

## MERGER LESSONS

Charity mergers are much more complicated than business mergers. A business merger is usually the buy out of one company by another. A charity merger is less driven by bottom line and can be:

- A merger of equals, or of similar
- A complete takeover
- One charity retaining its previous ministry but now under the control of another

Historically charities have not been good at working together or merging.

- What are the reasons to partner or collaborate together?
- Do we as Christians need to look creatively at working together in this area?
- Are there issues that make Christian partnership and mergers easier – or more difficult?
- What should help us work together and what prevents us?

Once a merger is being considered, the following issues need to be thought through.

### 1. Why are you doing it?

Both agencies need to understand that there will be loss of power and control by both Boards. It is important that:-

- Time is given to build trust
- Both Boards are able to see the bigger picture
- There needs to be a Kingdom attitude of “we must decrease that he might increase”
- History is important, but must not strangle the outcome

### 2. Getting it all on the table:

Ensure there are not different understandings of what is going on - for example is it a takeover or a merger of equals. Things must be fully on the table at an early stage or there will be mistrust.

- Not enough time being given to relationship/trust building between Boards and key staff
- The overall process not being fully understood by the Boards
- The Boards not having the skills needed to oversee the process, sometimes needing to move outside of their normal governance role, and not being able to adjust to the temporary nature of such a change
- Practical legal issues which need creative solutions

### 3. Key Issues:

Ensure all the KEY issues from both organisations are identified so that nothing is being missed and that all matters are on the addressed.

- Consider the appointment of an external facilitator(s) at the earliest stage
- Agree at an early through consultation with nominees from both Boards and key staff how all matters will be dealt with
- It is not a clean takeover, ensure the process for Board and CEO appointments are discussed at an early stage

### 4. Vision and ethos:

Ensure that there is a process to identify a clear vision, ethos and culture for the merged body

- A new JOINT vision and ethos will be needed. Who will do this? Both old Boards and key staff, or would it be delegated to the new joint "Board" and new CEO?
- How much is vision and ethos based on that of the larger organisation in the merger. Is that group prepared and able to change as well?
- How much is the new merged entity able to create its own vision, ethos, culture and identity? Or is there an international dimension for agencies with international structures

### 5. Taskgroup and New Board:

Ensure there is a clear process on appoint a merger taskgroup if this is required and its remit. How this is done and the need for this will depend on the type of merger/takeover being planned. Agree also how a new "joint" Board is to be appointed. This would include:-

- The role of the previous key staff and when possible the new CEO in the takeover/merger process
- The nomination of Board members from both organisations to any taskgroup, its remit and the role of staff in the taskgroup
- The initial terms of service of this taskgroup and whether they would continue as the new Board after merger
- The appointment of the Chair and other officers for the new Board
- The role and responsibilities of the new joint Board/taskgroup, clearly stating what needs to be referred back to the separate Boards and having a clear mechanism for communication to them.
- The role of the existing Boards while the discussions progress and what they have and have not delegated to the new joint Board/taskgroup

## **6. Staffing and location;**

Ensure there is a process on how staff issues would be handled including:

- The creation of a job description and person specification for the appointment of the joint CEO, including timeframe and method of appointment
- The agreement on the staffing structure and recruitment mechanisms with clear job descriptions, and what (if anything) can be done before a new CEO is appointed
- How new terms and conditions for staff will be agreed
- How TUPE regulations would be handled and how any redundancies managed if some are required by the process
- The location of the new office(s)

## **7. Legal Matters:**

Ensure that both all legal matters are handled competently to include

- Both agencies have taken appropriate legal advice on the merger in relation to its objects and their powers to merge
- Agreement on the final Charity (and Company) Registration and how the other Charity(s) will be closed.
- Consulting with (and then registering) the merger with the Charity Commission
- Agreement on any due diligence processes to be undertaken
- Production of a confidentiality agreement relating to information obtained from each other
- Production of a Heads of Agreement - if required
- Production of agreement of transfer of assets, liabilities and activities

## **8. Branding and communications:**

Ensure that communications about the merger, and its outcomes, are handled competently to include

- Key supporters or stakeholders are included in a consultation process if possible
- Publicity plans and individual communications are agreed by both organisations
- Communication about the merger is made once it is clear it is going ahead.
- How the new entity will be branded. This again will depend on the type of merger and whether sub-brands are appropriate

## **9. The end is the beginning:**

Once the formal merger is complete, that is the beginning of the process. Time needs to be given to issues such as:

- Team building and integration into a NEW team
- Creation of new organisational culture
- Developing joint strategy based on the agreed vision