

Working Together

Appendix P

The Challenges Of Deep Partnerships And Mergers

Introduction

Talk of mergers and deeper partnerships is increasing for many complex reasons. First, many non-profit organizations hold strongly to a stated value of being cooperative and collaborative. Second, for over 15 years, funders and government contractors have been pushing non-profit organizations to co-operate, collaborate, integrate, partner, carry out joint ventures, and merge. Their and our dreams of "seamless continuums of easily accessible, efficient, effective, and quality services" have been articulated in many studies. The voices of individuals, families, consumers, clients, donors, and leaders have echoed the same threads. And third, there are real opportunities to make a concrete difference to consumers, communities, and organizations.

We know that these rivers of history and change will continue. We also know that there are highly successful stories of non-profit organizations that have merged, created deeper partnerships, or built formal coalitions that actually work. The dreams are not just ideal, at least in some cases. But, what do we really know about all of this, what works, and why? And why is it all so difficult?

Starting With The Middle

The Stages In Merging And Partnering

Two or more organizations begin to build relationships, share information, and initiate joint projects.

A decision is made to explore a deeper partnership, a more formal alliance, or even a merger. Considerable work is carried out to identify and test out the benefits and drawbacks, resolve the immediate challenges, and come to an agreement, at least in principle.

Months, sometimes years, of work are undertaken to formally build the deeper partnership, alliance, or merged organization.

Most pieces of writing on non-profit mergers and other deep partnerships start with the beginning - a small group of people in a single non-profit organization who come to some form of realization that they need to create deeper partnerships or mergers with another non-profit organization, or a community of non-profits. These writings typically describe formal and rational processes for making a sound decision about the need to partner, finding the right partner, and negotiating a partnership. We want to start in the middle, that point where two or more non-profit organizations have decided to merge, or create a deeper partnership; or, have decided not to, which might be more common. This is where the real work starts.

Imagine a woodworking project. You have decided to build by hand a table out of solid red oak, and have found a design that seems to fit. The materials and the tools are at hand. Now comes the tough work - cutting, shaping, fitting, gluing, sanding, and finishing. This is what the real work of mergers and deep partnerships is all about. Now imagine, a bit more of a stretch, that the pieces of red oak, the brass screws, and the maple dowels are all alive. They remember their separate lives as trees and ores in the ground. They resist coming together. Red oaks do not always like maples, and neither like brass screws. This is also what the real work of mergers and deep partnerships is all about - letting go, facing ambiguity, overcoming fears of change, and beginning to embrace a new vision.

Many mergers and deep partnerships fail because people do not see the real work that has to be done, do not recognize the deep changes required, and do not face the possibilities of resistance early enough. In some cases, the decision in principle to merge or partner becomes undone or never quite resolved. In others, people soldier on, but it is like moving in deep molasses. The cracks between the partners become not so hidden fractures in the new organization. The research on mergers in the private sector clearly indicates these realities.

There is a loose parallel with personal relationships (see Table 1). The decision to marry, even the fact of marrying, does not create an enduring marriage. We all know that. And, separations or divorces may, in fact, lead to healthier enduring friendships.

Table 1 - A Ladder Of Partnering

Non-Profits

Personal Relationships

Sharing information

Becoming friends

Carrying out a joint project

Taking a holiday together

Creating a joint program

Having an extended affair

Sharing space

Living common law

Sharing administrative services

Starting a joint financial account

Creating an alliance

Becoming engaged

Merging

Marrying

Federating

Separating and divorcing

There are two threads that we want to point out at this point.

It is the process of letting go, and the fears of change, that frequently block mergers or other deeper partnering relationships.

Mergers and deeper partnerships work best when the two separate non-profit organizations have been able to build up a positive working relationship over several years - creating mutual understanding and trust, sharing information, and carrying out joint projects.

Organizational Readiness

Mergers and deeper partnerships likely will require organizational change - new visions, values, structures, policies, staff relationships, and ways of doing business. The further one goes down the ladder in Table 1, the more organizational change will be required, and the more difficult will be the process.

We know a good deal about organizational change processes, and about the conditions that create organizations that are more open to change. Table 2 lists some of the factors within organizations that promote and deter change.

