

JOBS AUSTRALIA NATIONAL CONFERENCE 2018



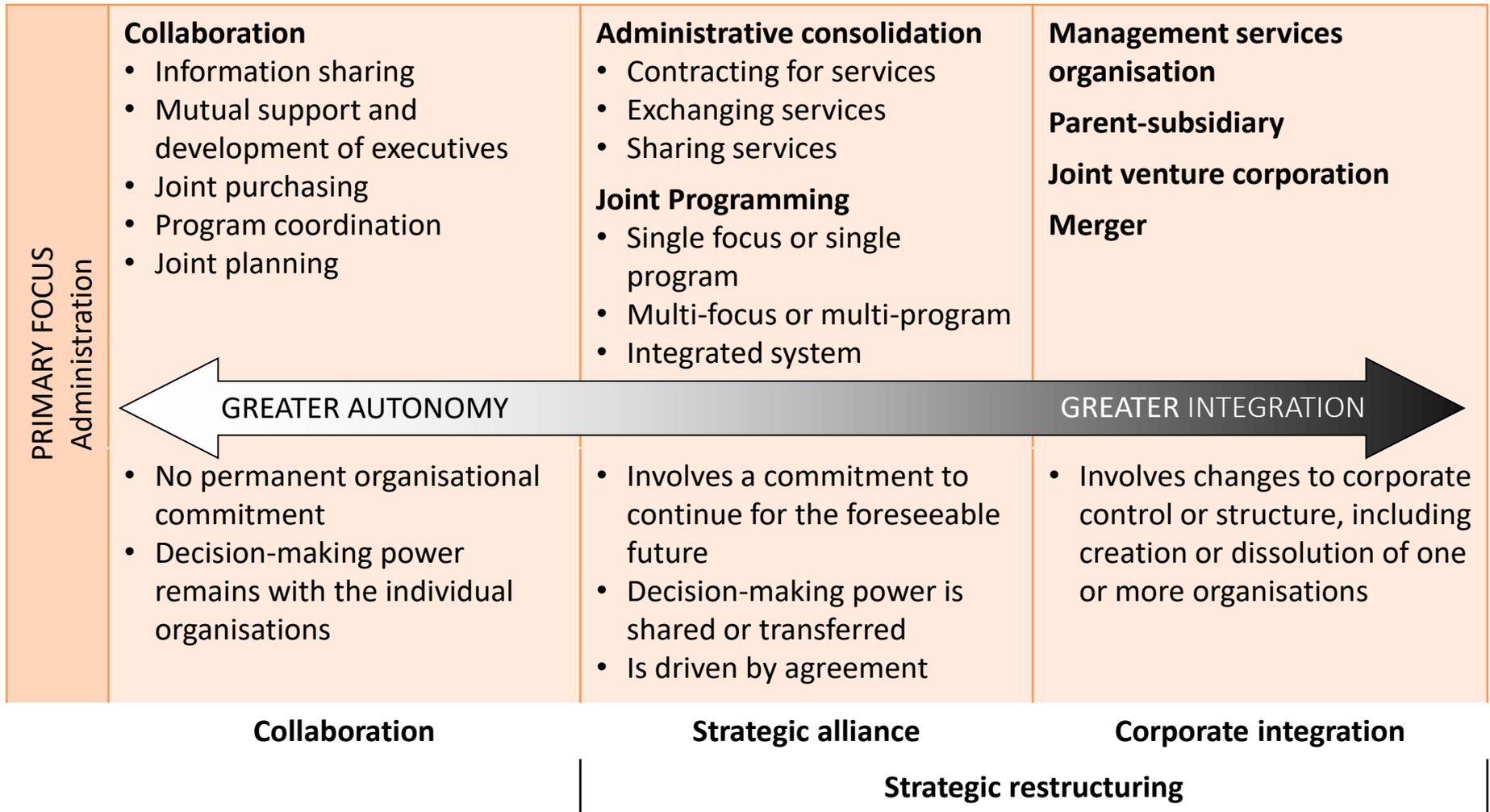
FROM ALLIANCES TO MERGERS: SURVIVAL IN THE NFP SECTOR

David Fishel, Director, Positive Solutions
david.fishel@positive-solutions.com.au

