ONE BIG EXPERIMENT
Chronicling a Nonprofit Merger in Action

Prepared for
Boys & Girls Clubs of Calgary and
Aspen Family & Community Network

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Boys & Girls Clubs of Calgary (BGCC) transforms the lives of vulnerable children, youth and their families by providing safe places and offering services and programs, so that kids develop confidence, gain skills, and experience success to reach their best potential in life.

Aspen Family & Community Network (Aspen) helps people move from vulnerability to stability, from poverty to economic and social resilience, and from isolation to active participation in their community through support, research and catalyzing change.

The Institute for Community Prosperity connects students with social impact learning through applied, community-partnered research, creative knowledge mobilization, and systems-focused education. The Institute is interested in big questions about how we invest in social purpose or the common good in the 21st century and the shifting roles that charities and nonprofits play, including responding to calls to collaborate and consolidate. James Stauch is the Director of the Institute, and Cordelia Snowdon is a recent MRU graduate (BA, Policy Studies, Diploma, Social Work), and Catamount Fellow (2019/2020 cohort).

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Executive Summary

This interim report captures early stage insights from a merger process currently underway between Aspen Family & Community Network (Aspen) and Boys & Girls Clubs of Calgary (BGCC). The Institute for Community Prosperity was asked by BGCC and Aspen to a) document this journey process, looking at questions of strategic fit and process, as well as the governance, financial, HR, communications and cultural aspects of the merger; and b) offer up a framework, based on these insights, surfacing key questions for other non-profit and human service organizations considering deeper forms of collaboration. This report draws on conversations with a selection of 25 key stakeholders, as well as from the literature on nonprofit mergers. A second, final report, after a follow-up round of interviews, will be compiled later in 2020.

On April 15, 2020, Aspen and BGCC publicly announced their coming together to create a new, unified organization. The announcement signalled that the new organization would serve as "One Big Door"; a holistic continuum of services for children, youth and families in Calgary and area. It presents an opportunity to create operational and administrative efficiencies, to provide a more seamless suite of services for children, youth and families, and to enable a greater collective focus on research and evaluation.

Nonprofit human service organization mergers are relatively uncommon, and nonprofit mergers are particularly rare in Alberta - there appear to be scarcely more than one or two mergers of human service organizations in the province per decade. Moreover, this appears to be the largest scale merger of community service organizations in the Calgary region. As mergers can come across as an aping of the private sector, with ‘efficiencies’ (manifest mainly through layoffs) being a prime driver, they are regarded with considerable suspicion in the nonprofit sector. Indeed, the experience of those who have gone through merger processes is mixed: They are successful only part of the time, and are fraught with logistical, financial, legal and cultural difficulties. Yet, they can be potentially quite positive in their impact on the community, if done for the right reasons, managed in the right way, and under the right conditions.

One of the key conditions for success, present here, is that there is no external driver: This merger grew out of discussions between the two CEOs, two of the key drivers being the quest to achieve a sufficient scale to serve as a high profile ‘hub’ and to ensure that the suite of services available to clients is more seamless through various stages of life. The boards of both organizations are supportive, as are funders, some of whom provided resources specifically for the merger. An ad hoc committee oversaw the initial stages of the merger, while engaging various consultants to assist with organizational design, strategic and financial studies, legal analyses, and culture integration. The organization was formally integrated in June 2020, and a new name for the merged organization will be announced by October 2020.

This report draws on the first of two rounds of video-conference-based conversations with key stakeholders, including board and staff members, consultants, donors and others involved in previous nonprofit sector mergers. Some of their specific concerns and questions are included as sidebars in this document. This first round focuses on experiences and observations during the initial stages of the merger supplemented with a scan of the literature on nonprofit mergers elsewhere. The second round will inquire into what actually transpired in the early stages of implementation and what may lie ahead for the longer term. It is important to note that the perspectives of clients have not been solicited and is a limitation of this report.

Will this remain a true merger or is it really an "acquisition"?

Will either, or both, cultures be lost?

Can the integrity of care be maintained to its current standards?

Are layoffs yet to come, and at what scale?

Will staff, management, and governance settle into what's comfortable?

Learnings & Insights to Date

Overall, while stakeholders generally agreed that the why of the merger is both clear and compelling, the questions of how the merger would actually unfold are more vexing. As such, learnings and insights are broken down into three main sections, according to the stage of the merger process: Stage 1: Considering the Merger; Stage 2: Integration Planning; and Stage 3: Reflection and Evaluation.

Stage 1 - Considering the Merger

Strategic Fit: The alignment of the organizations appears strong on many fronts, including mission, revenue sources, programmatic overlap, philosophy and approach to care, and physical assets. While there are important points of divergence, including size, brand recognition, population served, organizational structure, and communications style, many of these points of divergence are perceived not as hurdles, but as complementary strengths.

Why Merge?: Two main drivers of the merger were removing barriers to client access and finding financial efficiencies in an increasingly challenging funding environment. There is strong agreement that other forms of collaborations would not have addressed either problem.

CEO Selection - From 2 CEOs to 1: The impending retirement of Aspen's CEO was an opportunity that made it timely and 'safer' to consider merging. That said, while the departure of a CEO could potentially streamline the merger process, organizations need not wait for a natural vacancy before contemplating a merger.

Funder Roles & Expectations: Funder enthusiasm is critical in this as well as most other nonprofit mergers, with the caveat that their role is to support - not drive, force, or cajole - mergers. Organizations are more likely to be receptive to encouragement and financial incentives to merge once they deem it to be in their own strategic interests rather than propagating often simplistic narratives about the need to "eliminate duplication". A central concern in this merger is a fear that the overall amount of funding would decrease post-merger due to perceived efficiencies. A so-called, and often-experienced "merger penalty".

Role and Use of Consultants: In general, engaging external consultants is beneficial for nonprofit mergers, in this example and elsewhere, both for helping fill knowledge and process gaps and for bolstering confidence and validation.

Stage 2 - Integration Planning

Clients and Programs: Overall, there is agreement that the philosophies of each organization and the skills required of staff members were both complementary and compatible, and that merging would fill service gaps within each agency.

Human Resources (HR): Two HR issues rose to the surface: 1. Differences in organizational structure and compensation; and 2. Striking an appropriate balance of representation at all levels from each organization in the new merged entity, as one agency had additional levels of management in their structure.

Information Systems/Data: There are significant potential benefits of merging information technology (IT) and data management. The systems are either similar or complementary. However, systems integration takes time and will require new investment.

Governance: Despite early enthusiasm of both boards, governance may well be the biggest hurdle to this merger's success. The overall values of the boards matched well, but issues such as size, membership, specific roles, and workload have emerged as sticking points.

How will the many systems, electronic and otherwise, be integrated?

Will this integration be sufficiently funded?

As positions and compensation rates are melded, will good people be demoted, or lost?

Will the new name and brand receive broad buy-in and be inclusive of non-binary and LGBTQ+ clientele?

Despite the enthusiasm of funders now, will long-term funding dissipate?

Culture: Perspectives on the compatibility of the organization's cultures varied most widely of all the factors mentioned by stakeholders, with questions about leadership and reporting styles emerging most frequently. It is far too soon to predict how this will play out, and the COVID-19 pandemic makes integrating cultures significantly more challenging.

Space and Physical Locations: An unexpected theme that arose concerns physical space, both in terms of staff workspaces and client access. Space has been described as an "often overlooked factor behind an effective merger" and it may prove to be an important point of contention if not handled deftly.

Branding: Accurately capturing the work of both organizations in a new name will be challenging, though this certainly represents an opportunity, as there are unique issues and limitations with the existing brands of each organization.

Communications with Merger Stakeholders: An important consideration in mergers is deciding when to bring each stakeholder group into the conversation, and customizing communications to meet their unique needs.

Funders and Donors: Ensuring *a priori* support from donors is important, not merely to show good faith, but because donors have been shown to have the power to shut down a merger, or to otherwise withdraw their support from the organizations. Although funders are supportive of the merger, there are concerns about how branding and a name change will affect stakeholders, particularly individual donors who may have their own preferences.

