provide for themselves the administrative services that they sought from the umbrella. Eventually, they leave, becoming healthy organizations in their own right.

[7] Joint projects are generally easier because they have an end point. We can all live with a certain level of discomfort, or tension, or questioning in a relationship for a known period of time, as long as the short term benefits exist. It is over the longer term, when there are expectations of permanent fidelity, that these tensions erupt, leading either to major change and relational renewal, or to separations and divorces.

[8] Alliances are loose associations through which non profit organizations come together to achieve common goals. The organizational members remain fiercely independent. Most Provincial associations act like this.

[9] In mergers, the two organizations are brought together into a new organization with its own mission, values, culture, Board, and management structure. The two current organizations would be dissolved, though their names might be continued.

Some people have tried a model where the two separate organizations continue, but more as wholly owned subsidiaries of the new organization, guided by the overall Board and leadership structure. Almost inevitably, these approaches become interim steps to a full merger.

In the situation where a smaller organization becomes part of, or merges with, a larger organization, the dynamics are quite different. Typically, it is the smaller organization that is required to change; and, people in the larger organization can become quite impatient with the process.

[10] It is easy to assume that in a single, or merged, organization, everything is connected to each other, and everyone relates to each other, in some kind of synergistic fashion. Yet, we know full well that this is not true. Some single organizations act more like the shared space and shared administrative services models in Table 1. Each unit keeps to itself, protects itself, and sees others as irrelevant, unfriendly, or enemies.

[11] Federation models can lie in between separate organizations, perhaps with considerable joint ventures, and full mergers. Generally, they are based on:

- *Separate units within the federation that have a relatively high degree of independence (less than in the separate organization options and more than in the full merger option), their own leadership, their own boards or advisory committees, and their own budgets*
- *A support unit that provides technical administrative services (for example: human resource management and financial management) to the units*
- *An overall mission, directions, and set of policies (values) that bind the federation together*
- *A strong focus on building lateral working relationships across the units*
- *An over-arching governance and leadership structure.*

Most of the good examples of federation models do not lie in the non profit sector, and are national or international in scope (for example: Shell International, Salvation Army, and the Roman Catholic Church). In some federations, the separate units are legal entities. In others, they are not.

Federation models can also come after mergers. In the private sector, organizations grow to a point where it makes sense to spin units off. The same is beginning to happen in the non profit sector; for example, foundations and social enterprises.

- [12] The process of letting go, or what some people call the transitional side of change, is well described in William Bridges' book, *Transitions: Making The Most Of Change* (Addison-Wesley, 1991)

- [13] *It is the different cultures that makes mergers unsuccessful* is the common cry from almost all of the research on mergers and deeper partnerships. But, what does this slippery word, culture, mean?

The culture of organizations is expressed in the actual behaviours and relationships internally. It is about what we do, not what we think we do, nor what we say we do. Below these behaviours, built up over years of history, lie implicit values, beliefs, stories, heroes and heroines, and languages.

- [14] There are a number of options where there are two Executive Directors. The easiest are those where one is ready to retire; or, where one is quite happy to no longer be an Executive Director and stay on, reporting to the other.

Some Boards think about having the two Executive Directors apply for the new position. In our experience, this never works.

A common solution, quite successful though difficult for Boards to accept, is to create a co-Executive Director model, at least for a time.

# Appendix A

## Process For Exploring A Potential Merger

### Introduction

This proposed process has four phases, over 18 - 24 months, designed to bring about a successful merger, and capture the full benefits of a merger.

### Conditions For Success

Successful mergers between two not-for-profit organizations typically depend upon:

- ❑ Gaining experience in working together as organizations in small, concrete ways
- ❑ Being fully transparent about the realities of each organization
- ❑ Overcoming misperceptions of each organization, and fears of a merger
- ❑ Creating an open-ness to change and a willingness to invest in the future
- ❑ Building consensus on the concrete benefits to be gained through the merger for diverse stakeholders, and gathering support from these stakeholders
- ❑ Tackling the thorny issues of power and organizational culture.

### Phase 1 - Making A Decision In Principle

The first phase, likely to take 3 - 4 months, needs to help each Board come to a clear decision to move forward on the merger in principle. In all likelihood, a number of challenges will be identified that need to be resolved before a final decision to merge can be diligently reached.