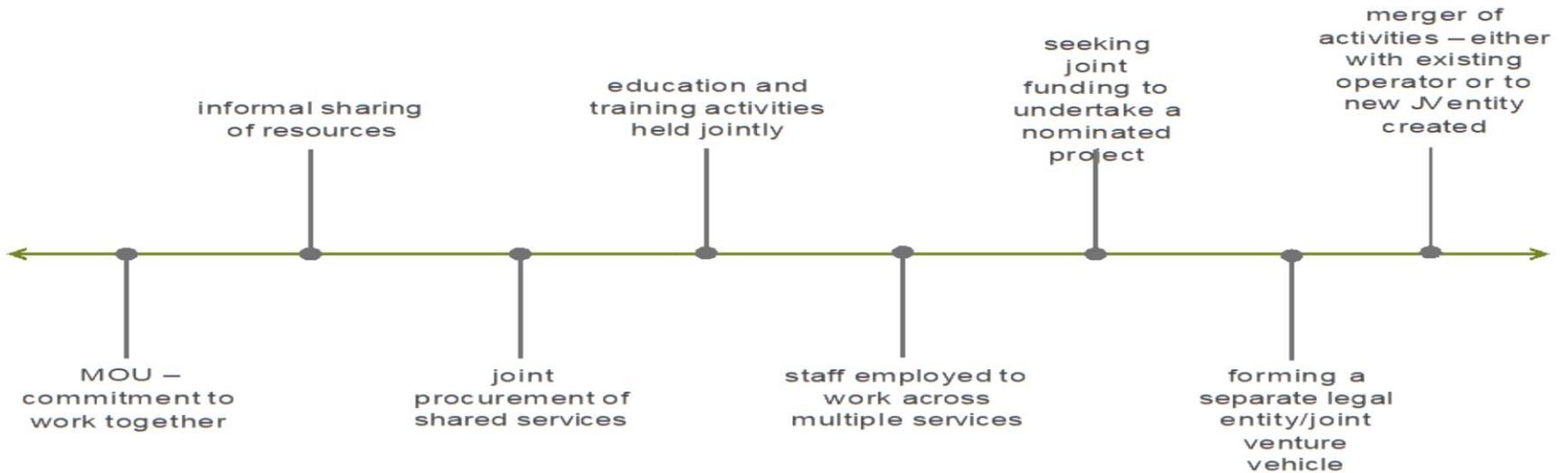
CONTENTS

- Alliances and mergers are on the agenda
- Types of partnership – from informal to full merger
- What is driving collaborations and mergers?
- It is first about business strategy
- Processes for collaboration- steps towards merger
- Issues and challenges to address
- Discussion

TYPES OF ALLIANCE



MODES – COLLABORATION CONTINUUM



WHAT IS DRIVING COLLABORATIONS AND MERGERS

ACNC: MERGE MY CHARITY

Charities may choose to merge because they:

- Think that it would benefit the groups of people they help
- Have the same or similar purposes, cultures and values
- Conduct the same or similar activities
- Already work together
- Want to share resources and funding
- Think that they would be more effective if they worked together.

CHARITY COMMISSION, UK

The drivers for and benefits of each joint working arrangement will vary. However, the most common drivers include:

- Reduced costs and lower overheads
- Increased reach of services
- Greater fundraising capacity
- Stronger campaigning, lobbying and public awareness
- Improved access to funding
- Improved learning and skills
- Benefits from scale

COLLABORATION OPPORTUNITIES

- Outsourcing functions such as finance, information systems support and payroll services
- Sharing resources such as training or transport
- Co-locating and sharing accommodation and premises
- Working arrangements which increase access and participation and enable non-profit organisations to develop diversity in their services
- Formal partnerships between organisations in which resources are pooled to secure staff or services that none could afford on their own
- Joint projects or programs for aspects of service delivery or campaigning

PREPARATION STAGE

- What is the problem that needs to be solved?
- Is a shared vision/mission in alignment with another organisation?
(and do we understand our own organisation?)
- Is there an expressed need or desire from the community for the programming?
- Do you have a belief that there are real and ongoing cost-savings to be achieved?
- Has a funder suggested merger as a possible option?
- What are the end-game options?