Staff: Due to COVID-19 restrictions, managers and frontline staff were informed electronically, which is always challenging with announcements of such gravity. Reactions to the announcement ranged from fear to excitement, though few were surprised. Many are positive and hopeful about possibilities created by the merger, though there are fears about job security and loss of culture. Ideally, organizations considering mergers should inform staff early in the process and prioritize communication over confidentiality, but if that is not possible then it is important to ensure a high level of trust between staff and leadership.

Clients: Perceptions of how clients were reacting to the news varied based on the distance of the stakeholder from the client experience: Further from the front-line of services respondents assumed that clients would not likely be concerned or would be likely to embrace the seamlessness of service - the "One Big Door" envisioned. The reaction from clients is a blindspot here as the client perspective for this report is gleaned second-hand. Regardless, it will be beneficial to have a robust set of public answers to client questions prepared in advance so staff can reassure clients.

Other Stakeholders: There are additional stakeholders groups who should be considered in a nonprofit merger communications plan, if applicable, including organization volunteers, local media, local politicians, social media influencers, or other nonprofit or human service organizations that the agency already partners with. The influence of external non-client, non-donor stakeholders is becoming increasingly important, as factors such as social media have increased the power that these groups have.

Stage 3 - Post-Merger Evaluation

Measuring Success: Mergers tend to take far longer than people think to implement. In some cases, it may take many years for cultures and systems to blend, and to accurately assess if it was successful. There are additional evaluation challenges: costs are relatively simple to calculate, but successes (especially strategic benefits) are exceedingly difficult to quantify and measure. Also, the definition of "success" can be incompatible or contradictory between merging organizations or among funders. Although there is enthusiasm about embracing Aspen's data-driven culture and processes, the capacity to integrate, manage and evaluate data post-merger will be challenged.

Will governance issues lead to conflict or excessive board turnover?

How will a second wave of COVID-19, or a deepening recession, affect the merger?

Is there sufficient confidence in the merger rationale?

Is the merger moving too fast? Is it moving too slowly?

Is it stealing focus from the core work?

Impact of COVID-19 on the merger: Not surprisingly, the merger process has been profoundly influenced by COVID-19, magnifying issues while creating some positive unforeseen outcomes. Relationship-building is more difficult, yet confidentiality and scheduling are easier to manage. COVID-19 has also made funding more limited and organizations have to stretch dollars further. This, at a time when the prevalence of unemployment, financial or housing precarity, mental health concerns, partner violence and other dynamics exacerbated by the pandemic will increase client demand, at least for some programs. The timing of the merger ended up being serendipitous. While some funders and nonprofit pundits may believe that COVID-19 will spark more mergers in the sector, paradoxically, some noted that this merger would not have been a plausible option if the organizations had started the conversation amidst COVID-19.

Impact on the Nonprofit Sector: There is an expectation that living with COVID-19, provincial austerity, and a struggling economy will create a spark for more profound and existential conversations about the role of nonprofits in civil society. While others in the sector have in general reacted positively to this merger, it may be too early to make the prediction that a wave of new mergers will be unleashed. It will continue to be a challenge in the nonprofit sector to frame mergers as desirable. Additionally, it is difficult to predict if the recession and COVID-19 may cause other mergers, with evidence pointing to closures/dissolutions as far more frequent than mergers.

Worries Post-Merger: Stakeholders were asked what they were most worried or concerned about, post-merger. A sampling of these responses are included as 'sidebar' quotes in this Summary document.

(Towards) A Framework for Nonprofit Mergers

In the final report, a framework for nonprofit mergers will be offered up and specific advice to funders will also be provided. Having been asked to offer such advice, many stated it is too soon in the process to offer sound or confident recommendations to other nonprofit organizations. Others offered the following advice, which is blended with advice from those reflecting on mergers in the rear-view mirror, many years out:

Organizations should merge for the right reasons, using their values and vision as the guide, not donor, funder or government pressure. Merging is a means to an end, not an end in itself. Support for a merger should be secured early and with clarity, and external perspectives should be solicited to help illuminate blindspots or gaps in the process or the premise. Leadership must set aside any ego, establish clear roles and responsibilities, and communication to the staff and board should err on the side of openness, honesty, and with a high frequency and regularity through the process. The culture and processes of the new organization will be different than either prior organizations' legacy culture or process, so clinging to the past will be tempting but counterproductive. It is vital for all parties to not rush ahead too quickly, to be patient and to take the time to celebrate along the way. There are certainly some similarities in the way commercial and nonprofit mergers unfold, for example with respect to due diligence and change management. But nonprofit mergers are far more about relationships, and less associated with "redundancies" and layoffs. One key similarity nonprofit mergers have with commercial sector mergers is that they do not come cheap; They must be properly, and specifically, resourced.

Most nonprofit mergers have stood the test of time, and have improved outcomes for people, and for the common good. For those embarking on a merger process, there will be moments of severe doubt and regret, and the details will weigh heavily. But, as stakeholders in this process have emphasized, mergers have the potential to create positive change, primarily for clients, and to benefit staff, funders and the broader community. Though this bold journey is only mere months underway, it may still embolden other nonprofits to make a similar leap. A clearer picture will emerge in the final report, in the autumn of 2020.

Introduction

This report captures learning and insights from a merger process currently underway between two well-known nonprofit human services organizations in Calgary: Aspen Family & Community Network (Aspen) and Boys & Girls Clubs of Calgary (BGCC). The Institute for Community Prosperity was asked by the BGCC and Aspen to a) document this journey process, looking at questions of strategic fit and process, as well as the governance, financial, HR, communications and cultural aspects of the merger; and b) offer up a framework, based on these insights, surfacing key questions for other non-profit and human service organizations considering deeper forms of collaboration. The report draws on conversations with a selection of key stakeholders, as well as from the literature on nonprofit mergers and other forms of deep collaboration.

Nonprofit mergers are rare. However, as the effects of the COVID 19 pandemic are profoundly affecting the financial health and governance of nonprofit organizations in Canada, the internal and external pressures for nonprofit organizations to explore mergers and other forms of deep collaboration or consolidation will grow. This pressure may be particularly acute in Alberta, with fiscal austerity and growing recognition of the power of deep collaboration in the service of enhancing the client experience and overall community well-being. As such, there is considerable interest in the broader community on the lessons and insights from this journey, as well as an appetite to learn more about the experience and learnings of non-profit mergers and other forms of deep collaboration in other parts of Canada and elsewhere.

BGCC and Aspen both work to address the needs of vulnerable children, youth and their families, helping strengthen their economic and social resilience. Aspen has tended to focus more on families, with a data-driven community development approach, whereas BGCC has tended to focus more on youth. They share many commonalities, such as integrating trauma-informed care and emphasizing natural supports for clients. Over the past year, the two organizations have decided to pursue a full merger. This merger was in the works many months before the onset of the COVID 19 pandemic.

This interim report documents and explores the key issues, concerns, dynamics, and opportunities that have arisen over the first stage of this merger. It is based on conversations with 25 stakeholders - management, staff, board members, consultants, funders and others with previous merger experience - as well as on a survey of the (albeit limited) writing on nonprofit mergers. A second, final report, after a follow-up round of interviews, will be compiled later in 2020.

One Big Door

On April 15, 2020, Aspen and BGCC publicly announced their coming together to create a new, unified organization. Mayor Naheed Nenshi joined a chorus of local funders and community leaders in praise of this bold step. The announcement signalled that the new organization would serve as "One Big Door"; a holistic continuum of services for children, youth and families in Calgary and area. It presents an opportunity to create operational and administrative efficiencies, to provide a more seamless suite of services for children, youth and families, and to enable a greater collective focus on research and evaluation. The new organization, with a combined $30 million annual budget, will bring the organization closer in scale and geographic reach to other major child and family serving organizations in the city.

