The Learning Link: Are You Ready to Talk About Association Mergers?

Mergers are often seen as strategic and are often thought of in terms of the business sector. Activity, however, does occur in the not-for-profit sector. According to association executives, the level of such activity may be less than desired.

Industry Canada studied one hundred associations in 1993. The study author, Chris LeClair, found that 74 percent of association executives believe that Canada's association community is highly fragmented and weakly integrated. At least 50 percent of the respondents believe that mergers of associations are required in order to improve service delivery and policy advocacy.

A follow-up study for Industry Canada in 1996 found that 12 percent of those surveyed in 1993 had been involved in some form of association merger and 25 percent believed that in the next year their association would be involved in some type of merger activity. These figures suggest that inter association discussions occur on a fairly regular basis.

Based on this information it appears there is interest in considering mergers. The parties involved, however, must see some potential benefit. Some of the benefits of mergers include:

- Increased revenues and greater financial stability
- Better use of human resources
- General economies of scale
- Larger number of members and a stronger voice
- Possible lower membership dues
- Less time spent at conferences
- Elimination of duplication
- Greater geographic reach
- More market pricing control
- More efficient technology solutions
- One stop shopping and a bigger selection
- Improved quality of services, such as a larger bank of information and knowledge to draw from, more access, etc.
- Volunteers and sponsors would not have to choose one organization over another
- More power and prestige for key stakeholders

Benefits of a merger will vary, of course, depending on the future vision for the merged organizations and on planned improvements to the value proposition for members of the merging organizations.

Is the Association Ready to Look at a Merger?

The best way to respond to this question is to ask the following questions:

- Do we have strategic alliances that are working well?
- Do we need more credibility and a stronger voice?
- Do we need financial stability and more resources for our long term survival?
- Are we competing for the same funding source and membership base?
- Are we cost effective?
- Are we able to serve all our key member segments?
- Are we duplicating services provided by another association?
- Is another association duplicating services we provide?
- Are governments asking us to work closer with other associations?
- Have we ever asked our members about the potential for mergers or alliances?
- Would we like to make better use of human resources and take advantage of economies of scale?
- Would we like to expand our geographic reach?
- Would we like to be part of a "one stop shopping" service provider with a bigger selection?
- Would we like to reduce competition for volunteers and sponsors?

As more leaders gain an understanding of the possibilities of technology and its capability to support segmentation, productivity and communications, more interest in mergers will occur.

What Role Does the Chief Staff Officer Play in the Process?

The Chief Staff Officer (CSO) plays a different role at various stages of a merger. In the early stage of the process, the CSO plays a key role. Some of the activities include:

- Meet with the CSOs of potential organizations to discuss common interests, needs, benefits and barriers to a possible merger;
- Determine if there is sufficient interest and potential value to explore a merger further;
- If there is no interest, stop the process;
- If there is sufficient interest, the CSOs arrange a meeting with the Chief Elected Officers (CEO) to discuss common interests, needs, benefits and barriers;
- If there is no interest, stop the process;
- If there is sufficient interest, the CEO and CSO prepare a report the board to discuss the situation and obtain the board decision whether or not to explore the possible merger further;
- If a merger is not to be explored, determine if other options such as strategic alliances are of benefit and, if so, pursue them and stop merger discussions;

- If boards wish to engage in merger discussions, an Inter-Association Merger Explorations Task Force should be appointed with representatives of each association.

Lets Talk Merger

An ideal situation is to have the board engage in strategic thinking around merger possibilities and then, if appropriate, authorize the CEO and CSO to start the process to explore merger options and interest. This approach is not always possible. Often key association leaders understand the potential benefits and are ready to look at a merger, and exploratory discussions start before going to the board.

The later approach has its challenges. Merger discussions are not easy as there are a number of barriers such as general resistance to change, lack of ownership in the process and the benefits, turf protection, and a lack of understanding how to segment services in a shared services environment.

Merger discussions and efforts tend to last longer if there are significant economic and other reasons why the parties should come together. Translating the reasons in identifiable outcomes (e.g. an opportunity to grow all membership segments of a new broader association, more resources to deal with significant advocacy issues, having a larger voice to deal with large policy issues) makes selling the merger easier. If the outcomes relate to what members value most, the chances of having ongoing merger discussions increases.

