



Non-profit mergers – why, how and what not to do!

Lessons learned from mergers

Do Good. Better!

TEAM



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TALKING POINTS TODAY

- ✓ Overview
- ✓ What do we mean with „merger“?
- ✓ What makes it a success?
- ✓ What makes it fail?

Presentation with 10 slides followed by Q&A and discussion.

Content is free to share.

1. Overview

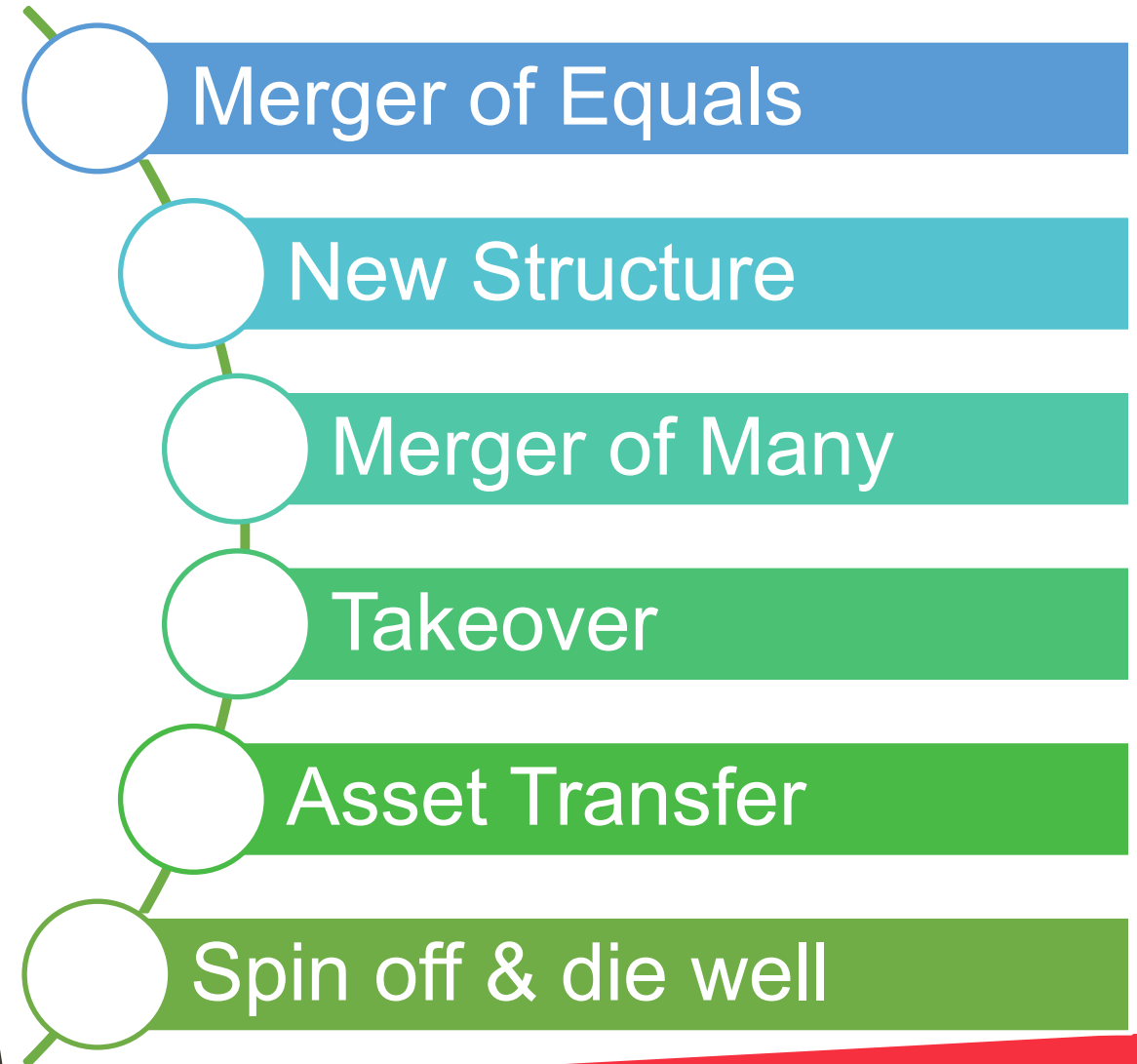
“As government funding dries up, we need a structure to earn and raise more income”

US top10 board member currently preparing a change merger

- ✓ **UK:** 58 mergers involving 116 organisation in 2018/19 – with over half (54%) involving small non-profits under GDP1m
- ✓ **USA:** 112 mergers, involving 280 organisations (Early reporting)
- ✓ **Europe:** 85 mergers, involving 350 organisations, often part of change processes
- ✓ **2021 and 2022:** We expect a substantial surge in EU-non-EU structural mergers

2. What do we mean with merger

- ✓ Most NGO mergers are takeovers out of financial trouble of one party, with weaker NGO brand and ops fading soon (face-saving terminology)
- ✓ Most fail to deliver cost saving or synergies
- ✓ Change mergers (new structures creating) are those that tend to work more often
 - ✓ Expansion into new sector
 - ✓ Expansion into new income market
 - ✓ Change NGO structure



3. What makes it a success

- ✓ Clarity on $1+1=3$. What can we only do together?
- ✓ Synergies only materialise if
 - clear leadership to overcome cultural and strategic “mesh and mess”
 - strong financial and process integration expertise to quickly take advantage of increased scale or depth
- ✓ Financial benefits should start rolling in within 6 months
 - Cost reduced: Eliminate what is double (back office ops, programme delivery)
 - Fundraising brand usage: Merge your reach and increase income
- ✓ 90% of successful mergers had independent advice and evaluation

4. What makes it a failure

- ✓ Merger is a means to an end. Consumes a lot of time and can become end in itself
- ✓ Done from a position of weakness, takeover sold as merger
- ✓ Devil is in the detail – siloes and parallel structures happen often, become entrenched and are costly
- ✓ Culture and Trust issues not managed by hesitant leadership trying to govern too much by consensus.
- ✓ Mergers naturally induce fear into a system - when fear takes over processes and decision-making direction and clarity often fade away

5. How to get it right

- ✓ M&A is a good tool to expand reach, income sources and eliminate double structures in sector
- ✓ Post-Brexit merger surge: best way to access EU funding is to be in the EU. Merging with an organisation overcomes new-start up problems
- ✓ Focus on the money: Savings and income needs to materialise within a few months
- ✓ Get it done: A protracted merger with lots of follow up restructures erodes buy in and confidence
- ✓ Consider the people affected: Think upfront about packages and support to staff that might become redundant



Thank you

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