This merger is the culmination of months of discussions, negotiations, and analyses. The CEOs of the two organizations, Shirley Purves of Aspen and Jeff Dyer of BGCC, began to explore the idea in fall of 2019. The Boards of both organizations subsequently expressed support for the idea, striking a special committee composed of members of both organizations' Boards. Funders and key donors were then consulted, and some agreed to provide financial support to help finance the merger. The ensuing months saw a variety of due diligence steps undertaken with support from external consultants, including separate financial, legal, and integration analyses, as well as organizational design, culture and values alignment work. Senior Management were bound by a non-disclosure agreement. Managers were informed one week before the all-staff/public announcement and were themselves then bound by non-disclosure. Front line staff were not privy to the information prior to the public April 15 announcement (they received the email notice announcement one hour prior to the public).

Nonprofit Mergers in Context

Non-profit human service collaborations and mergers are relatively uncommon. As mergers can come across as an aping of the private sector - with 'efficiencies' being code for layoffs, for example - they are even regarded as taboo, at least in some circles. And, indeed, the experience of others is mixed: they are successful only part of the time, are fraught with logistical, financial, legal and cultural difficulties, yet can be potentially quite positive in their impact to the community, if done for the right reasons, managed in the right way, and under the right conditions.[1]

The Aspen-BGCC merger is remarkable insofar as nonprofit mergers in Alberta, or in Canada as a whole, are particularly rare. There appear to be scarcely more than one or two mergers of human service organizations in the province.[2] Moreover, this appears to be the largest scale merger of community service organizations in the Calgary region.

The Canadian charitable sector has for many years now been experiencing a 'social deficit'[3], a long-term decline in government revenue and donations. The COVID 19 pandemic has accelerated and deepened this social deficit in a matter of weeks, presenting an existential threat to many organizations. While the human services sub-sector has been impacted less severely than 'experience-based' nonprofits (arts, cultural, sport and recreational organizations), the fiscal impacts are nonetheless severe.[4]

At the same time, there is growing interest in "social R&D", the premise being that there is an urgent need for a much stronger connection between knowledge production and real-world application with respect to improving social well-being, community vitality and social sector innovation outcomes.[5] We hope that this report will be a useful contribution to this body of applied knowledge, as well as for other non-profit and human service organizations considering deeper forms of collaboration.

Methodology

We have conducted the first of two rounds of video-conference-based conversations with key stakeholders involved in aspects of the merger, principally board and senior staff members of both organizations tasked with decision-making and implementation of key milestones and components of the merger, as well as with consultants, donors and others involved in previous nonprofit sector mergers. A list of these conversations is included in Appendix 1. These conversations serve as a pre- and post-merger check-in. The first round focuses on assumptions, intuitions, and expectations, also understanding the key steps, milestones and potential pain points in the initial stages of the merger. The second round will inquire into what actually transpired in the early stages of implementing the merger, and what may lie ahead for the longer term.

We have also consulted both academic and non-academic literature on the topic of nonprofit mergers, with particular regard to human service organizations, as well as a quick scan of the adjacent topics of nonprofit shared service models and deep collaborations.

Please note that this work does not constitute academic research, nor will it lead to an academic paper or presentation at an academic seminar or conference. Rather, this is instead considered the equivalent of a "program review", which is specifically exempted from the requirement of approval from the MRU Human Research Ethics Board. Nonetheless, as the Institute is conducting this work under the auspices of MRU, and in the furtherance of sound inquiry involving human respondents, the key *principles* articulated by the Human Research Ethics Board have been adhered to.

One common limitation of analyses or chronicling of mergers is the presence of "leadership bias", where management and board opinions form the bulk of responses (vis-a-vis front line workers or clients).[6] We have tried to ameliorate this through interviewing a small number of front line staff, as well as by including donors and consultants. However, the perspectives of clients have not been solicited, so it should be noted that this is an important limitation.

The Merger

The 'story' of how this merger took shape is crucial to capture. It is important to note, from the outset, that there was no external driver: while funders and donors have expressed strong support, this merger grew out of discussions between the two CEOs, spiralling out from there into wider circles of conversation, planning and due diligence.

The Impetus

The CEO of BGCC, from day one in that role, had been keen to explore a merger with another youth-serving or family-serving community organization. While BGCC was carrying a modest accumulated debt, this did not appear to be the driving force. Rather, it was the quest for sufficient scale to serve as a high profile 'hub', as well as vertical integration such that the suite of services available to clients is more seamless through various stages of life - from child and youth support through family support.

After approaching a couple of smaller organizations, Aspen was approached. This proved serendipitous as, although Aspen was not looking expressly to merge with any other organization, it nonetheless created an intriguing prospect to significantly scale, enhance their geographic reach, and likewise offer a more seamless suite of services. The CEO of Aspen was planning to retire within the next year, so a key barrier to so many mergers was instantly removed. Although there have been rare examples of co-Director models in merged organizations, it is typically the case that one CEO is inevitably either deemed redundant or demoted. With a retiring CEO, no such dilemma was at play, so the talks could proceed apace.

Marshalling Support

The two CEOs then shared the idea with their respective boards, receiving strong but cautious endorsement. This removed a second common barrier experienced with many nonprofit merger attempts - board opposition. It is also worth noting that many years prior, a proposed merger of Aspen and another organization was fiercely opposed by the board. In contrast, this time around, many of the directors were actually wildly enthusiastic about the idea, with some having prior experience in corporate mergers and acquisitions. It was also noted that the Calgary Foundation had some weeks earlier hosted a session for boards and senior leaders that helped normalize and build enthusiasm for the potential of nonprofit consolidations.

Key funders and donors were then consulted, all expressing enthusiasm, and some even providing additional financial support. Discreet, separate financing is required for mergers as, just as in the private sector, mergers cannot be done on the cheap. As the next section outlines, there are significant financial, legal, logistical and cultural integration questions and processes that need to be worked out, almost always requiring outside consultants and enablers.

Planning and Due Diligence

Four members from each board volunteered, alongside three senior staff from each organization, to serve on an ad hoc committee to plan and oversee the initial stages of the merger. A scenario planning and assessment process was facilitated by the firm Turner Strategies in December, 2020. The committee subsequently established a timeline, process, and identified a number of key due diligence steps:

Organizational Design Analysis: The firm Above + Beyond, which had worked previously with Aspen to facilitate an organizational planning, succession and change process, helped evaluate organizational design of both Aspen and BCC, determine where synergie could emerge, and map out a transition strategy to combine two legacy structures.

Strategic & Financial Analysis of Amalgamation Rationale: The management consulting firm PWC was engaged by BGCC and Aspen to perform a high level financial due diligence to assess the viability of the (then) potential merger, focused in particular on identifying major financial issues and risks associated with the merger. The 180 page analysis was completed in February, 2020, providing the basis for the "go" (vs. "no go") decision. PWC has also been engaged to help the organization navigate each business integration process through the implementation phase.

Legal Analyses: The law firms Faskin and Borden, Ladner, and Gervais were engaged respectively by Aspen and BGCC in early Spring of 2020. The legal analyses helped each organization map out the bylaw changes, regulatory compliance implications, and contractual implications of the merger.

Culture Integration: CultureSmith, which had worked previously with BGCC to support culture and values alignment, supported both agencies to evaluate if the underlying values and behaviours of both legacy organizations were complimentary to support a successful integration process.

The organization was formally legally integrated in June, and a new name for the merged organization will be announced by September.

Alignment

The two organizations appear to share much in common:

- Mission: Both organizations are committed to serving vulnerable children and youth, to building confidence and resilience, to transforming lives, and to supporting their clients to be healthy, active participants in their community.
- Revenue sources: Both organizations receive just over half of their operating revenue through government contracts and grants, with another third from foundations or other charities.[7]
- Programmatic overlap: Both organizations focus on youth economic empowerment and addressing youth homelessness. Both operate group homes and provide mentorship, employment counselling, job skills, and links to work experience for at-risk youth.
- Intervention philosophy: Both organizations employ natural supports, trauma-informed care and housing first frameworks.
- Geographic scope: Both organizations have locations in various parts of the city, though the combined entity will have an even more comprehensive geographic reach.
- Physical assets: Both organizations occupy a combination of owned and rented properties.

