

Why Your Nonprofit Can and Should Consider a Merger or Company Sale as an Option for Its Future



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If you serve on a nonprofit board, you likely joined to support a cause you care about. You might not have imagined yourself having to wrestle with pivotal decisions related to buying, selling or merging the organization. But when nonprofits encounter a major inflection point, board members have a duty to advance the organization's mission even if it means considering a merger or acquisition (M&A) as an option for their future.

Although nonprofits are often viewed differently than for-profit businesses, social entrepreneurs are entrepreneurs too. The challenges nonprofits face are not unlike their commercial counterparts, such as:

- A changing landscape that threatens their business model,
- Succession issues brought on by a founder's retirement or
- Growth opportunities that might necessitate partnering with another organization.

In these moments, combining with another organization doesn't constitute failure — in fact, it can be a lifeline, and sometimes a catalyst for positive change.

Here's how nonprofit M&A can be done — and why, sometimes, it's the best decision an organization can make.



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How nonprofit M&A is different

M&A transactions for nonprofits have a few key differences from the commercial world. With for-profit businesses, the benefits of a deal can be easily measured in financial terms. For nonprofits, though, it's not quite as clear-cut.

Nonprofits have no actual owners — such as a founder or shareholders — who benefit from a transaction. The closest thing to an owner is a nonprofit's mission, and serving that mission drives every board decision throughout the M&A process.

While money or other assets sometimes change hands in nonprofit M&A deals, that's often not the case. Sometimes a merger between two organizations will simply combine operations in order to align missions, achieve better operational efficiency or expand services. In cases where one nonprofit is struggling and another sees the benefit of combining, the acquiring nonprofit might pay off debts or assume liabilities.

Because the strategic choices in M&A are more diverse for nonprofits than in a commercial context, decision-makers need to approach their fiduciary responsibility with creativity and discipline.



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How board members can manage nonprofit M&A

Unlike in the private sector, nonprofit boards usually don't have previous experience in dealmaking. Boards are frequently composed of volunteers wanting to do the right thing, but they might be unfamiliar with how to evaluate potential deal partners, negotiate a transaction or undergo due diligence.

If you're a nonprofit board member considering M&A, your first order of business should be to get clear about what it is you're trying to accomplish. Are you hoping to enlarge your capacity to better fulfill your mission, or expand the services you provide? Maybe you envision a future for your organization that involves reinventing yourselves to serve your community's changing needs. So, define your criteria for a successful outcome, and establish who in your organization is leading the process.

Once you know what a good deal looks like for your nonprofit, examine what your real options are. Think creatively about other organizations that might be open to a deal, even if they're not an obvious fit. This brainstorming should eventually coalesce into a more formal evaluation of potential counterparties to negotiate with.

Your success will depend on finding a counterparty who shares your values and complements your capabilities. Vetting potential partners — and aligning on a shared purpose — is essential. Once you've gotten a vetted counterparty to the table, start negotiations with the goal of achieving the best outcome for both sides.



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Where Oaklyn Consulting can assist

If this sounds like a lot of work to handle alone, you're not wrong — but managing M&A doesn't have to be a DIY process. At Oaklyn Consulting, we specialize in helping nonprofits navigate this terrain with sensitivity. Because of our deep sector knowledge with nonprofits, we know the right questions to ask as we help nonprofits work through their strategic alternatives and avoid common roadblocks.

Protecting and advancing a nonprofit's mission doesn't mean maintaining the status quo. Big structural change might be necessary today to preserve your organization's ability to serve its mission tomorrow.

Although it may not be what you signed up for as a board member, participating in M&A can be one of the most important services you can perform for your organization. At Oaklyn Consulting, we're here to guide you through the process, helping make your nonprofit stronger and more resilient for the future.



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