



Charity Mergers: Experiences from the Charity Commission

Prepared for:



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1. INTRODUCTION

1.1 *Background*

Part of the Charity Commission's remit is to provide guidance to registered charities who may wish to merge or collaborate with other organisations. With increasing costs and potential reductions in funds as a result of the economic downturn, the Commission considered issues of merging to be of particular interest.

Carol Goldstone Associates was commissioned to undertake a short survey amongst charities who have contracted the Charity Commission in recent years to ask about mergers and collaboration. This report details the findings of that research.

1.2 *Research Objectives*

The overarching objectives of this research were to understand attitudes to merging with other organisations and to explore what steps have been taken. These objectives can be further broken down as follows:

- To determine whether or not organisations contacting the Commission proceed to merge with other charities;
- To understand the details of the merger process;
- To explore benefits and barriers to mergers;
- To investigate other forms of collaboration.

1.2 *Research Method*

A total of 447 telephone interviews were undertaken with charities who had contacted the Charity Commission over the past three years with questions relating to potential or actual mergers. The sample was equally split between charities contacting the Commission in 2006 (150 responses), 2007 (147) and 2008 (150).

2. SUMMARY

2.1 *Merger background*

- A total of 447 charities participated in this research. All had contacted the Charity Commission in 2006, 2007 or 2008 to make enquiries related to merging of charities.
- The profile of charities contacting the Commission broadly reflected the profile of all charities. The most common activities were education, health, social services and arts and sport. Six out of ten had employees although half of these had fewer than ten staff.
- At the time of contacting the Commission, one in three charities had already merged or were about to do so. A further one in three were thinking about merging or just wanted to find out the possibilities.

2.2 *The merger process*

- Overall, just under half (46%) had either gone ahead with their planned merger or were in the process of doing so. Just over half had retained the same charity name and registration number while one in three had taken a different name and number. The remainder had chosen different options.
- Of the mergers that took place, around half took under 12 months while a further quarter were completed within 18 months.
- Three out of four mergers involved only two charities. Most of the remainder involved between three and five charities although a very small number included a larger number of organisations.
- Those mergers that were completed were perceived very positively by those involved. Nine out of ten regarded the merger as very successful (75%) or quite successful (14%).
- Four out of five believed that the merger had benefited the charity and its beneficiaries, either completely or partially. The most frequently identified benefit, mentioned by two out of three, was that it made management easier.

Other key benefits (mentioned by around half) were financial saving, improved service delivery and an enhanced profile for the charity.

- One in five charities had undertaken an evaluation of the merger and a further 7% intended to do so in the future.

2.3 Charities not proceeding with the merger

- One in three charities who had not proceeded with the merger had considered other forms of collaboration such as combining aspects of service delivery or sharing staff, resources, office space and IT systems.
- Around half of those who had not proceeded with the merger indicated that they might consider it in the future. Three out of four indicated that this decision was unlikely to be affected by the economic downturn although a minority thought it might have an impact.
- The most common reason for not merging were that this had not been a serious consideration at the time of contacting the Commission. Where merger had been a real possibility, the main reasons for not proceeding were financial cost, lack of support from stakeholders, personality clashes, communication problems and other outside influences.

3 RESPONDENT PROFILE

Charities that had considered merging were involved in a very wide range of activities. Broadly reflecting the activity range of all charities, the most common activities of those considering or undergoing merger were education (23%), health (23%), social services (21%) and arts and sports (15%). Some charities identified more than one activity as reflecting their function. There were only minor differences between those proceeding with a merger and those deciding against it although those in health, social services and economic development were slightly more likely to have gone ahead.

Table 1: Activity of Charity

	Total	Proceeded with merger	Did not proceed
BASE (All):	447 %	207 %	240 %
Education or Research	23	24	23
Health	23	26	21
Social Services	21	24	19
Arts, Culture, Sport, Recreation	15	13	17
Economic, Social & Community Development	11	14	9
Religion	11	9	13
Housing	7	8	7
Environment	4	3	5
Military/Armed Forces	4	2	5
Information, law, crime, and civil rights	3	4	3
Transport	2	1	3
Employment and Training	2	2	2
Animals	1	0	2
International	1	0	1
Charitable trust/raise money for other charities	1	0	1
Don't know	1	0	2

Six out of ten participating charities (60%) had employees. The majority of these had only small numbers of employees (32% of the sample had fewer than ten employees) although a minority had more – 10% had 100 employees or more. Those with employees (65%) were slightly more likely to merge than those without (56%).

Table 2: Number of Employees

	Total	Proceeded with merger	Did not proceed
BASE (All):	447 %	207 %	240 %
None	39	35	43
Any	60	65	56
- 1 – 9	32	31	32
- 10 – 49	15	16	14
- 50 – 99	4	4	3
- 100 or more	10	13	7
Don't know	1	-	1

4. MERGER BACKGROUND

Respondents were asked to identify their situation at the time that they had contacted the Charity Commission.