There are also some critical differences:

- Size: BGCC is nearly twice the size of Aspen, in terms of expenditures, revenues, and human resources. That said, neither are small organizations: Aspen, at just over $11 million in annual expenditures, employs nearly 130 staff (full time, part time and casual) and BGCC, at just over $20 million in annual expenditures, approximately 230 staff.
- Brand recognition: The "Boys and Girls Clubs" brand has been around since the start of the Second World War. It is known North-America wide, and enjoys star spokespeople and supporters. Aspen, though well-known locally, is a brand scarcely three decades old.
- Population served: Aspen serves families, for example through a variety of parenting focused programs. BGCC is comparatively more youth-focused.
- Programming divergence: Aspen tends to work with entire families and employs a community development lens. BGCC's emphasis tends toward *individual* youth empowerment.
- Data-driven operations: Aspen places strong value on, and investment in, data-driven decision-making and evaluation.
- Organizational structure: Aspen tends to have a relatively 'flat' organizational structure, with only one intermediate level of management between the CEO and frontline staff. BGCC has additional tiers/layers of management. Additionally, Aspen tends to remunerate its frontline staff at a higher rate than BGCC.
- Communications style: While both organizations are active on social media, Aspen's communications tend to be more earnest and cerebral, whereas BGCC has a more youth-focused, 'fun', 'snappy' approach.

We asked respondents specifically about strategic fit, which provided nuance to the above assumptions. This will form the start of the next section, the key learnings and insights.

Learnings & Insights

The learnings and insights gleaned from the conversations, supplemented by the literature, are captured in this section. Overall, while stakeholders generally agreed that the *why* of the merger is both clear and compelling, the questions of *how* the merger would actually unfold are more vexing. As such, these are broken down into three main sections, according to the stage of the merger process:

Stage 1: Considering the Merger • Stage 2: Integration Planning • Stage 3: Reflection and Evaluation

Within each stage, a set of key themes or issues are identified. For each, the focus remains on the particular experience of the Apen-BGCC merger, but we have attempted to integrate what we know from others' experiences in nonprofit mergers elsewhere.

Stage 1 - Considering the Merger

Strategic Fit

To what extent is this merger driven by convenience, by external drivers, or by an authentic 'fit' between the two organizations? This is the first question explored in the conversations with stakeholders. In the previous section of this report, a sketch of how the organizations 'line-up' is provided. This alignment appears strong on many fronts, though there are important points of divergence. It turns out that many of these points of divergence are perceived not as hurdles, but as complementary strengths, as outlined in the graphs that follow in their respective sections.[8] These charts are visual representations of the qualitative information of conversations with stakeholders, with governance and culture standing out as areas of where perspectives vary more significantly.

Indeed, stakeholders emphasized that the strategic fit of the two organizations is strong. Conversation participants were asked to rate the overall perceived strategic fit between the two organizations on a Likert scale. The average response is 3.9 out of 5, with 5 representing a perfect fit. The median and mode response were both 4. Moreover, most stakeholders felt that this fit is at the core of the merger, which bodes well for its long-term success.

By merging, the new entity would be able to combine the breadth of Aspen's family services with the depth of BGCC's youth services and reduce the need for individual members of the same family to interact with different agencies. Some interviewees emphasized that there is no such thing as a *perfect* fit in mergers, but that these two organizations were as close as could be hoped for because the rationale is to improve the experience for clients.

Interestingly, despite this strong strategic fit, Aspen and BGCC did not have a history of working together before the merger. Previous experience collaborating or partnering is a strong predictor of success in other nonprofit mergers, so this is one area where they may be 'flying blind' to some degree.[9]

Additionally, neither organization is experiencing a significant crisis - including financial - that would predict a merger as an alternative to shutting down.[10] Some have said this is a "self-fulfilling myth" that mergers happen because an organization is failing.[11] While some stakeholders suggested the increasingly austere funding environment may have contributed to the decision to merge, there is significant agreement that the merger is driven by a desire to serve clients more effectively and efficiently.

Why Merge?

The key concerns that led to the exploration of the merger is removing barriers to client access and finding financial efficiencies in an increasingly challenging funding environment. Conversation participants were in agreement that other forms of collaborations would not have addressed either problem.

In the nonprofit sector, clients face the challenge of having to retell their story when they interact with a new agency. Although meant to protect clients, requirements to ensure confidentiality can create barriers, and even with other forms of partnerships, there are limitations to how much this barrier can be addressed. Merging the two organizations ensured that, with clients' consent, information could more easily be shared when accessing different programs or services within the new organization.

Additionally, with the combined effects of the aforementioned social deficit, Provincial budget austerity measures and the impact of COVID 19, nonprofits face unprecedented financial uncertainty. Reducing costs without impacting service-delivery is a delicate balance. While nonprofit mergers do not generally see significant cost-savings, as evident both from the literature[12] and interviewee comments, there is an opportunity to reduce duplication of some roles or reduction in rental spaces. Other forms of collaboration would not likely result in cost-savings and can even be more expensive over the long-run to implement and manage than a merger. For example, collective impact initiatives can be effective for campaigns or for achieving community-wide strategic objectives, but they are time and resource intensive over a (typically) very long period. Similarly, shared administrative platforms can be a great solution for smaller/younger organizations, but generally make little sense for mature medium- and large-sized organizations.

CEO Selection - From 2 CEOs to 1

Nonprofit management experts recommend that mergers be planned for when a CEO position is vacant[13] or about to be vacant. In a similar vein, stakeholders noted that the impending retirement of Aspen's CEO is an opportunity that made it timely and 'safer' to consider merging. There was already an expectation that the CEO was going to change, so it appears that the merger represented more of a slight shift rather than a large and unexpected change that might have occurred if the merger did not coincide with the CEO's retirement.

While the planned departure of Aspen's CEO is also described as a factor in easing the merger, this is not guaranteed. The impending departure of a CEO is a common occurrence that may simplify the merger process[14] if there is not an "obvious or available internal successor."[15] However, organizations often have a succession plan in place, either explicit or implied, so a CEO's departure may open a conversation but not make the merger process easier overall. Additionally, it is regarded by some to be a myth that mergers are more challenging unless one CEO is already transitioning out,[16] so while the departure of a CEO could potentially streamline the merger process, organizations should not wait for a natural vacancy to occur before contemplating a merger.

Funder Roles & Expectations

From the interviews, the merger is not mandated by funders, though the decision to merge is influenced by the financial environment and the restriction of funding. Nonprofits face a competitive market for resources and finding efficiencies by reducing duplication is seen by the merging organizations as an opportunity to improve their financial outlook. Funders who participated in conversations leading to this report were enthusiastically in support of the merger. Some even provided funds to start or help facilitate the merger process.

Funder enthusiasm for mergers appears to be critical in most other nonprofit mergers, with an oft-repeated caveat that their role is to support - not drive, force, or cajole - mergers.[17] Organizations are more likely to be receptive to positive encouragement and financial incentives to merge *once they deem it to be in their own strategic interests* rather than propagating often simplistic narratives about the need to "eliminate duplication"[18] or restricting funds for organizations who do not successfully merge as a punitive measure. Even financial incentives to merge should be carefully managed, and must at minimum recognize that, when factoring in the legal costs, human resources costs, and other forms of due diligence, mergers are expensive.

The most prevalent theme in the interviews related to funding is a concern that the overall amount of either (or both) grants or contracts would decrease post-merger due to perceived efficiencies. This is especially so because Aspen and BGCC share many of the same funders. This "merger penalty", where the new organization ends up receiving less funding (per client or per unit or as a ratio of operational expenses) after the merger,[19] is a problem that the organizations have anticipated and worked to informally mitigate up-front. That said, there were no guarantees that funding would remain the same. While some have argued that the merger penalty is an "urban legend"[20] other research has confirmed that funders pull back after the merger.[21] Regardless, the fear that funding will be cut is a prevalent and rational concern for nonprofits considering a merger.