Merger Issues

Mergers are not always a case of Association A and Association B realizing they are serving the same territory and, therefore, merging can save money and improve services. It is more complex when an organization is part of a federation or is involved in some other family style relationship. Mergers initiated at the provincial or national level have implications for all stakeholders and can be challenging. For example, some smaller provinces may see value in bringing together two or three associations and creating a broader organization. This often results in objections from larger provinces and the national organization. Proceedings tend to stop at this point.

There are no firm rules, however. In the CMA Canada and the Canadian Institute of Chartered Accountants (CICA) merger attempt, Quebec accounting bodies issued a formal announcement that talks on the merger of the accounting professions in Quebec had come to an end. The Quebec talks also involved a potential three organization merger, including CGA Canada. The national leadership of CMA Canada and CICA decided to continue merger discussions in the rest of Canada.

Discussions were eventually stopped as both organizations received feedback from town hall sessions and they were not able to reach agreement on key issues associated with the proposed merger. Both CMA Canada and the CICA continue to acknowledge the benefits of a merger and continue to cooperate with each other on various initiatives. I suspect over time a stronger business case will emerge and talks will be on again, or perhaps governments or international forces will provide reasons for the three accounting bodies to develop one strong profession in Canada.

Communication can be the greatest challenge. Without a strong communication plan and without all the facts, members will make assumptions and no doubt draw on emotions based on historical situations rather than potential for the future. Setting the stage for the business case takes time and allows members to understand why the merger is in the best interest of future members.

Mergers are not for the faint hearted. They need to be guided by strong leaders, preferably with the assistance of an independent advisor. A lot of time and effort goes into merger discussions. This can often divert resources for the associations involved – there is the potential for some deterioration of service delivery.

Not all mergers attempts are successful at first. One that was considered a failure on several occasions eventually took place and was deemed a success after ten years. The benefits of merging were attractive and, despite support from core funders, leadership staff and volunteers, emotional reasons prevented the merger from occurring years earier.

Mergers are seen as more viable if the parties have been working together on projects or in a shared services arrangement. Projects and shared services arrangements have been useful tactics in testing the waters and setting the stage for mergers. Sometimes this can be difficult when the parties are competing with each other, turf protection barriers are in place, and emotions are at play.

Merger Success Stories

A successful merger occurred between the Canadian Association of Market Research Organizations, the Canadian Survey Research Council and the Professional Marketing Research Society. They consolidated their organizations into a new association – the Marketing Research & Intelligence Association.

The boards of the three organizations appointed an Inter-Association Task Force which prepared a report that confirmed the benefits of merging. Positive membership feedback was provided based on the business case outlined in the report. An Implementation Team was used to help move the initiative forward, prepare for the merger to occur and obtain formal membership approval. This merger provided members with many benefits and brought greater clarity and strength to their profession and industry in Canada.

This merger provided a solid case along with a steady stream of communications. One of the merging associations polled their members twice before proposing and ratifying changes at an Annual General Meeting. The decision was nearly unanimous with all three organizations.

According to Bill Shepherd, CAE, Director Strategic Partnerships and Initiatives for the Ontario Real Estate Association (OREA), there have been some mergers and shared service arrangements among real estate boards in Ontario in recent years. OREA remains neutral on the subject of mergers but, in response to member needs, OREA produced a manual on mergers to support boards who wanted to consider and engage in merger activities in an effective manner.

Take a look at the merger questions. If you answered yes to half of these, you may want to think about exploring merger strategies. If your association is not getting the desired results from your regular strategic planning process and plans and wants the benefits a merger can bring, perhaps a merger strategy should be explored. Mergers can create significant transformational changes, opportunities to get out of a rut, and engage association leaders in new ways for the association to grow, prosper and serve members.

This column features innovation and practical solutions applied to trends, issues, challenges and opportunities for the association community. Column editor Jim Pealow, MBA, CMA, CAE is a consultant (www.amces.com) and the CAE Education Program Lead Instructor/Coach for CSAE. He can be reached at jim@amces.com.