4.1 Reasons for Contacting Charity Commission

At the time that they contacted the Charity Commission, around half had already merged (25%) or were thinking of merging with another charity. Smaller numbers were on the verge of going through with a merger (9%), just wanted to find out more about the possibility of merging (9%) or were thinking about collaborating with another charity (4%). One in five did not know why they had contacted the Commission at that time or thought that it had not had anything to do with merging.

As may be expected, patterns differed between those who did or did not proceed with their merger plans. Those who proceeded tended to contact the Commission when they had already merged (54%) with others either considering merging (21%) or about to go through a merger (18%). Those who did not proceed either did not recall contacting the Commission about a possible merger (34%) or made contact because a merger was under consideration (26%).

Table 3: Reasons for Contacting Charity Commission

	Total	Proceeded with merger	Did not proceed
BASE (All):	447 %	207 %	240 %
We had already merged	25	54	-
We were thinking about merging with another charity	24	21	26
We were about to go through with a merger	9	18	1
We just wanted to find out more about the possibility of merging	9	3	13
We were thinking of collaborating with another charity/charities e.g. sharing IT systems, sharing office space etc	4	1	8
Other	6	3	8
Don't think they contacted the Commission about anything to do with merging	18	-	34
Don't know/not sure	4	-	8

4.2 Whether merger took place

Of those making enquiries of the Charity Commission, a slight majority had not merged (54%) but nearly half (46%) had merged or were in the process of merging. The likelihood of merging increased over time – only 37% of those contacting the Commission in 2006 had merged or were progressing with a merger compared with those in contact in 2007 (48%) or 2008 (55%).

Three out of four of those proceeding had completed the merger (77%) while 12% were still in the process of merging. Others were not sure whether or not the process was complete (11%).

Just over half (56%) had merged (or were merging) with others but had retained their charity name and number of the Register of Charities. One in three (33%) formed (or were forming) a new charity name and number.

Table 4: Type of merger

	Total
BASE (All who have merged/are in the process of merging):	207 %
We have merged with another charity (or charities) but continued to exist on the Register of Charities under the same name	49
We have merged with another charity (or charities) and formed a new charity which has a new charity number	28
We are in the process of merging and we will take on a new charity name and number	5
We are in the process of merging but will retain our charity name and number	7
Other	4
Don't know/not sure	6
<i>Summary:</i>	
Merged	77
In the process of merging	13
Same charity name/number	56
Different charity name/number	33

5. CHARITIES WHO HAVE MERGED OR ARE MERGING

Charities who have merged or are in the process of merging were asked a series of questions about the merger process.

5.1 Time taken for merger

Just under half of those merging (48%) reported that the process had taken or was expected to take 12 months or less; a similar proportion (45%) recorded longer times, most commonly 12 – 18 months (22%) although a merger period of 24 months or more was reported by 14%. The remainder (7%) did not know how long the merger would take.

There was a slight indication that merger times were decreasing. Of charities contacting the Commission about merger in 2006, 44% reported merger times of 12 months or less compared with 49% and 50% of those making contact in 2007 and 2008 respectively. There was also an indication that those who are in the process of merging were anticipating a longer period than those whose merge is complete although this information should be treated with caution because of the small number in the process of merging.

Table 5: Time taken to complete merger

	Total	Year of contact			Status	
		2006	2007	2008	Merged	In process
BASE (all who have merged /are in process of merging)	207 %	55 %	70 %	82 %	159 %	26* %
12 months or less	48	44	49	50	53	27
Over 12 months up to 18 months	22	18	23	24	18	46
Over 18 months up to 24 months	8	13	11	2	8	8
24 months or over	14	22	6	17	12	12
Don't know	7	4	11	6	8	8

* Low base

5.2 Number of charities involved in merger

In three out of four cases (73%), only two charities were involved in the merger and most others (22%) reported that between three and five charities were involved. However, a small minority of cases involved multiple organisations. At the extreme, 1% of charities (i.e. three cases in total) were undertaking mergers involving over 20 charities. One of these cases was complete and the other two were still in the process of merging.

Table 6: Number of charities involved in merger

BASE (all who have merged /are in process of merging)	207 %
2	73
3 – 5	22
6 – 10	3
11 – 20	*
Over 20	1
Don't know	0

* <0.5%

5.3 Attitudes to Merger

The vast majority of mergers were perceived positively by the charities involved. Of those whose mergers were complete, 91% rated the merger as very successful (75%) or quite successful (14%) while only 2% rated the merger as not very or not at all successful. The remaining 10% were either neutral or could not say. All types of charity were equally satisfied.

