MERGERS AS A STRATEGY FOR SUCCESS:
2016 Report from the Metropolitan Chicago Nonprofit Merger Research Project
PRESENTATION OF THE EXECUTIVE SUMMARY
Acknowledgements

Sponsors

- Polk Bros. Foundation – Lead Sponsor
- Chicago Foundation for Women – Fiscal Sponsor

Research Partner

- Northwestern Kellogg School of Management

Donors

- Chicago Community Trust, Crossroads Fund, Grand Victoria Foundation, Lloyd A. Fry Foundation, Michael Reese Health Trust, Pierce Family Foundation

Advisory Committee

- Co-Chairs: K. Sujata, Debbie Reznick, Jean Butzen
- Members: Frank Baiocchi, Sharon Bush, Delia Coleman, Greg DiDomenico, Daisy Feidt, Judith Gethner, Luis Gutierrez, Mae Hong, Jane Kimondo, Jim Lewis, David Munar, Soo Na, Janice Rodgers, Jennifer Rosenkranz, Michael Saddler, and Kris Torkelson
How we Demystify Nonprofit Mergers
RESEARCH METHODOLOGY
WHAT’S NEW? Distinguishing Features of the Study

STAY TRUE TO YOUR MISSION.
In 88% of the mergers studied, interviewees from both the acquired and acquiring organizations felt the organization was better positioned to achieve organizational goals and increase impact after the merger.
• In 60 percent of the cases, the acquiring organization had experienced a prior merger.
• In 80 percent of the cases, a prior relationship or collaboration existed between the organizations that merged.
• In 60 percent of the cases, the acquired organization initiated the merger discussion.
• In 80 percent of the cases, the merging parties engaged a third party consultant or facilitator.
• In 85 percent of the cases, the board chair or a board member from one of the organizations emerged as the chief merger advocate.
• In 44 percent of the cases, donors paid part or most of the merger costs.
CRITICAL ISSUES

• Finding the right partner is a challenge.
• Staff retention issues arose in almost all cases.
• Program retention and legacy issues can be difficult.
• Board member retention to the merged organization is commonly an issue.
• Liabilities must be carefully addressed.
• CEO/ED succession can be contentious.
• The naming and branding of the new organization is often a difficult issue.
• Integration requires careful planning between the parties.
• Funder involvement produced mixed responses from participants.
KEYS TO MERGER SUCCESS

1. Trust is the glue that holds together all other issues in merger negotiations.
3. In the most successful mergers, all parties are clear about their organization’s overall goals and use the merger as a strategy to achieve these goals.
4. Know yourself and know your counterpart.
5. The role of the CEO in prompting discussions about merger can be critical, especially when the CEO position is in transition.
6. Boards/board chairs must be merger advocates for mergers to succeed.
7. Staff involvement, particularly management, is vital to the success of a merger and certainly to post-merger integration.
8. Leaders must pay attention to cultural alignment, pre-merger and in the merger integration process, if the merger to succeed.
9. Most successful mergers rely on outside experts. These may include attorneys, accountants, merger facilitators, and others.
10. As a resounding takeaway, participants strongly encouraged merger participants to do their homework regarding all aspects of the process and become familiar with the merger strategy.
Next Steps

- Online Toolkit of resources for nonprofit leaders and boards to help guide them at each stage of the merger strategy (available later this quarter)
- Upcoming webinars, workshops, conferences to learn about the study and engage with the nonprofit leaders, funders, and researchers