The concerns present in the BGCC and Aspen merger reaffirm recommendations that have been put forward by others researching nonprofit mergers that call for written confirmation of continued funding post-merger from funders.[22] At this point in the process, it is unknown how funding may or will change, though the hope is that the new organization will be able to maintain current funding levels and reinvest any savings from the merger back into the organization. To promote mergers in the future, funders can separately support merger explorations, the one-time additional costs associated with amalgamation and integration, and provide written assurances of non-punitive stable funding for a reasonable period thereafter.

Role and Use of Consultants

There is general agreement that engaging external consultants is beneficial for nonprofit mergers, which is consistent with the literature on nonprofit mergers,[23] though the rationale for why to use consultants differed between stakeholders. Some viewed consultants as essential to providing expertise the agencies did not have themselves, which is consistent with research on other mergers, [24]while others emphasized the need for consultants to validate some of the work the agencies had already completed (or were otherwise capable of completing) in-house. At minimum, consultants played a facilitative role: They appear to have empowered both organizations by asking the right questions, uncovering blindspots and illuminating the process ahead, rather than doing the work for the organizations.

Although some have noted that consultant neutrality is essential for mergers, [25]in this case it was a priority to bring on consultants that had already worked with either one or both organizations. Conversation participants mentioned that engaging known, trusted consultants helped reassure each organization that their interests were protected. It is also noted that news of the merger is more positively received by staff because known consultants were used, and that using specific consultants had been non-negotiable in some aspects despite some expressing a preference for accessing more local agencies or not using consultants. The comfort that this compromise strategy brought to the process appears to have been significant, and likely outweighs the "neutrality"of bringing in a consultant that neither party had previously worked with.

Acquiring consultants for each stage of a merger can also be financially challenging, and absent dedicated resources for the merger itself, nonprofits must rely on pro bono services where possible.[26] Although it is possible in this merger to acquire some of the necessary consulting services for free in this case, there is always a risk that it can affect the quality of the work.

Stage 2 - Integration Planning

Clients and Programs

A strong recurring theme among the stakeholders is the observation that the two organizations had complementary differences, differences that would strengthen each other's work within a merged organization. However, the nature of what those differences were depended on the position either within or external to the organizations. Some saw the programs as targeting similar client demographics, but with unique approaches, where others saw the inverse - i.e. no overlap in clientele but a similar approach to the work.

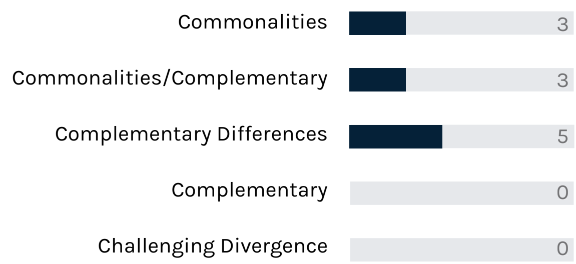
> *"It's actually our differences where we are able to create a bigger continuum of services for people that made it such a good fit."*

There is general agreement that the philosophies of each organization and the skills required of staff members were compatible, and that merging would fill gaps that existed within each organization. This reflects nonprofit merger specialist Thomas McLaughlin's observation that "the single most compelling reason to merge nonprofits...is to tap into complementary strengths."[27] While BGCC brought depth in their work with youth, Aspen provided breadth in their approach to serving families and communities.

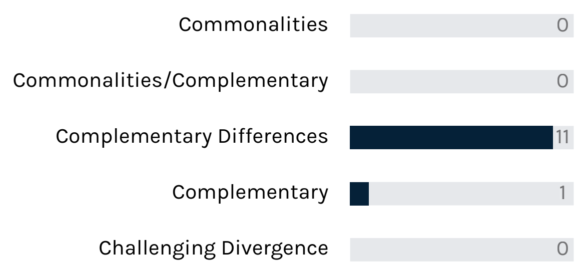
Being able to recognize how programs were complementary, even if they were unique, also appears to have inspired excitement among interviewees regarding the potential benefits of the merger and how each organization would utilize their strengths. While research suggests that each of the merging organizations are bound to protect their particular approach,[28] at this early stage the consensus among stakeholders emphasized not just a willingness but an eagerness to blend their approaches into a more holistic approach, thereby improving the client experience and access to services.

> *"I'm finding that between organizations, we put youth and families through a scavenger hunt of 'we can do this for you, but I'm going to refer you here.'"*

Client Focus / Population Served



Programmatic Priorities



Human Resources

Human resource (HR) issues - potential layoffs, promotions or demotions, compensation and benefits levels, and office conditions can be expected to be among the most contentious issues in a merger. Indeed, at this stage in the merger process, human resources is described as a one of top concerns or the only concern among staff. Two HR issues in particular rose to the surface: 1. The differences in organizational structure and compensation; and 2. Striking an appropriate balance of representation at all levels from each organization in the new merged entity. It is also noted that the organizations faced reconciling different pay structures, where salaries were higher at opposite ends of the organizations, and one organization had more levels of management in their structure. Carefully addressing human resources is essential in mergers, as it can cause staff anxiety or contribute to poor morale.[29] For this merger, differences in structure and pay inequities were planned to be resolved by raising compensation of front line staff to the higher rate, which is a common practice in mergers,[30] and removing a level of management in favor of a flatter structure.

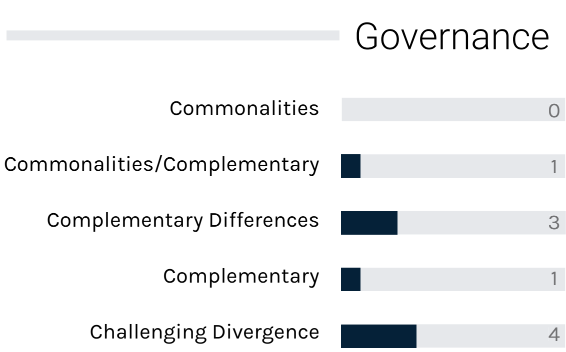
Information Systems/Data

Another typical stumbling block is largely here recast as an opportunity: the potential benefits of merging information technology (IT) and data management of the organizations is identified by many interviewees as a highlight of the merger. The systems were described as being very similar and the desired capabilities of software is largely the same between the organizations. Aspen had already been using a software program BGCC planned to adopt, which reflects one of the possible benefits organizations may obtain when they merge.[31] While this presented a unique opportunity to inherit a system already in use and benefit from staff experience with the technology, interviewees also noted that these benefits will not be realized as quickly as hoped because integrating systems will still take time and some systems might have to be replaced altogether.

Additionally, IT is usually difficult to invest in for nonprofits,[32] as the interviews echoed, and this can impact program evaluation and measuring success. The merged entity hopes to be able to deliver research-informed services to benefit clients, and data will help in assessing outcomes of the merger. Raising funds to integrate systems and achieve the data-informed processes the organizations want to implement may be difficult despite it being in the best interests of stakeholders. To be able to assess the impact of the merger, funding will be required to ensure systems are integrated and data can be collected for evaluation.

Governance

Boards stop mergers dead in their tracks. Or, at least, that is the common experience of many nonprofits who dabble in early merger discussions.[33] In contrast, both boards were not just amicable to the idea, but for the most part hugely enthusiastic. Many long hours of volunteer time have already been put into the merger effort, from both boards. Yet, some still identified governance as the biggest hurdle to this merger's success. One challenge identified is setting aside personal egos. Given the nature of board work as "an act of giving, it may seem strange", as McLaughlin observes, "to say that board members operate egotistically."[34] Indeed, interviewees were surprised by how difficult this can be for the board. Members needed to set aside previous alliances and their stake in the outcome of the merger, but this is seen as a challenge because boards are emotionally attached to their organization's brands and identities.

