Three articles on mergers

Article 1 Think hard before embarking on a merger

The government's £16.5 million modernisation fund has moved mergers up the agenda, but careful consideration is essential before embarking on an amalgamation.
More than 50% of merger plans fail to be completed, according to the Charity Commission, leaving these organisations with the considerable challenge of re-motivating themselves to carrying on independently.

Merging organisations is challenging because it involves people, power and politics and many inter-dependencies between them. There will be winners, losers, uncertainties and resistances.

Before embarking on a merger, boards and managers need to have a compelling rationale for taking this irreversible step. They should start by re-visiting the organisation's mission and determining the real benefits that would accrue to service users or to campaigns.

Boards and managers should also have a really candid conversation about their motives. It is easy to make a case around benefits to users or potential cost savings when the honest reasons may be more to do with weak leadership, lack of direction and loss of the will to carry on.

Loss of independence is a key consideration that can scupper merger discussions. One chair and one chief executive will lose their role, although other positions can be created for them. One organisation will also eventually lose its name, although some merged organisations work with combinations of both their names for the first few years.

Mergers are also expensive. Reported costs vary from £25,000 for a straightforward merger to £250,000 and more for large and more complex ones.

But mergers can create stronger organisations, with more 'critical mass', capable of delivering a wider range of services and having greater impact. Cancer Research UK, Carers UK, Asthma UK, Homeless Link and Volunteering England are just a few examples.

They can also be a lifeline for a struggling organisation and their beneficiaries during distressing times.

Merger may be the next step for your organisation but think carefully before embarking on one.

Mike Hudson is author of Managing Without Profit *(3rd edition) and Director of management consultants Compass Partnership.*

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Article 2: How to manage a merger

There is no template or magic formula for making a success of a merger; each has to address different issues in a different order. Most mergers (75%) involve a large organisation merging with a smaller one so the balance of power lies with the larger organisation. Only 25% involve mergers of organisations equal in size and influence where more negotiation is required to hammer out agreed terms.

An early decision in any merger is who to involve at each stage. The need for confidentiality (in case discussions don't proceed) has to be balanced with the desire to be open and bring people along with the process.

Mergers should begin with a period of exploration, when the rationale is established and the potential benefits are rigorously tested. Boards and senior managers need to have clear intentions before approaching other organisations.

Once a potential partner has been identified, a vision of what the merged organisation could achieve should be agreed. Having a clear view of 'the prize' is valuable when discussions inevitably hit a rocky stage. An early assessment of 'deal breakers' should flush out issues such as disagreement over the chairmanship or leadership of the merged organisation or unwillingness to relinquish either organisation's name.

If the outcome is positive, more detailed planning involving a wider range of people can begin. Decisions will be needed on whether to merge one organisation into another or create a third, how to structure governance and management and where to location of staff. A step by step process is described in the new edition of *Managing Without Profit.*

The aim should be to secure agreement on all the sensitive issues so that both boards can take their final decisions and realise the vision that was created at the start.

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Article 3 Managing integration after a merger

It is easy to assume that voluntary organisations are all pretty similar when in fact they all have subtly different approaches to delegation, decision taking, accountability and how to make thinks happen. Integrating cultures is therefore one of the greatest challenges of any merger.

The starting point is to accept the end of the old organisations, respect their achievements and mourn what was lost. Only then is it possible for everyone to begin the integrating task.

It is a long term project. Integrating small organisations can take a year or more and larger ones may not be fully integrated for three or more years. Board members need time to get to know each other and agree priorities for their work. Staff need time to learn how to work effectively together. Everyone needs time to identify the best from both organisations.

Managers and staff can be encouraged to integrate by establishing project teams involving people from both organisations. Integrated training days and away days can help to build strong relationships.

There may be concerns about job losses. These need to be addressed up-front, and if posts are to go it is better to have one announcement about them all than to let losses drag on over a period.

There is often much to do to integrate organisations' systems. The processes for planning, budget setting, accounting, and risk management all need to be brought together. Systems for purchasing, recruitment and information management will need to be reviewed and policies on HR, equalities and complaints will need to be amalgamated or re-written.

Increased communication will be crucial throughout the process of integration.

If there is conflict, be alert to the possibility that it might have less to do with the 'presented' reasons and more to do with underlying cultural differences between the two organisations.

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