Meeting Your Match

HOW TO IDENTIFY, ASSESS, AND ENGAGE
A POTENTIAL MERGER PARTNER

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Meeting Your Match: How to Identify, Assess, and Engage a Potential Merger Partner

One question we're often asked by organizations at the early stages of considering a merger is how to identify and approach a potential partner. First, we encourage organizations to engage in a thorough self-assessment to clarify their motivations for merger — because knowing what you want out of a merger is critical to finding the right partner. Having identified your own strengths, weaknesses, and strategic goals, you can begin to identify, assess, and engage a potential partner.

Identify

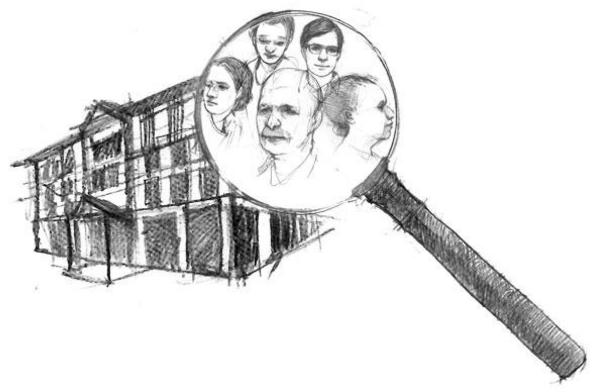
In our experience, many mergers occur between organizations that already have a collaborative relationship. In this case, the choice of a potential partner may be obvious. Or, perhaps you already have an organization in mind that, due to various reasons, assets, or attributes, seems an attractive partner. Alternately, a board member, funder, or other colleague may have suggested one or more potential partners for your consideration. Finally, you may have been approached by another organization interested in partnering with you! If any of these scenarios describe your situation, you may wish to skip to the Assess or Engage steps described below.

But if you have *not* yet identified a potential partner, we advise that a good first step is to look at organizations in your community that offer programs that are similar to yours or that work with the same constituency. For example, if you're a youth development organization, you may want to look at other nearby youth development organizations. Or, if you work with homeless women, you may want to think about organizations that offer job training or health care services to that same population. Consider not only the ways in which you are similar, but areas of difference that are complementary to one another. Don't be afraid to include the "unusual suspects,' or non-traditional partners, as long as there is a link between your respective missions that makes strategic sense of the pairing.

If you feel comfortable doing so, you might also reach out to trusted peers or advisors to elicit their ideas about prospective partners. This can be more risky, to the extent that you are making known your interest in a possible merger, and should be approached with caution, but your willingness to be honest and direct could also pay off with some excellent recommendations.

Assess

At this point, you want to learn all you can about the potential partners you have identified *before* taking the step of engaging them directly. Begin by building on what you already know. Maybe you've worked with these organizations in the past, or you see them at meetings — consider the depth of your existing knowledge first. Then, do a little sleuthing. Look at their website. Check out their blog. Do a Google search to determine whether there's been any media coverage about their work. Check their most current 990s on GuideStar. Talk to others in your community that know the organization.



Try to get an overall sense of their business model: their programs and services, the geographic area they serve, the populations they serve, and their major sources of financial support. But don't stop there. You should also think about some of the key attributes you are looking for in a partner. Is their mission similar to yours? Do their organizational strengths complement your weak areas and/or vice versa? Are your organizational cultures compatible? Below is a list of questions that can help you, your board members, and staff think about the partner attributes that are most important to you and begin to see how the different organizations you have your eye on stack up.

Questions for Consideration in Assessing Potential Partners

Mission and Vision Compatibility: Do your organizations have similar goals?

Alignment of Organizational Culture: Do your organizations share common values, customs, beliefs, and practices?

Past Collaborations: Have your organizations worked together before? If so, how did it go?

Mutual Trust: Do you have a high enough level of trust in the organization on which to build a merger relationship? (Do you know if they trust your organization?)

Strengths and Weaknesses: Does the organization's strengths complement your organization's needs, and vice versa?

Usable Skills and Assets: Can what they bring to the table be used to advance your mission?

Financial Condition: Does the organization's financial status raise any red flags?

Attraction: What makes this organization a desirable merger partner overall?

Engage

Through the assessment process, some potential partners will fall away and one or two are likely to have risen to the top. The following suggestions on how to approach and engage a potential partner assume a single organization; if you are thinking of engaging multiple prospects simultaneously, see the text box on page five for some key issues to consider.

The first conversation with a prospective partner is an important step, and you want to be sure to get it right. One approach is to initiate a phone call with the other organization's executive director. Or, a meeting with the executive directors and board chairs of both organizations can be another good way to start. Below are some practical tips for engaging prospective partners.