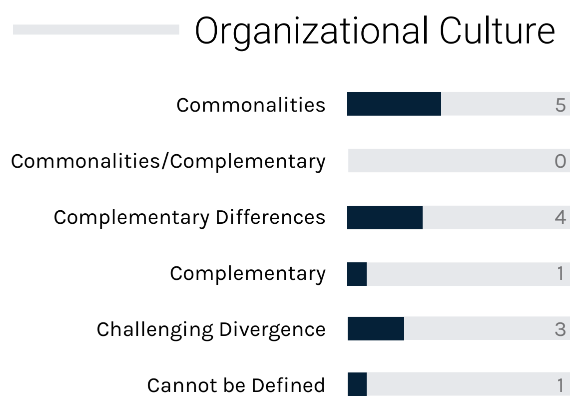


It was also noted that reconciling differences between the boards is challenging. Similar to other areas, the overall values of the boards matched well, but issues such as size, membership, specific roles and workload were problems the groups had to navigate. Both boards were described as "hands-on", though Aspen's larger 14 person board relied more on committees while the smaller BGCC 9 person board completed more work as a full board. The BGCC board had plans to move to a more committee-based model, which may have influenced how the boards were able to resolve their differences. The boards resolved the issue of board size by carrying forward equal members from each legacy board and planning to bring on two new board members with no previous ties to either organization as soon as possible.

Interviewees recommended addressing these problems by refocusing on the mission of the organizations and the vision for the merger. It was also noted that governance is a small piece of the organization, and disagreements over board size or composition should not be what causes the merger to fall apart - these should be properly thought of as low stakes, low risk issues, yet can grow malignant if not treated proactively. It is important not to tie the hands of the new board in advance with too many rules and regulations, as the new board must have an opportunity to make decisions afresh and have its own generative space.

Other governance factors mentioned were pre-existing trust and timelines for the merger. The strength and engagement of a board prior to the merger is noted as a factor that contributed to the trust others had in the process. Interviewees also noted that timelines for board work need to be carefully considered since management and governance often operate at different speeds. The board may need to meet more often,[35] or the merger process may need to slow down or compensate for the board's voluntary nature.

Culture



"There are so many times we have to be conscious of the 'us and them' mentality. We do it this way and they do it that way. That will be the biggest barrier in us being successful."

Perspectives on the compatibility of the organizational cultures varied most widely of all the factors identified as potential complementarities or challenges, as the graph above indicates. Some are anticipating the integration of the two cultures will proceed smoothly, while others see more of a challenge ahead. While the overall purpose of the two organizations is similar, the nuances of the respective cultures may not line up. Even small differences barely perceptible to an outsider can loom large - the "narcissism of small differences", to use Sigmund Freud's famous phrase. Fears have been expressed by some of a loss of the nuanced practices, routines and behaviours that make up organizational culture, which is a common source of lingering or simmering staff opposition to mergers elsewhere.[36] Questions about reporting and leadership styles were raised, which can also impact culture.

Additionally, some noted that there are limitations on how well you can predict how cultures will line up in advance. While both organizations have intentionally worked on building their cultures with resources or consultants prior to the merger, the cultures may not (or perhaps even should not) carry over to the new organization. The merger can be expected to create changes that lead to the development of a new culture and/or the leadership will intentionally work to redefine the culture.

Space and Physical Locations

An unexpected theme that arose voluntarily from a number of stakeholders - staff in particular - is concerns about space. Both organizations own and rent a variety of office and program spaces, including some high quality spaces that staff have come to value strongly. Space has been described as an "often overlooked factor behind an effective merger",[37] and indeed here it may prove to be an important point of contention if not handled deftly. While COVID-19 has shifted our approach to space, it is not clear how our relationships with physical locations and work spaces may change. There is an "inescapable element of psychological attachment to certain places"[38] that may be reduced or intensified due to COVID-19, but at the time of writing, some interviewees wondered how space issues would be reconciled.

In addition to staff spaces, the merger could impact client access. Expanding services to be closer to the places of origin for families is seen as a potential benefit of the merger, and there is a particular emphasis on continued access to smudging spaces for ceremony.

Branding

Addressing the branding of the new organization is described by some interviewees as an opportunity to provide more clarity about its work and focus, though there are significant risks in rebranding. It will be a challenge to accurately reflect and communicate the work of both organizations in a new name that is clear and concise. But it remains an exciting opportunity, as there are challenges associated with each of the legacy organization's names. Aspen is well-known within the nonprofit sector, but does not have significant name-recognition with the broader public. Comparatively, while BGCC has a long history and public awareness of its brand, not many are convinced that the public actually knows what BGCC does. Moreover, its name no longer accurately reflects the age-range that it serves, nor is it inclusive of non-binary or gender diverse individuals. BGCC itself is keen to point this out, noting again the opportunity presented by a new name and brand. Additionally, it is noted that rebranding may impact the new organization negatively if stakeholders had a strong affinity to BGCC's time-honoured international brand. Some interviewees suggested the possibility of keeping the BGCC name for specific programs to keep these benefits, though this would not help with the non-binary inclusivity puzzle.

There is also confusion at the merger announcement over the phrase One Big Door: Is this intended to be the title of the new organization, some wondered, or perhaps it was a trial balloon?

"Our biggest hurdle is going to be people knowing who we are and what we do really concisely."

The experience of the organizations in this merger reflects the difficulty of managing the "highly emotional" issue of the brand,[39] which requires "humility and deep investment in communication before, during, and after" to retain stakeholder support.[40] It will be important to capture the experience of the new organization's rebranding after the new name is announced.

Communications with Merger Stakeholders

An important consideration in mergers is deciding when to bring each stakeholder group into the conversation, and customizing communications to meet their unique needs.[41] An overarching theme in mergers is the need for confidentiality during negotiation, though it has been argued that there is less financial risk for sharing information about the merger with stakeholders than exists in the for-profit realm.[42] An important consideration, rather than financial risk for disclosing the merger too soon, is that "stakeholders may react negatively to the news unless they are approached privately first."[43] Therefore the order and format of communications to stakeholders requires careful consideration.

Funders and Donors

Organizations have frequently been found to struggle with managing communications with donors as the merger process is conceived and unfolds.[44] Some mergers actually require funder endorsement to proceed.[45] While not required in this case, ensuring a priori support from donors is important, not merely to show good faith, but because donors have been shown to have the power to shut down a merger,[46] or to otherwise withdraw their support from the organizations. Funders and donors, including governmental contractors, were brought into this merger conversation very early on, and their advance consent was solicited. Funders consulted for this report were all supportive of the merger. This has been essential to moving ahead. However, as noted above, there are anticipated concerns about how branding and a name change will affect stakeholders - particularly individual donors who may have their own preferences.

Staff

Aspen and BGCC managers who had not been a part of merger negotiations were informed of the merger at an online leadership meeting, with frontline staff being informed one week later (April 15) via a video email announcement. A series of townhall conversations with staff took place shortly after this.

"I was two feet in from the day they told me. I've had some wavering moments of 'what are we doing' but for the most part it's all been positive."

Reactions to the announcement ranged from fear to excitement, though few said they were surprised. BGCC had notified staff a year earlier that a merger was a possibility, which made the news less surprising to their staff, yet Aspen staff also noted that they were not very surprised by the announcement. A key element apparent from the interviews that affected the reaction of Aspen's staff appears to be staff trust in management and their board. It may make sense to inform staff earlier in the process, and prioritize communication over confidentiality, but if that is not possible then it is important that there is a high level of trust between staff and the leaders of the organization.

Interviewees noted that many were positive and hopeful about possibilities created by the merger, though there were fears about job security and loss of culture. Mergers are likely to cause anxiety for staff,[47] so it is critical to anticipate and mitigate concerns as early as possible. One recommendation to achieve this is being honest, even if that meant acknowledging that not everything is figured out yet.