Table 2 - Some Factors Influencing Organizational Change

<i>In Favour</i>	<i>In Opposition</i>
<i>Diverse people</i>	<i>Homogenous people</i>
<i>New people</i>	<i>Long term people</i>
<i>People who see the forest</i>	<i>People who mostly see only the trees</i>
<i>People who are committed to the mission</i>	<i>People who focus on programs</i>
<i>New leadership</i>	<i>Old leadership</i>
<i>Founding members no longer active</i>	<i>Founding members still present</i>
<i>Learning from the outside</i>	<i>Closed to the outside</i>
<i>Diffusion of ideas within</i>	<i>Old ways of doing business</i>
<i>Support for innovation</i>	<i>Support for tradition</i>
<i>Always planning and evaluating</i>	<i>No time to plan or evaluate</i>
<i>Changing external environment</i>	<i>Static or turbulent environment</i>
<i>Smaller, decentralized units</i>	<i>Larger, top down structures</i>
<i>Budgets linked to change</i>	<i>Budgets tied up in current business</i>
<i>Time to dream, plan, and act</i>	<i>Time tied up in normal business</i>
<i>Balance between process and outcome</i>	<i>Focused on outcome or process</i>
<i>Commitments to learning</i>	<i>No commitments to learning</i>
<i>Tolerance of risk and failure</i>	<i>Fear of risk and failure</i>
<i>Organization seen as important, but not essential</i>	<i>Organization seen as sacred</i>
<i>Hope, passion, and spirit</i>	<i>Despair, insecurity, and fear</i>

Two more threads emerge from Table 2.

Before entering into a merger or deep partnering process, non-profit organizations should assess their readiness for change.

If the forces against change are greater than those in favour of change, then work needs to be done in building openness to change before starting a merger or deep partnering process.

Organizational Differences And Due Diligence

We all know that personal relationships are much more difficult and challenging, though also potentially more creative and exciting, when there are large differences between the two people. The same applies to teams. We have all been part of a work group where the differences in personalities, natural group roles, values, leadership styles, beliefs, and languages create clashes and conflicts, often enduring. And, at times, these work groups magically morph into synergistic teams. Relationships among non-profit organizations are no different.

Organizational differences can be concrete and obvious, such as size, numbers and types of programs, numbers and types of staff and volunteers, revenue mixes and financial situations, numbers of facilities, policies and procedures, and links to provincial or national associations. These are relatively easy to describe, compare and contrast, and develop mutual understandings about. Organizational differences can also be much deeper, often hidden, reflecting history, leadership style, fluidity and form, and culture. These differences are much more thorny to confront. It is hard to overcome differences that we only suspect exist, and where we do not even have good languages to describe our own situations. Somewhere in between are differences between mandates, missions, and strategic directions. These too can be thorny. Often, non-profit organizations say they do not have a strategic plan or strategic directions. Yet they do, they have just never been made explicit. In the merger discussions, the differences can begin to feel immense. Typically, it is the hidden differences that cause the real troubles.

In bringing organizations together into a merger or deeper partnership, it is critical that mutual understanding be fully developed. This takes time, often best done over a period of months or a few years, where information is shared, joint projects are undertaken, cross board appointments are made, and people have an abundance of opportunities to interact.

Love at first sight is not a good approach to organizational mergers or deeper partnerships.

Personal relationships, particularly when we are younger, are opportunities to grow, change, and learn more deeply about who we are as individuals. The other is a mirror for ourselves. In organizations that are merging or coming together in a deeper partnership, there is much less time for this organic process. If we are to be able to answer truthfully and openly the question, *What is our/your organization really like?*, we need to have done some deep reflecting beforehand.

The process of looking at the differences between two organizations that are looking to merge or create a deeper partnership is often called *due diligence*. The words have two separate meanings in most situations. First, *due diligence* refers to ensuring that there are no hidden or unforeseen liabilities (for example: unresolved staff grievances and financial debts) that will cause grief later down the road. Second, *due diligence* also means looking at the deeper cultural differences, ensuring that there is some kind of *fit* for the two organizations.

