

MERGERS AND ACQUISITIONS

“Merger” is not a Dirty Word

Done right, a merger or acquisition between two nonprofits can mean greater services delivered to more people in need – all without losing your brand identity.

By Marc Kellenberger

When I bring up the topic of mergers and acquisitions the usual reaction is “Oh no, we can’t merge. We don’t want to lose our identity!” My response is always, “Done right, you don’t need to lose your identity. More importantly, you can stand to gain a whole lot more.”

There are two types of mergers or acquisitions. The first is where two similar organizations, such as two theater companies, come together. The second is where two “complementary” organizations, such as a children’s rights organization and a sexual abuse counseling organization, join together.

In both types, often the driving advantage is simple: Money. Organizations seek to gain economies of scale, improve cost-effectiveness, and achieve greater efficiency in back-office operations, such as accounting, HR, IT, marketing, and fundraising. I’ve seen merged organizations in which the cost-per-unit delivery went down nearly 40%, while the number of constituents served increased 100% – without either group giving up their identity.

A second advantage revolves around broadening an organization’s market reach, particularly for smaller, growing organizations. I recently was involved in a merger in which one organization had a great product based in a small geographical area, but wanted to expand statewide quickly. They merged with a complementary agency already working throughout the state, and were able to use this partner’s infrastructure to expand services that otherwise would have taken years to achieve.

A third advantage reflects one of today’s most obvious donor trends: Major funders expecting nonprofits to be more collaborative in their approaches to key social issues. In some cases, the right major donor may even fund the cost of a merger or acquisition if the organizations can show why and how their integration will result in more expansive, more cost-effective, and better quality services for the causes and people they care about.

When is the wrong time to merge or to be acquired? When your organization is in severe financial trouble. No one wants to take on someone else’s financial problems. And the best time to merge? When your organization is strong! And when you and your Board can see far enough into the future to know what got you where you are today won’t be enough to get you where you want to be.

In these troubled economic times, going alone is no longer the only option available for growth. Done right, collaboration and integration just might be the creative options your organization needs to optimize its impact on your constituents and community.

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