COVID-19 and remote work changed how the news was communicated to staff, and the shift to virtual town halls had positive and negative implications. While some noted this essentially removed "water cooler talk" that might escalate fears about the merger, others said it is more difficult to gauge reactions because checking in had to become much more intentional. One potential communication issue raised is ensuring consistency and transparency in the information provided to staff. It is important that updates are shared with both groups of staff concurrently to ensure staff hear the same amount of information at the same time. This will help to prevent a perceived imbalance between the two groups, with one group feeling that they are missing an important piece of information.

Clients

Clients were notified through the April 15 public announcement and a series of personal follow-up calls. Interviewees stated that some clients asked how they might be impacted by the merger and if services would change, which is a reasonable expectation, common to virtually all nonprofit mergers.[48] Some clients asked if their existing frontline staff contact would continue working with them. This is especially relevant for programs where staff had built trusting relationships with staff or had to complete agency-specific training programs. There were also concerns about the possibility of losing clients who had intentionally chosen a specific agency for its reputation. It is also noted that clients believed in the decisions being made because they trusted the organization.

Perceptions of how clients were reacting to the news varied based on the distance of the stakeholder from the client experience: further from the front-line of services respondents assumed that either clients would not likely be concerned or would be likely to embrace the seamlessness of service - the "One Big Door" envisioned. While some noted that clients may not be aware of the merger because they are focusing on addressing their own concerns, others suggested that clients may not actually be aware of the organization that runs the specific program they are involved in. Rather, the sub-brands - Avenue 15, Bricks 4 Kidz, or 1000 Voices, for example - likely have more recognition to clients than the organization brand. To help staff respond to client questions that may come up, it may be beneficial to have a robust set of answers to client questions that are public so staff can reassure clients. Again, the limitation here is that the client perspective for this report is gleaned second-hand.

Other Stakeholders

There are additional stakeholders groups who should be considered in a nonprofit merger communications plan, if applicable, including organization volunteers,[49] local media, local politicians, social media influencers, or other nonprofit or human service organizations that the agency already partners with. The influence of external non-client, non-donor stakeholders is becoming increasingly important, as factors such as social media have increased the power that these groups have.[50]

> *"This is an opportunity to be true to what we have started. To demonstrate the level of trust we're asking our stakeholders, our families, and our youth to have in us that this isn't going to change anything."*

Stage 3 - Post-Merger Evaluation

Measuring Success

Overall, stakeholders are excited about the potential of this merger to create positive change, primarily for clients, but also for the benefit of staff, funders and the broader community. This journey can potentially embolden other nonprofits to make a similar leap. The timeline for achieving success is difficult to predict as a common theme in the limited literature[51] on nonprofit mergers is the extended length of time that it took to complete the merger.[52] In some cases, it may take many years to be able for cultures and systems to blend, and to accurately assess if it was successful.[53] There are a number of evaluation factors add to this challenge:

Primarily, evaluating the success of the merger may be difficult to quantify: As Thomas McLaughlin notes, "while the costs of a merger, including its failure, might be easily determined, the benefits are almost certain to be impossible to calculate. This is because the desired benefits are usually strategic and in the future."[54] Impact is also challenging to measure because definitions of success may differ between the organizations,[55] or success could be measured in contradictory ways. For example, an increase in client numbers could show expanded access to services, but a decrease in clients could be due to a successful transition out of needing services. Clients who accessed both organizations' services will no longer be double counted, so that can create the illusion of lower demand.

A number of respondents noted with excitement that Aspen is a strongly data-driven organization, and that this approach could be even further strengthened and emphasized in the new organization. While interviewees from both BGCC and Aspen hoped for an increased capacity to gather data and prove impact as a result of joining their services, they will be limited by what data they had collected before the merger and the resources they have for data integration, data management, and evaluation post-merger.

Beyond measurement, as has been the case with both organizations leading up to and during the merger, telling their story will be key now to demonstrating the success of the merger.

Impact of COVID on the merger

The COVID-19 pandemic, unprecedented in the modern era, has presented unique challenges for the nonprofit sector in particular. These challenges range from a drop in donations and earned revenue, to increased pressure on services, to a spike in insurance and other administrative costs. The timing of this merger happened to coincide with the implementation of social distancing measures and the consequent rapid deceleration of the Canadian economy. As such, the merger process has been profoundly influenced by COVID-19.

In general, COVID-19 appears to have magnified some of the key issues normally seen in mergers, but there were some positive outcomes that may be beneficial for other organizations considering mergers even without the constraints imposed by the pandemic.

The move to virtual meetings is seen as both a positive and negative. In conversation, participants noted that it is difficult to build relationships online, and opportunities to connect are more stilted and artificial. It is much more difficult to just drop in on meetings or have unplanned conversations. It is also difficult to read body language or nonverbal cues. Or, for example, wondering what it means when someone turns off their camera. These dynamics are important in human services. On the other hand, it is noted that being online made confidential meetings easier to manage and some people had more availability to meet than they would have otherwise. The universal impact of COVID-19 also meant that everyone is facing the same crisis and they could find humour in things like awkward silences on calls. Another upside to virtual meetings is that it minimizes the 'in the hall' or 'at the water cooler' rumours, grumblings, and gossip, focusing peoples' attention to the task at hand, not on the drama that can sometimes fester in a live workplace.

COVID-19 has also meant that the risks are higher for the merger because funding has become more limited and organizations have to stretch their dollars further. This, at a time when the prevalence of unemployment, financial or housing precarity, mental health concerns, partner violence and other dynamics exacerbated by the pandemic will increase client demand, at least for some programs. The timing of the merger ended up being serendipitous because COVID-19 would likely have otherwise forced both agencies into conversations about layoffs, closing programs, and other rationalizing. Without the merger, their outlook may well have looked more bleak. While some funders and nonprofit pundits may believe that COVID-19 will spark more mergers in the sector, paradoxically, some noted that this particular merger would not have been a plausible option if the organizations had started the conversation amidst COVID-19.

Impact on the Nonprofit Sector

There is an expectation that living with COVID-19, provincial austerity, and a struggling economy will create a spark for more profound and existential conversations about the role of nonprofits in civil society. The coming months and years will undoubtedly see tremendous upheaval in the sector, which also may at least partially be cathartic. These factors, emboldened by the example set by this merger, can be expected to catalyze other mergers.

While stakeholders said others in the sector have in general reacted positively to this merger, it may be too early to make the prediction that a wave of new mergers will be unleashed. It was predicted 20 years ago that "considering mergers and alliances will be the new strategic planning for the twenty-first century,"[56] but this does not seem to have come to fruition. The frequency of nonprofit mergers appears to be scarcely more than one or two per decade in a jurisdiction the size of Alberta. The nonprofit sector usually sees mergers as a failure,[57] or even scandalous,[58] so it is a challenge to frame mergers as desirable. Additionally, it is difficult to predict if the recession and COVID-19 may cause other mergers. Recessions have been found to lead to many more nonprofit closures than mergers,[59] and it has been labelled a "myth" to say that recessions increase mergers.[60] In spite of these factors, it is possible that the example of two respected organizations joining together, combined with external economic factors, may finally present a tipping point.