SVA MERGERS FRAMEWORK

CLARIFY

DEFINE

SEARCH

CONSULT

BUILD

IMPLEMENT

1

Clarify your strategy and your objective

2

Define the terms of reference

3

Search for a suitable partner

4

Have the 'tough conversations' and define the tone

5

Build the merger 'business case'

6

Plan and implement the merger

STEPS IN A MERGER

The following stages are normally involved in the planning process:

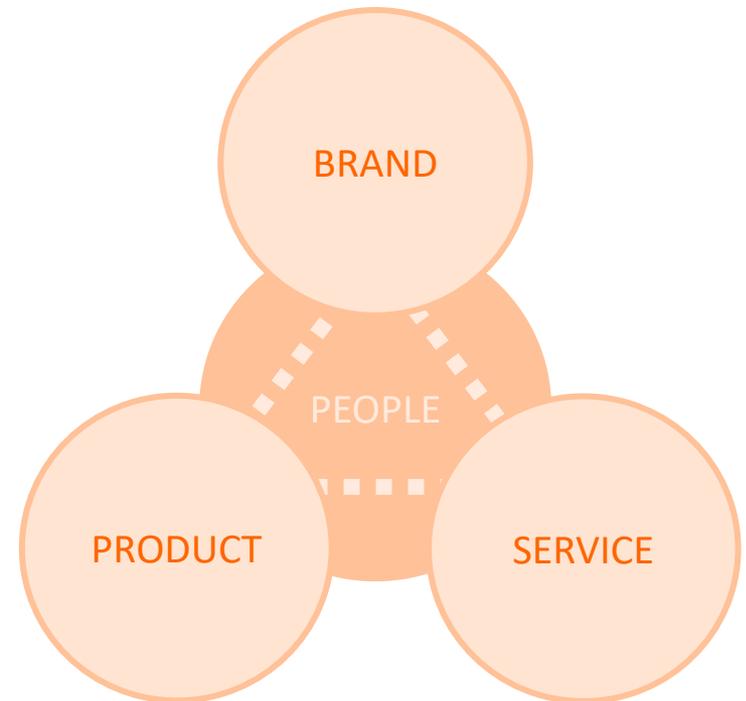
- Creative a small, equally balanced Joint Committee – and work with a neutral Facilitator
- Joint exploration (i.e. between all parties to the proposed merger) of the key issues, including:
 - Reasons for the merger
 - Potential benefits
 - Potential obstacles
- Initial feasibility study, cost-benefit analysis and risk assessment
- The appointment of a project manager or dedicated resource to manage the process

STEPS IN A MERGER (CONT.)

- Initial legal and accountancy analysis by advisers
- Advice from or discussion with ASIC, ATO or other relevant agencies if there are problems with powers, other legal issues or tax-deductibility
- Formal due diligence exercise (this can be carried out in-house or by the non-profits' respective auditors or other professional advisers)
- Formal decision by each board to proceed with merger (it is also likely to require approval by the general membership)

MODEL CONSIDERATIONS ISSUES

- Branding and identity
 - How will participants' interest in branding be provided for
 - What is the risk to reputation of other participants if there is a risk/public profile issue for one of the participants
 - How will costs of branding be shared
- Sharing of income and expense
 - How will this be done