Organizational Resistance

Table 3 points out the different levels of organizational change. The further down the ladder, the more difficult is the change process, and the more likely differences will have major impacts. Mergers and deeper partnerships involve the deeper levels.

Table 3 - A Ladder Of Organizational Change Challenges

Staff and volunteers

Programs

Policies and procedures

Systems, structures, and reporting relationships

Strategic directions

Values, mission, and spirit

Fundamental beliefs

Language

The reality is that deeper partnerships and mergers lead to resistance to change. This means that the processes in the middle of creating a deeper partnership or merger need to:

Give people opportunities to participate in the process

Involve people who will champion the deeper partnership or merger, as well as those likely to resist

Make sure that there is sufficient time and resources to do the work well.

Several other key threads in mergers and deeper partnerships arise.

Size counts. Bringing together a small organization with a much larger organization is a very different process. Inevitably, it is the people of the smaller organization that have to change, adapting their ways to those of the larger organization. This can be very, very difficult. "We have to leave our small, comfortable, well known, trusted home and family for a larger, colder, and less trusted corporation" is often the cry.

Building mutual understanding needs to start with surfacing and overcoming perceptions and misperceptions of each other. The first question needs to be: "What are your images of us?" The answer is: "This is who we are".

But, in order to be able to say, "This is who we are", we need to know ourselves - the obvious such as programs and services, the written such as mission and values, but also the not so obvious such as culture and strategic direction.

Vision And Self Interest

Imagine a large non-profit organization with diverse programs and services. *What holds it together?* many people ask. This is a challenging question. There are many answers - a common history, vision, and values; abundant opportunities for people from different parts of the organization to come together to interact, learn, and build deep relationships; a sense of pride and celebration in all of the

organization's accomplishments; common policies, procedures, or even uniforms; and top down directives from the Board.

Now ask the same question about a potential merger or deeper partnership: *What will hold it together?* At the middle stage of creating a deeper partnership or merger, the answer is both the vision and self-interests.

Non-profit organizations typically come together in coalitions, alliances, partnerships, and mergers to build a community dream, to follow a joint passion. Their vision, often stated in the language of angels, can be powerful. It acts to inspire and energize the coming together processes, and to help people overcome the bumps along the road. But, there is another side. *Mergers and partnerships are good business, only if they are good for business.*

The tough reality is that mergers and deeper partnerships do not work well unless the self-interests of each partner are successfully addressed. Yet, non-profit organizations have a difficult time identifying and talking openly about their self-interests. Self-interests are powerful forces. Discussions about a merger or a deeper partnership may not even get past the first step if they are not openly put on the collective table and addressed. Overcoming the natural inclinations of people in non-profit organizations to avoid talking about self interests and getting people to *put all of their cards on the table* is not easy.

There are several more threads here.

Part of the process of merging or creating a deeper partnership needs to focus on building an initial common vision. "Why are we doing this together?" or "What will be the eventual benefits to our community, and our common clientele?" are important questions. This common vision needs to be held "front and centre" in the discussion processes, helping people overcome the rocky parts along the way. At the same time, each of the partners needs to answer another set of questions: "Why are we doing this?, Why are we doing this now?, and What do we expect to gain?" The issue is one of identifying what is not negotiable, and what is the "bottom line". The answers need to be shared openly.

If one of the partners sees the merger or deeper partnership as a strategy for addressing immediate crises such as funder pressures, financial problems, Board recruitment issues, program quality questions, and lack of administrative resources, be wary. Mergers and deeper partnerships, much like personal relationships, work best when each of the partners walks to the common table out of a position of strength.

Mergers and deeper partnerships need to be formed and constantly evaluated against both the common vision, and the diverse self-interests.

Time, Leadership, And Critical Mass

It should be clear from what we have said so far that mergers and other deep partnering processes take considerable time, and can easily become thorny. Deeper partnerships or mergers cannot be built off the corner of people's desks. The path is often rocky. It is easy for people to throw up their hands, and say: *Enough is enough, let's go home.*

Internal leadership within each of the partners is critical, people who catch the vision, see the possibilities, and are ready to listen to and encourage others who see more the concerns and challenges. Organizational change processes require change champions to help those who follow or are prone to resist.