The steps in the first phase will likely involve:

- ❑ Putting together full factual pictures of each organization
- ❑ Gathering perceptions of the potential benefits and barriers to the merger through interviews with key Board members, managers, funders, and community stakeholders
- ❑ Gathering perceptions and ideas about the potential benefits and barriers to the merger through a workshop with managers and supervisors
- ❑ Preparing a background paper on the merger, outlining potential benefits, challenges, and structural options

- ❑ Facilitating a full discussion between the two Boards to reach consensus on the potential benefits and mergers, and the kind of merger that makes most sense
- ❑ Holding separate Board meetings to make a decision to proceed or not.

## **Phase 2 - Overcoming The Challenges**

During the first phase, a number of challenges will have been identified that need to be fully resolved before a final decision to merge can be reached. These will likely include:

- ❑ Ensuring that funders are in full support of the merger, and will not reduce their funding levels after the merger has happened
- ❑ Resolving issues within the proposed new legal structure, including developing new constitutions and bylaws
- ❑ Making a decision about the shape of the future Board(s) and senior management team(s).

The second phase, likely to take 3 - 6 months, needs to focus on:

- ❑ Resolving these challenges so that each Board can make a final decision to commit to the merger with due diligence
- ❑ Communicating the potential merger, and the benefits, to staff and key community supporters
- ❑ Strengthening the relationships between the two organizations at both Board and senior management levels
- ❑ Holding separate membership meetings to approve the decision to merge.

## **Phase 3 - Beginning The Merger Process**

Mergers only begin with the decision to move ahead. Over the third phase, likely to take 6 - 12 months, there is considerable work to be done in:

- ❑ Creating a new strategic vision for the combined organization
- ❑ Establishing new Board policies to guide the combined organization
- ❑ Putting in place a long term financial plan for the combined organization
- ❑ Creating a senior management team for the combined organization
- ❑ Putting together separate financial, human resource, risk management, and facility management systems
- ❑ Bringing staff together so that they can begin to participate in the process of building the new organization
- ❑ Creating a new name, logo, and identity.

Some of this work can be initiated during the second phase if the commitment to merge at the end of the first phase is sufficiently strong. Consulting help, of different kinds, may be needed in moving forward on several of these pieces. Experience would also suggest that access to on-going organizational development consulting advice is also useful.

#### **Phase 4 - Re-Designing The Organizational Structure**

The final phase will likely involve re-designing the internal programs, structures, and processes to maximize the deployment of people, financial, and physical resources in moving forward on the new strategic vision, and in creating better and more sustainable services for consumers.

## **Appendix B**

### **Creating Organizations More Open To Change**

#### ***Encourage Learning And Playing***

- Ask people what they need to learn, know, and be able to do
- Design learning opportunities that fit individual learning needs and styles
- Use multiple approaches: internal workshops, external courses, mentors, conferences, sabbaticals, secondments, ....
- Commit financial resources to learning
- Model learning at senior levels

#### ***Create diverse teams of people to take on new projects***

- See diversity in small teams as a strength and a challenge
- Pull people together from across the organization to take on new work
- Make the boundaries around staff teams porous

#### ***Carry out strategic planning and thinking in an on-going way***

- See all evaluation and planning processes as opportunities to learn about changing landscapes, and think imaginatively and toughly about the future
- Link budgets and financial reporting to strategic directions
- Embed strategic priorities in annual performance evaluations
- Hold regular staff and Board retreats

#### ***Support eclectic information gathering***

- Encourage people to read eclectically or go to “off the wall” conferences
- Bring outsiders into the organization who think differently
- Distribute key articles for everyone to read
- Turn one room into a future resource centre

#### ***Build faith and hope in the future***

- Celebrate successes
- Treat failures as learning opportunities
- Encourage people to talk about what has personal meaning to them within the organization
- Do not run away from words like “soul” and “spirit”

***Encourage innovation***

- ❑ Hire people on the base of their track record for innovation and creativity
- ❑ Embed innovation in annual performance evaluations
- ❑ Set aside funds to encourage innovations
- ❑ Decentralize responsibility to smaller teams
- ❑ Loosen up on controls
- ❑ Don't let senior managers say "no" too easily

***Change people's responsibilities***

- ❑ Move people from one job or staff team to another
- ❑ Encourage internal career planning

***Be clear about the deep competencies of the organization***

- ❑ Know what the organization does very well
- ❑ Know what the organization does not do well

***Push people beyond their levels of comfort***

- ❑ Encourage a culture of people challenging each other
- ❑ Hold high expectations
- ❑ Give people responsibilities that are just beyond their experience

***Constantly seek new metaphors to imagine the future***

- ❑ Bring in artists to help create new pictures