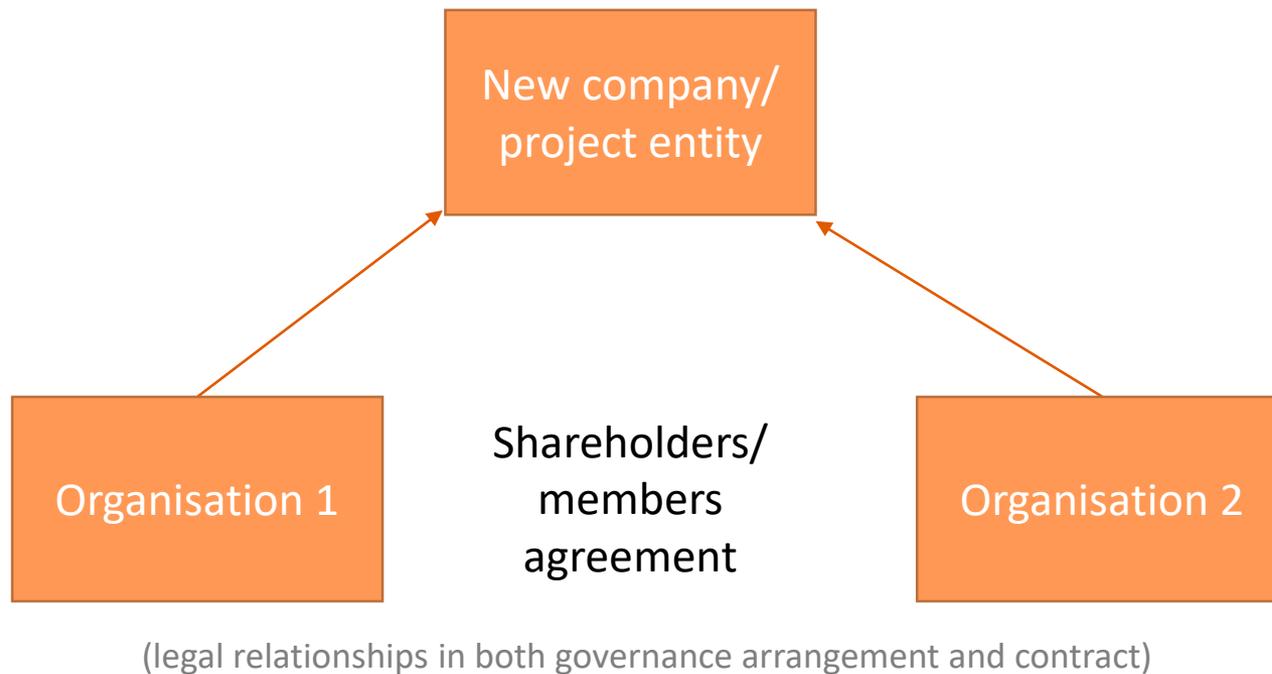
MODEL CONSIDERATIONS

STAFF ISSUES

- Who is the employer
- Who is responsible in the event of mistake – what will a participant's insurance company say
- How are employee costs shared and principles for calculation of cost determined
- Are FBT concessions appropriately still available where multiple types of activities (PBI and non-PBI) are undertaken
- At what point is a shared services legal entity a model that is viable

SPECIFIC PURPOSE PROJECT

→ Governance relationship through separately incorporated entity



SPECIFIC PURPOSE PROJECT MODELS

→ MOU

- Non binding

→ Binding agreement

- Contact
- Joint venture
- Partnership; or
- Separate legal entity



(legal relationships is based in contract)

DUE DILIGENCE

- Debt
- Pending or anticipated legal matters
- Labour unions
- Membership
- Bequests and endowments
- Grants and contracts

THE MERGER AGREEMENT

- Timeline
- Mission and Vision
- Board of Directors
- Executive leadership
- Budget
- Organisation name
- Corporate structure
- Programs
- Location



IT GETS PERSONAL

- Existing programs may be threatened
- Individual staff will feel vulnerable, and may indeed *be* vulnerable
- There will be a fear of the impact on loyal donors
- There is a risk of disruption to normal service delivery
- There will be a fear of loss of control, at various levels of the organisation
- The organisation's heritage and values may be perceived as under threat

BARRIERS AND CHALLENGES

- Take time to consider collaboration
- Think about potential barriers to success
 - Cultural
 - Structural
 - Financial
 - Professional
 - Political
- Identify how to overcome barriers and challenges at an early stage

BARRIERS AND CHALLENGES (CONT.)

The most problematic barriers identified by charities include:

- Lack of adequate communication with stakeholders
- No stated objectives or evaluation mechanisms
- Integrating staff from different organisations
- Integrating IT systems
- Lack of project planning/process management
- Personality clashes
- Rushing the process, having different expectations or unrealistic targets

REASONS WHY MERGERS FAIL

- Strategic misjudgement
- Culture
- The balance of power
- Personal conflict
- Resources and costs
- Opposition

MYTHS ABOUT NON-PROFIT MERGERS

- Mergers save money by reducing administrative costs
- There are too many nonprofits
- A merger combines two equal parties
- The Merger Agreement must resolve all the questions
- The merged organisation will be stronger than the sum of the two pre-merger organisations

DREAM ABOUT THE IMPACT A NEW ORGANISATION WILL HAVE

- Begin working together through a formalized process of sharing information
- Find areas of common ground
- Keep the larger vision constantly in view
- Interview stakeholders – jointly

BUILDING THE RIGHT COLLABORATIVE TEAM

- Create a small and equally balanced Joint Committee
- Work with a neutral facilitator



NAVIGATING TOWARDS A SUCCESSFUL OUTCOME

- Create a decision-making and communications plan and timeline
- Begin to create the building blocks for the merged organisation
- Complete the initial due diligence phase of the process

ALLIANCES AND COLLABORATIONS - CONSIDERATIONS

- Sharing resources
 - Staff
 - Education and training
 - 'Back office' function
 - Fundraising resources and function
- Procurement
- Funding/government tendering
- Specific purpose/project
- Future sustainability



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Thank you

David Fishel

david.fishel@positive-solutions.com.au