Worries Post-Merger

Following is a list of concerns that stakeholders had with respect to what they are most worried or concerned about, post-merger:

- Will this remain a true merger, or is it, in effect, an acquisition? BGCC, at twice the size of Aspen, could dominate the new organization. The C-Suite in particular is quite BGCC-heavy. Will Aspen's approach and culture simply be lost in this?
- Can the integrity of care be maintained to its current standards?
- Are layoffs yet to come, and what scale?
- Staff, management and governance may be tempted to settle into what's comfortable and familiar. This is an opportunity to re-imagine and create anew. Will that opportunity be sufficiently seized?
- Will either, or both, cultures be lost? How can the best of each organizations' cultures be integrated into the merged entity?
- There are so many systems to integrate - from HR and payroll, to data and donor management, to client and program management - that some will inevitably be tricky - indeed nightmarish - to integrate. In addition, will this integration be sufficiently funded?
- As positions and compensation rates are melded, will good people be demoted, or lost? Will pay equity be maintained?
- Will the new name and brand receive broad buy-in, internally and externally, and will it generate enthusiasm? Will it be sufficiently inclusive and welcoming to non-binary and LGBTQ clientele?
- Despite the enthusiasm of funders now, will long-term funding dissipate?
- As the finer details of Board governance get worked out, will this breed consternation, conflict or excessive board turnover?
- What will a second wave of COVID-19, or a deepening recession, mean for this challenge?
- Is there sufficient confidence (both internally and in external messaging) that the merger rationale is rock-solid and in all parties' best interest?
- Is the merger moving too fast? Is it stealing focus from the core work?
- Is the merger moving too slow?

(Towards) A Framework for Nonprofit Mergers

All stakeholders were asked what advice they might offer other nonprofit organizations considering a merger. Many pointed out that it is simply too soon in the process to offer sound or confident advice. As such, this will be expounded upon in the second phase of this work - once the merger is some months into implementation. In the final report, a framework for nonprofit mergers will be offered up. Nonetheless, even at this early stage, there are clear emerging take-aways for other organizations.

As nonprofit organizations consider the range of operational, financial, governance and communications factors, it is useful to consider - much like the themes previously mentioned - whether these are a) similar and synchronous; b) similar and unnecessarily duplicative; c) divergent, but complementary; or d) divergent and potentially problematic (likely to be a locus of challenge). A more fulsome tool will be offered up to help with this in the final report, also as a means to more carefully predict merger success or failure before going too far down the path. Specific advice to funders will also form part of the final report. The following advice to other organizations is gleaned both from stakeholder real-time / in-the-moment feedback and from those who have had an opportunity to reflect on mergers in the rear-view mirror, many years out.

Advice to Others Nonprofits Contemplating a Merger

While stakeholders said it is generally too early in the process to offer advice for other organizations contemplating a merger, the comparison in pre-merger and post-merger advice will be interesting to see. It appears from the literature that interviews or formalized research most often occurs many years after the merger is complete,[61] so note that this report is intended to capture the real-time and evolving input of stakeholders in this merger.

Conversation participant's advice to other nonprofits included both overarching principles and specific recommendations, and many participants offered reassurances that they hoped would benefit other organizations.

*No matter what, **do** the following...*

- Ensure you are merging for the right reasons - in furtherance of your own mission and/or the interests of the community. Use your values and vision as your guide, not donor or government pressure.

- Ensure you have board support early, and understand their role and their nature and depth of their support.

- Use external consultants if either party desires it, or there are blindspots (for example, in sequencing the legal and regulatory process or mapping the change management process).

- Know your team and make them feel safe. At the same time, be completely honest and transparent with staff as you go through the process.

- Err on the side of openness versus confidentiality. There will be legitimate periods where the information loop is tightly controlled, but this should be for a short, defined period of time. Communicate regularly with staff, even if the updates seem minor or trivial.

- As a senior leader, set aside your ego and personal interests and act as if you are 'working yourself out of a job'. Even if, ultimately, the consensus may be to remain in a senior role. But this role must, in a sense, be 're-earned'.

- Understand the implications of growing as an organization - the culture and 'vibe' will change - you must be ready and willing to let much of the old culture go. It is also important to gradually acclimatize to the other organization's culture. This process should be very intentional. As part of this, opportunities must be made to get to know the people in the other organization in a casual, fun, social setting - to build relationships, not as part of a formal agenda. This has proven particularly challenging to undertake in light of COVID-19.

- Create opportunities for stakeholders to provide input/feedback, including anonymously through survey tools.

- Mergers cannot happen off the side of someone's desk. They must be resourced with dedicated in-house capacity, clearly assigned roles and responsibilities, and dedicated funding (not hived off of general operating funds).

- Prepare in such a way that you can orient a new person on day one of the new organization, rather than defaulting to either legacy organization's culture or process.

- Slow down, reflect and take time to celebrate throughout the process. Mergers don't happen overnight. They can take years to fully gel.

*No matter what, **avoid** the following:*

- Thinking of merging as a strategy - as an end in itself. Instead, it is a means to an end. The end may be, for example, better client service, better geographic reach, greater capacity to evaluate impact, or more visibility and accessibility in the community.

- Going silent after major announcements or updates, as this can create unnecessary fear for stakeholders. All stakeholders, but staff and board members in particular, must have a sense of ongoing momentum.

- Using the rationale 'we have always done things this way'. Be prepared to let go of most of how you have done things, and be prepared to imagine a new way. In a similar vein, don't view the integration of processes as a simple matter of yielding some ground and making compromises to keep the peace. Instead, be prepared to embrace the opportunity to reimagine a process that is not an amalgam, but rather an improvement on both legacy organizations' processes.

- Waiting to map out processes and decisions. You should strive to know board processes, and schedule key board decision-points, well in advance since board timelines are usually slower than management.

Are for-profit and nonprofit mergers comparable?

While most stakeholder advice is complimentary, one set of recommendations appear to be contradictory. One participant suggested that the merger should be approached with the same objective framework as for-profit mergers without being sentimental, lay-offs and redundancies in tow, while another advised others to remember that nonprofit mergers are more about relationships than for-profit mergers. There may be managerial or administrative redundancies, but this won't be a windfall for investors (i.e. a cost saving for funders). Those who have been involved in both commercial and nonprofit mergers agreed that both types are costly to undertake. There are substantial fixed one-time legal, transactional, logistics and other integration costs. Without a budget and plan for how to resource these costs, no nonprofit - regardless of size - should proceed with a merger.

A final note of reassurance...

Participants provided a number of reassurances for other nonprofits thinking about undertaking a merger. Chief among these: You will find yourselves in valleys of doubt and regret, you will become preoccupied with details... Why did we agree to adopt this software? Why did we give up our lovely space? Do we charge staff for coffee? But if you have a 'north star' that is authentically tied to why you get out of bed in the morning to do what you do, this will keep you afloat. Few nonprofit mergers, once they have fully unfurled, ever break apart. On the contrary, most have stood the test of time, and have improved outcomes for people, and for the common good.

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Appendix: Stakeholder Conversations

Thanks again to all of the stakeholders that took the time to speak with us and offer valuable insight and advice. Thanks in particular to Angela Clarke at Aspen, who served as the main liaison on the project, helping to review drafts and get in touch with stakeholders.

Aspen

- Shirley Purves, Chief Executive Officer
- Angela Clarke, Director - Family Portfolio
- Ashlee Hamblin, Director - Development and Communications
- Courtenay Hick, Director - Youth Program
- Karen Savage, Team Lead - Youth Portfolio for Foster Care and Permanency
- Suzanne Pointer - Staff member (Contracts and Bookings, Genesis Centre)
- Bruce Edgelow, Board Chair
- Hugh Evans, Board member
- Alise Sorochan, Board member

BGCC

- Jeff Dyer, Chief Executive Officer (also the CEO of the newly merged organization)
- Randy Coutts, Chief Financial Officer
- Katie Davies, Chief Operating Officer
- Ketzia Shapiro, Manager - Youth Shelter
- Liam Sorrenti, Staff member (frontline youth worker)
- Thiloma Hofer, Board Chair
- Karleen Batty, Board member

Funders & Supporters

- Karen Young, United Way
- Jon Reeves, Provincial Director - Child Intervention, Alberta Children's Services
- Lindsay Read, Social Venture Partners
- Karen McDonald, Viewpoint Group

Consultants

- Alina Turner, Turner Strategies
- Michael Black, PWC
- Sebastian Apelt, Above and Beyond
- Nonprofit Merger Veterans
- Jim Campbell (former co-Executive Director, Big Brothers, Big Sisters Calgary)
- Liz O'Neill, CEO, BCGBigs (Edmonton)