Table 7: Success of merger

BASE (all who have merged)	159 %
(+5) Very successful	75
(+4) Quite successful	14
(+3) Neither successful nor unsuccessful	6
(+2) Not very successful	1
(+1) Not at all successful	1
Don't know	4
<i>Mean score</i>	4.7

Similarly, most charities completing a merger felt that it had benefited the charity and its beneficiaries (77%) while a further 4% thought there had been a partial benefit. Only a minority perceived no benefit or could not say (9% each).

Those who felt the charity and beneficiaries had benefited from the merger were asked to identify the main benefits from a list. The benefit most frequently identified was that it made management easier (65%); at slightly lower levels, financial savings (51%), improved service delivery (50%) and a raised profile for the charity (47%) were each mentioned by around half. Fewer charities considered that benefits included increased sources of income (33%), that the charity could not have carried on without merger (24%) or that the merger enabled the charity to survive the economic downturn (15%).

Although small numbers mean that findings should be treated only as indicative, those with employees were more likely than those with no employees to perceive the merger as having raised the charity's profile (52% vs 36%) and enabling the charity to carry on (28% vs 15%).

Table 8: Benefits of merger

BASE (all who perceived benefit to merger)	159 %
Made management easier	65
Financial savings	51
Improved service delivery	50
Raised the profile	47
Increased sources of income	33
Could not have carried on if we had not merged	24
Enabled the charity to survive the economic downturn	15
Other	11
Don't know	2

5.4 Evaluation of merger

Only a minority of charities (20%) had carried out an evaluation of the merger process with a further 7% indicating that they intended to do this in the future. The majority (64%) had not evaluated the process and the remainder (10%) did not know if such an evaluation had been undertaken.

6. CHARITIES NOT PROCEEDING WITH MERGER

This section covers a part of the questionnaire asked of those who indicated that their charity was not proceeding with a merger. Charities were asked about this decision and related issues.

Just over one in three of those who were not proceeding with a merger (35%) had considered other forms of collaboration. This was more common amongst charities with employees (44% compared with 24% with no employees).

Each of the suggested forms of collaboration (combining aspects of service delivery and sharing either staff, basic resources such as minibuses or stationery, office space or IT systems) had been considered by around one in five charities who had not proceeded with the merger.

Table 9: Forms of collaboration considered

	Total	Have employees	Do not have employees
BASE (all not proceeding with merger)	240 %	134 %	103 %
Any	35	44	24
- Combining aspects of service delivery	21	32	8
- Sharing staff	21	31	9
- Sharing basic resources eg mini buses, use of stationery etc	19	25	11
- Sharing office space	18	25	9
- Sharing IT systems	17	27	5
- Other	8	7	11
None	65	56	76

Those not proceeding with the merger were approximately divided between those who would (27%) or might possibly (23%) consider merger in the future and those who would not (45%); the remaining 5% did not know.

For three out of four charities (76%), this decision was unlikely to be affected by the economic downturn. However, the downturn could impact on a minority of charities – 11% reported that this was likely to affect the decision to merge and a further 8% thought it possible. The proportion thinking that the economic downturn could be a significant factor in encouraging charities to consider merging was slightly lower for those contacting the Commission in 2008.

Table 10: Whether decision to merge could be affected by economic downturn

	Total	Year of contact		
		2006	2007	2008
BASE (all not proceeding with merger)	207 %	55 %	70 %	82 %
Yes	11	16	8	9
Possibly	8	5	14	4
No	76	74	75	81
Don't know	5	5	3	6

Of those not proceeding, around half were not considering merging and therefore did not identify any barriers to merger. The main barriers (each selected from a list by between 5% - 9% of those not proceeding) were that it was not appropriate at this time, or had suffered from lack of support from relevant stakeholders, personality clashes, communication problems or other outside influences. Other barriers were identified at very low levels of mention.

Table 11: Barriers to merging with another charity

BASE (all not proceeding with merger)	207 %
Any	49
- <i>It was not a serious consideration at the time</i>	9
- <i>Financial cost</i>	7
- <i>Did not get support from all the relevant stakeholders</i>	7
- <i>Personality clashes within the charities</i>	6
- <i>Other outside influence</i>	6
- <i>Communications problems</i>	5
- <i>Legal fees</i>	4
- <i>Incompatible interests/missions</i>	3
- <i>Winding up/closing charity</i>	3
- <i>Staff issues or pension liabilities</i>	3
- <i>Difficulties of merging key business systems (eg IT, finance systems etc)</i>	2
- <i>Not allowed by the Charity Commission</i>	2
- <i>Time consuming</i>	2
- <i>Opposition from beneficiaries</i>	1
- <i>Other</i>	10
Not applicable /not considering merging	49
Don't know	2