First Phone Call

1. Make it clear that the suggestion of developing a closer relationship between your organization and theirs is tentative, and lots of thought would have to be given to the matter before moving forward. This will help your colleague at the other end of the conversation to feel that your organization is only a half-step further along in considering a merger than is his or her own organization, and that you do not have a hidden agenda.
2. Choose your words carefully. To initiate the conversation with, "We'd like to talk about a possible merger," is perhaps too straightforward and may cause the other party to balk. You might better begin with, "We think your organization and ours have a lot of common interests; maybe some of us could get together to talk about ways we might work more closely." This leaves open the possibility that what you will come up with is something short of a merger, and will hopefully engage the other side in a conversation (which is, after all, your goal at this point).
3. Suggest an informal meeting of a few leaders from each side — perhaps at a board member's office, away from either organization. This meeting might include the board chairs, along with the executive directors. If staff alone initiate the discussions, they should alert the board beforehand, report back as soon as possible, and plan to bring in the board as soon as possible. If they do not, the board may feel left out of the loop and react negatively to the whole proposition.
4. Stress the need to keep the matter confidential until the boards have a chance to hear about it properly from the two people now on the phone. Rumor control begins as soon as you hang up.

5. Leave the conversation with an agreement on next steps. Perhaps you will both discuss the idea with a few trusted board contacts, or the executive committee and the executive director. You might plan to talk again in a week or two.
6. Immediately after the call, write down your impressions and what you think the other organization's issues will be in considering a merger with you. Then report back to your board's leadership.

What if your organization has identified two or more potential partners?

The keys to successfully handling an initial assessment period with multiple potential partners are forthrightness, speed, and courtesy. Keep each party informed about what you are doing and why; move with dispatch so that there is a minimum of time investment for any partner not selected; and remember your manners!

Things to keep in mind:

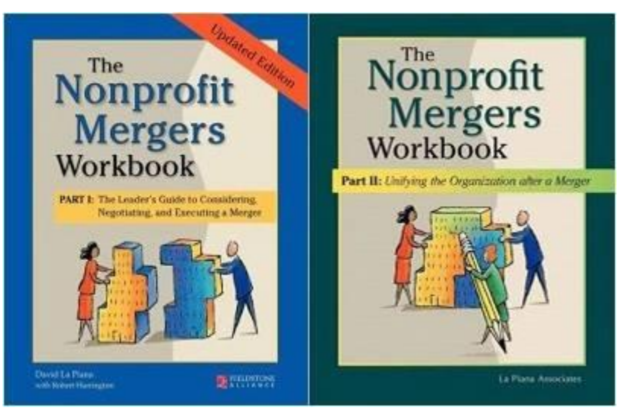
1. It is best for everyone if you inform each organization that you are also having initial discussions with other groups. You should probably keep the names of the other groups confidential, but you could indicate how many there are.
2. Establish a timeline for the initial discussions. You want to choose a partner for serious negotiations as soon as possible. Dragging out the initial stage could lead to hard feelings on the part of those nonprofits that you do not choose.
3. Establish thresholds with each potential partner. What are the minimum requirements for a partner? Do they meet these? Remember, you are not undertaking full-blown merger talks at this point. Rather, you are trying to establish whether there is likely to be a good fit.
4. Once you determine which of your prospective partners is most likely to be a good match, inform the other interested parties immediately. Resist the temptation to leave them hanging while you negotiate with your preferred party. This could lead to resentment. It is better to tell these nonprofits (if it is in fact the case) that if the negotiations with the selected group do not work out you would like to return to them and ask if they are still interested in pursuing talks at that time. This will both preserve your credibility and show respect for their time and interest.
5. Never enter into full merger negotiations with more than one party at a time unless it is to be a multi-party merger. Consider the analogy to dating. It is fine to date around and see whom you like best, but, if you value your life, you should probably not get engaged to more than one person at the same time.

First Informal Meeting

1. Try to focus most of your efforts in this meeting on building interpersonal rapport. The content of the initial discussions is important, but it is more important that everyone leave the meeting with a feeling that they would like to work with the other parties, or at least that they would look forward to seeing them again.
2. Reserve a portion of this initial meeting for each organization to provide an overview of itself to the other. Each party should bring along a packet of brochures, press clippings, biographical sketches of key staff, and so forth — the kind of information you would pull together for prospective board members. (In one sense, this is exactly what these people are.)
3. Share your organizations' respective histories, current challenges, strengths, and weaknesses. This discussion may not be as frank as it will need to become if negotiations move forward, but you will at least get a sense of the other organization's position on major issues, such as fund development, the board's role in governance, and the level of board-staff collaboration. You may also pick up on any conflicts among board members, or between the board and the executive director, that could impact the future of your conversations.

In the course of doing your own pre-merger self-assessment and identifying a potential partner (or partners), you may have begun to develop some excitement about the possibilities, but keep in mind that you've been doing this only within your own organization. When engaging a prospective partner, you want to be careful not to give them the impression (or believe yourself) that you've got it all figured out and just need them to "sign on the dotted line". You must allow the other organization the time and space to have its own conversations like the ones you have had internally. If they arrive at the same place, *then* your organizations can begin a more formal negotiations process to explore what a future together might look like.

*Portions of this article were originally developed for **The Nonprofit Mergers Workbook**.*



*For more practical advice and tools for pre-partnership assessment and negotiations, see **The Nonprofit Mergers Workbook, Part I: The Leaders Guide to Considering, Negotiating, and Executing a Merger**.*

*For expert resources on post-merger integration, check out **The Nonprofit Mergers Workbook, Part II: Unifying the Organization after a Merger**.*