Nonprofits May Need to Merge In

Order to Survive and Thrive

By Greg Werkheiser

Every day, the prospect of offering improved products and services at lower cost to more customers while producing greater returns for shareholders motivates distinct private corporations to merge into single companies. Too rarely, however, does the prospect of offering improved services at lower costs to more members of society for greater social impact motivate nonprofit corporations to merge.

When the rare merger of nonprofits does occur, two governing boards of directors, staffs, missions, visions, sets of programs, clientele, cultures, budgets and, frequently, workspaces, become one. This process is not easy, even under the best of circumstances. But the issues, obstacles and opportunities of mergers are the same between for-profit companies and nonprofits. Just as two local banks find ways to combine forces to survive and thrive, so can nonprofits with missions to advance economic development, social justice, community health and welfare, arts and education or environmental preservation.

I frequently hear three reasons cited by nonprofit leaders for why they do not pursue mergers: They had not seriously considered it as an option, they are not sure whether the combined organization would continue to reflect the same values and produce the same programs, they worry about whether they or their staffs would keep their jobs. Let’s consider these in turn.

First, most nonprofit leaders did not study business as a discipline; they are experts in substantive fields like public policy, education and science, rather than management. For them, the operation of the nonprofit is not the end, but the necessary means by which they can affect societal change. Notwithstanding the fact that many nonprofits are extremely sophisticated enterprises with large budgets and staffs, the business school mindset does not permeate as deeply into the management practices of the sector, and generally there is less familiarity with the merger process. That’s changing. The poorly performing economy requires us all to find efficiencies in operations and delivery of services. Also, as Baby Boomers retire from private business in a great wave, many seek to “give back” by taking board seats and filling executive-level positions in nonprofit agencies. They bring with them a different set of skills and lingo, and mergers are part of their vocabulary and strategic thinking.

Second, sustaining an organization’s mission, programs and culture is a legitimate concern. However, executives must consider that merger may be the key to sustainability in this environment of intense competition for shrinking philanthropic resources. Even so, compromise is absolutely essential for any successful merger; the hope is that for every sacrifice by the separate organizations there will be greater gains in the joined effort.

Third, many nonprofit leaders believe that merger could lead to the loss of their job or their staff. While some streamlining of job responsibilities may be necessary in a merged organization, often the combined programs are able to attract more funding than either organization could attract alone. Through efficiencies in operations, merged nonprofits may be able to expand their program staff or compensate their professionals more generously. While job responsibilities may change as the result of a merger, leaders must remember that fulfilling the mission of the organization must be their paramount concern.

From my own experience, merger of nonprofits has proven that the sum can be greater than the whole.

While I was in law school, I started a nonprofit called the Virginia Citizenship Institute. As a volunteer executive director with volunteer staff, I ran summer programs for college and high school students to teach them how to get involved in Virginia politics in a more bipartisan and thoughtful way. After seven years at the helm, I was burned out, and wanted to find an institutional home for the programs we developed that would continue to nurture and sustain them.

I reached out to the Sorensen Institute for Political Leadership at the University of Virginia, which had a complementary mission to VCI—to train adults to be involved in Virginia politics in a more bipartisan and thoughtful way. Sorensen was also looking to diversify its funding base, and adding programs for college and high school students made sense within its mission and would allow the Institute to attract new grant funding to support its core organization. After months of merger discussions, and many tough compromises, we signed an agreement that ensured that both programs would be stronger going forward. Five years later, the programs we started as VCI are still going strong at the Sorensen Institute, and I have been able to move on to new ventures with the peace of mind that our programs continue to serve their mission.

For an increasing number of the most entrepreneurial social ventures, merger is proving a long-term sustainability strategy well worth time and risks that accompany the adventure.

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