

Forewarned is forearmed: critical factors for mergers

The Institute for Voluntary Action Research (IVAR) has recently carried out a review of one organisation's mergers with four smaller players in the same field to identify lessons learned from their experience. Director Ben Cairns reports on its findings.

Against the backdrop of the economic recession, the need for mergers in the voluntary and community sector is being strongly debated and, in some quarters, actively promoted. Government policy has increasingly advocated collaboration as a means to improve the quality and efficiency of services for local communities. Most recently, in 2009, the Cabinet Office introduced a Modernisation Fund of £16.5 million to encourage collaboration and merger within the sector in order to *"support viable third sector organisations... become more resilient and efficient in the recession"*.

Process

Despite this interest, gaps remain in our knowledge about the actual process of merger. Research by the Institute for Voluntary Action Research (IVAR) in this area has confirmed that, without adequate time for preparation and reflection, organisations risk being catapulted into arrangements that may not be in the best interests of their beneficiaries. In order to understand better the issues involved in mergers, we recently carried out a review of four mergers entered into by TACT, the Adolescent and Children's Trust, between 2005 and 2007, with four much smaller organisations also

working with children and young people. Our review comprised semi-structured interviews with trustees and senior staff of TACT who had been in post since before the first merger, and trustees and staff from the merger partners who transferred over to TACT. We focused particularly on the views of practitioners themselves on 'critical success factors'; quotations from their interviews are in italics.

A shared vision

Aside from formation or closure, a merger is likely to be the most disruptive and challenging thing an organisation can do. So, a shared vision of the potential benefits to be derived from merger, and, in particular, the likely advantages for service users, is essential: *"There have to be tangible benefits for service users: if you can't see them or can't envisage them, don't do it. If you can, don't let the egos get in the way"*. To assist the process of developing a shared vision, one trustee advised others to: *"Sit down in a fairly informal situation – which may be quite different from the usual meeting – allow plenty of time and really put your cards on the table and have a frank and open discussion about the benefits for you and the other organisation"*.

Identifying this shared vision can help to reinforce the fact

that each merger partner has something to gain from coming together: in this case, TACT could grow and diversify its operations while the smaller organisations could, under the umbrella of the larger organisation, secure the future of their work: *"We weren't worried about being swallowed up or losing our identity because we saw ourselves as another, new element in the mix: we were adding breadth"*.

Finding a 'fit'

Linked to this, there needs to be some degree of 'fit' between merging organisations, whether in terms of values, ethos or ways of working: *"The issue has to be whether the core is the same"*. Bringing together the questions of vision and congruence of values and ethos, one interviewee suggested that: *"The over-riding ethos is the most important – if you're not ultimately engaged in doing the right thing, there for the same people, looking in the same direction, you'll never have a fit"*. Another argued that: *"You need to make sure both organisations have the same aims, and that it's not just an acquisition for acquisition's sake."*

However, even in situations where organisations can come together around a shared vision, there will, inevitably, be doubts, fears and reservations. Although

shared experience

TACT offered a means to secure the future of the smaller merger partners' work, many recollected that they had experienced feelings of sadness about the forthcoming demise of their organisation. Any sense of relief was tinged with sadness at the end of an era in which personal allegiances and relationships had been important: *"It was really hard, like we were giving our child up for adoption; we wanted to keep it but we couldn't look after it the way we wanted"*. Allowing people time and space to explore these mixed emotions was critical in developing the climate of trust and commitment required to make the decision to proceed towards merger and to see change through.

Integration takes time

The process of integration really begins the moment that the decision to merge has been made. It involves a huge range of tasks and an increased workload for staff and trustees: *"I think it can be under-estimated the amount of work that is involved, whatever your role. It takes over your normal day job. Some people see it as just the work whilst you are merging, but what they don't realise is that it's the next 12-18 months"*.

Staff and trustees can face challenges in adapting to different working practices and expectations. In two of the mergers, TACT provided interim management to its smaller partners prior to merger. This was seen as a helpful

bridging mechanism, enabling staff to become more familiar with each other and de-mystifying some aspects of the larger organisation. It was also noticeable that, when people from the smaller merger partners felt that TACT had respected their differences, and recognised their organisations' unique value, they were more positive about their integration experience. Successful integration



TACT works with children and young people.

was also enhanced when the values and ways of working of the smaller organisations were in some way retained: *"Some of the things that were important to us have been kept, which is good"*; *"They have tried to keep some of the local feel and events"*.

Integrating trustees from the smaller organisations was

initially challenging, given the differences in board culture and associated shifts in interpretation of the trustee role. Transferring trustees perceived there to be a major difference in terms of TACT's governance style compared to the agencies they had formerly been part of: *"The meetings are about money, numbers, loads of documents that it's quite hard to get to grips with"*. The trustees

from the smaller merger partners had also been accustomed to more direct involvement in day-to-day operations than was the case in TACT; this sometimes led them to feel that they had little to offer and that they were unable to use their skills.

Don't rush

Finally, full integration cannot be rushed, and cannot be achieved in a short period of time: it stretches well beyond the date of full legal merger.

One interviewee speculated about when a merger can be considered 'successful': *"When the ring goes on the finger or at the golden wedding anniversary?"* and suggested that it is perhaps: *"When there comes a point when*

nobody talks about [the merged organisation] as a separate entity, when the merged parts assume the spirit and body of the whole... In other words, the prize offered by merger takes time to achieve". ■

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