



# The Nonprofit Whisperer

There are no absolutes regarding whether or not nonprofit mergers are a good idea—but they are never a simple undertaking. Mergers are costly, take a lot of preparation, and should only be contemplated after alternative options for strategic alliances have been studied. If you are considering a merger, the Nonprofit Whisperer advises, “Start with the value-add questions, particularly: Will this enhance our impact and delivery on mission? Are there ways to restructure other than a merger that might get us to the same or nearly same result?” Such questions will help keep you properly oriented as you explore the landscape.

**D**EAR NONPROFIT WHISPERER,  
*What are your thoughts on nonprofit mergers? Have you seen successes? Failures? Do you think not worth the time and money? A smart strategy to serve the community better?*

*Interested in your feedback—thanks!  
 Wondering*

Dear Wondering,  
 This is an “all depends.” Mergers should really only occur after other options for strategic alliances (described in the final paragraph, below) have been explored and/or if there is a mission imperative. That said, heavily governmental contracting and third-party payer organizations have “market” pressures on them to become more viable—by building contract-heavy organizations that achieve a certain level of “scale.” This notion of scale may be driven by the idea of integrating linked services to constituents, but is often also justified by an effectiveness argument about achieving

critical mass and, by implication, cost effectiveness in administrative functions. But there is also likely a measure of consideration in there of establishing a stronger negotiating position with local government by becoming a big player.

Mergers are extremely costly, so organizations should analyze the return on investment alongside analyzing the mission benefit and impact on end users, as well as other “value-add” types of questions. This type of preplanning should be led by a seasoned consultant who does not have skin in the game regarding the outcome of whether a merger takes place or not. Besides enormous amounts of time discussing the merger, there can be costs associated with a consultant for guiding the process, along with expert support to integrate technology, human resources, communications, and financial and fund development. Attorneys are always involved, since (to paraphrase merger expert David La Piana) a merger involves dissolution of one nonprofit into another or dissolution of both

corporations into a new corporation.<sup>1</sup>

If a partner has been identified, ensure that there is a values/culture match, or at least enough common ground to do the hardest work of the merger—which is actually post-paperwork and technical integration—and that there is a cultural alignment of the newly formed staff.

Merging is such a large undertaking that making sure to research the topic and to talk to nonprofits that have experienced successful mergers will be an important step. Your local philanthropies, particularly the community foundation and local nonprofit management association (if your region has one), will be able to provide resources and direction. And there is a growing amount of literature in the field about mergers that can help you learn more: from La Piana’s guide *The Nonprofit Mergers Workbook*<sup>2</sup> and Thomas McLaughlin’s *Nonprofit Mergers and Alliances*<sup>3</sup> to research on successful mergers, such as the 2016 report *Mergers as a Strategy for Success*, by Donald Haider, Katherine

Cooper, and Reyhaneh Maktoufi,<sup>4</sup> and articles like the *Nonprofit Quarterly's* "How to Save A Nonprofit: The Care Steps Required in Mergers and Acquisitions," by Bhakti Mirchandani.<sup>5</sup>

Before considering a merger, though, have the organization go through an exercise to surface the "why"—again. Start with the value-add questions, particularly: Will this enhance our impact and delivery on mission? Are there ways to restructure other than a merger that might get us to the same or nearly same result? Some examples of alternatives could include thinking about joint programming, shared staff, and shared space with like-minded organizations; creating a "management support" organization that provides all the administrative back-office supports to more than one organization (thereby creating

efficiencies); or using an established fiscal sponsor to provide administrative supports ranging from financial management and human resources to insurance umbrellas and even, in some cases, governance. These options are all spelled out in La Piana's workbook.<sup>6</sup>

#### NOTES

1. David La Piana, *The Nonprofit Mergers Workbook: The Leader's Guide to Considering, Negotiating and Executing a Merger* (St. Paul, MN: Fieldstone Alliance, 2000), 7.
2. Ibid.
3. Thomas A. McLaughlin, *Nonprofit Mergers and Alliances*, 2nd ed. (New Jersey: John Wiley and Sons, 2010).
4. Donald Haider, Katherine Cooper, and Reyhaneh Maktoufi, *Mergers as a Strategy for Success: 2016 Report from the Metropolitan Chicago Nonprofit Merger Research Project*

(Metropolitan Chicago Nonprofit Merger Research Project, 2016).

5. Bhakti Mirchandani, "How to Save a Nonprofit: The Care Steps Required in Mergers and Acquisitions," *Nonprofit Quarterly*, August 15, 2018, nonprofitquarterly.org/2018/08/15/how-to-save-a-nonprofit-mergers-acquisitions/.

6. La Piana, *The Nonprofit Mergers Workbook*.

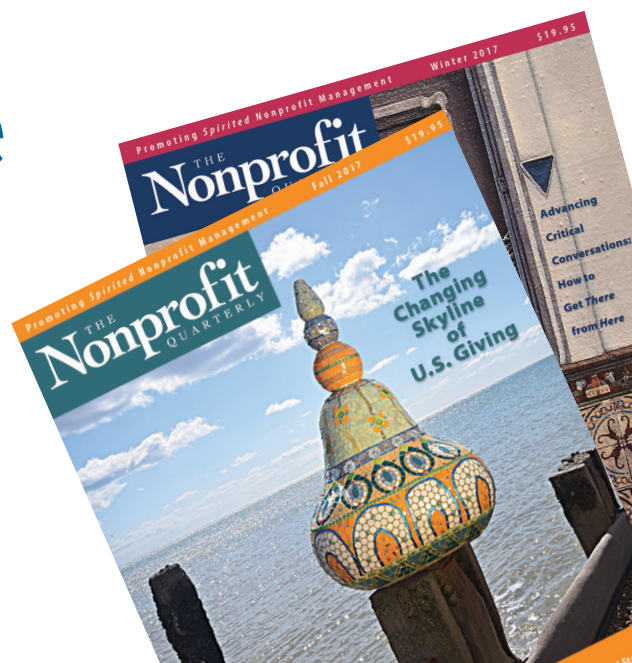
**THE NONPROFIT WHISPERER** has over thirty years of experience in the nonprofit sector, serving variously as nonprofit staff and board member, foundation staff member, and nonprofit management consultant.

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