External leadership or facilitation is often essential. Such a person needs to understand both organizational change and partnering or merging processes, to be trusted by people in each of the partnering organizations, and to be able to facilitate often challenging dialogues. This is not, in our experience, a negotiator, shuttling back and forth from one room to another, but rather someone who can *hold a large and comfortable space* while others struggle with the tough questions. In the end, organizations are about relationships, and healthy organizations are about healthy relationships. Partnerships and mergers are no different. Like blossoming personal relationships, they sometimes need a wise counsellor, friend, and cheerleader.

Support for the merger or deeper partnership needs to be built slowly and carefully over time. Board members, managers, staff, volunteers, and external stakeholders need opportunities to learn, imagine the possibilities, surface their fears, and become actively involved in creating something new.

At a certain point, a critical mass of support will emerge. Otherwise, the merger or deeper partnership will fall apart, or be created in name only. Executive Directors alone may be able to help their Boards reach a decision to merge or partner in principle; but, they cannot take it much further without the enthusiasm and willingness of their managers, staff, volunteers, and external supporters.

Two more threads of mergers and deeper partnerships emerge.

In the middle stage when several organizations are trying to reach a decision in principle to merge or create a deeper partnership, it is important to involve and educate the memberships of the various organizations. In the end, it is these people who will have to vote in favour for a deeper partnership or merger to proceed.

It is also important to listen to clients' or consumers' perspectives. They may not have much interest in program administrative issues or organizational development and sustainability questions. However, they know much about what they want and need.

Concreteness, Ambiguity, And Unruliness

We need to know what it will look like? is a very common cry even at the beginning of many merger or deep partnering processes. But, the reality is that you neither can, nor should, know what it will look like. Designing the new organizational structures is a later, fourth, stage in the process. Structure needs to flow out of function, and function needs to flow out of visions, dreams, goals, and deepening relationships.

What this means is that there will be considerable uncertainty, ambiguity, and unruliness along the way. There will not always be easy answers to people's fears: *Will I have a job?*, or *Who will I be reporting to?* The organizational change literature provides lots of ideas about how to face this middle stage - not two organizations, yet not one organization either. We need to look at ways of celebrating the past, giving people opportunities to grieve and let go, creating temporary systems and structures to give people a sense of *home*, and communicating, always communicating, the imaginative new vision for the future. Stories, pictures, poems, and social events are powerful tools.

Power And Status

Will there be a job for me? or *Who will I report to?* are common questions in merger and deep partnering processes. There are two Executive Directors, two

financial directors, and so on. Power, status, pay, perks, and sense of *home* are all critical for staff. Making changes to these will inevitably lead to resistance.

Starting At The Beginning

Now, after exploring some of the middle stages of merger and deeper partnering processes, we need to come back to the beginning. *Where do we start?*, is a common question. And, our answer needs to start with: *There is no single recipe for success.* Here is what we think we know.

Start with learning about merger or deeper partnering processes by talking with others in your community or field about their experiences. What did they do, what did they gain, what happened, where were the surprises, ... ? Read what you can find, particularly case stories.

Spend some time answering the key questions - Who are we?, Why are we doing this?, Why now?, What do we hope to gain?, and What is our bottom line? Be careful. Answers to these questions will inevitably deepen, shift, and clarify, through the merger or deeper partnering process. The dialogue with another organization will act as a mirror.

Start small and slow. Find ways to build relationships with the other organization(s) - social events, joint Board meetings, cross Board appointments, joint projects, staff secondments. Be careful with the words merger and partner because they create fears. They spark people's fears. Other words such as acquisitions and leveraged buy outs spring to mind. People's dislikes of the worst of the private sector emerge and get in the way.

Find a wise consultant to help.

Do it before you have to. Partnering or merging out of weakness, fear of survival, or shotgun pressures do not work well.

Focus the merger discussions constantly on the mission, on the benefits to the community and consumers. Create a new vision of what is possible that provides people with support for investing in the future and taking risks.

Take time to get to know each other, lots of time, and even more time. And, remember to put the people issues squarely on the table.