



Mergers, Acquisitions and Talking Tachlis!

By David Phillips

Mrs. Gump was right. Life is like a box of chocolates and right now for many in the not-for-profit sector the options on the top layer appear to vary between scared and exhausted. However, below that first layer may be a selection that speaks to opportunity and excitement. The choices your organization make depend on myriad factors not least a risk/reward tolerance, Board composition, professional leadership, etc. At the root of the options ahead is the willingness of professionals and lay-leaders to accept that service delivery, human resource and philanthropy are different now than just nine months ago. At the same time, with change comes adaptation, opportunity, stagnation or possible extinction. In the for-profit sector these elements manifest at two ends of a spectrum, specifically: growth, stability and success or contraction, instability and failure.

Somewhere between the two ends of a corporate journey come mergers and acquisitions. They can be friendly, predatory, welcomed or a necessity but regardless of the circumstances they do represent survival, and the opportunity to continue to produce products, good and services. Viewed through a not-for-profit lens and there is no difference except that instead of profits are 'impacts' that touch people, build community, and keep our history and values alive. Charities tend to avoid the notion of *acquisition* as whatever is gained is not necessarily monetized, rather it is leveraged. This notion of merger being a reasonable and rational course of action applies across the spectrum from synagogues, to community centers to social service agencies. No entity is immune and those that believe they are would be well advised to check their fiduciary duty of care and loyalty. If acquisition is the only viable alternative, then that must be considered and not rejected because it may taste unsavory.

With deep deference to the pain and suffering felt around the world we cannot allow this moment in time to pass without leveraging any positive elements to the fullest. As renaissance writer Niccolo Machiavelli was credited as saying "never waste the opportunity offered by a good crisis." And let us be clear, this is a doozie of a crisis the scale and impact of which are still far from understood. Moreover, while vaccine trials are showing positive (some would say miraculous) results, we really have no firm handle on when the nightmare will end and what the landscape will look like afterwards. So many unknowns could be debilitating, but we cannot let it stop us as

there is too much at stake. So, while we could pontificate and wring our hands there are action steps we can and should consider (and many are already) to take advantage of this unprecedented period in the life of our communal organizations.

A few caveats first – (1) This is hard stuff, and in some cases, it is fair to say it sucks. Years of institutional and individual service, philanthropy, time and commitment upended by a microbe, (2) For some organizations regardless of how creative and flexible they may be some will likely not be able to weather this storm and will cease to exist. Remember the other quote from Forrest Gump “@!\$& happens” and occasionally there is nothing that can be done except adapt and ride the wave.

To prepare for M&A activity we must first juice up our brain cells and put aside robotic thinking and even those historic broiguses (bitter arguments) that no one can remember why they exist – but they do! We need to ensure the superhighway of creative thinking is open and no options are off the table. Here are some practical ‘juicing’ items to get you going....

1. Duplication and replication – the most obvious low hanging fruit is typically well known but little discussed. Perhaps it is time to talk about them? How many entities doing similar work can a community support? Could synagogues share different ideological perspectives but live together? Can camps consolidate and use land sales to drive greater resilience and stability? As noted by Dr. Peter Venkman in Ghostbusters, what is the worst thing that can happen.....“dogs and cats living together”- surely a risk worth taking?
2. Jewish and secular partnerships – does your organization have a mirror image in the secular world that would afford greater collaboration or the sharing of back-of-house infrastructure?
3. External agents – is this a good time to utilize outside expertise to help you look through the same prism and see different opportunities? Consultants can be helpful and impartial in helping develop radical new sharing concepts or true M&A activity. They can also help negotiate the transition.
4. We have traditionally protected hard assets such as offices, but is now the time to examine what is necessary and jettisoning those that are in excess of need? For example, look at the impact of working from home on office space needs, etc. While bigger may have been better at some point in our collective history – boutique and economical is a trend to take seriously.

5. Is this the time to spend some of those sacrosanct endowment dollars put away for emergencies? Guess what, this is the apocalyptic moment and if we don't spend them now (ask if this is not the emergency to beat all emergencies), we may have a lot of funds with nowhere to go! Covid-19 is the absolute reason to have a war chest and now is the time to spend it to bring stability, resilience and partnerships to the forefront. Let us not obsess about which organization put in a dollar more than the other or offers more than a potential partner – use the money for good and push forward with discussions. Talking of which see #6.
6. Partnerships do not have to involve a rigid 50/50 investment. Do not hold off on a conversation or negotiation because one party does not have the ability to match the other in terms of resource, cash or leadership. That is narrow minded and destined to disappoint.

And now the really challenging questions – take a deep breath...

What is worth saving and what can be let go locally, regionally or nationally? While turning off life support is never easy, everything on this blessed planet has a beginning, middle and end. Organizations, causes, activities and twinkies (yes – they will eventually mold) and perhaps there has never been a better or more respectful time for some things to sunset. It is the bravest Executive and/or Board member who asks of themselves are we relevant, would we be missed and is the financial support necessary to keep us alive the best use of scarce dollars?

Can we bring ourselves to say the word mergers out loud without feeling that we have somehow crossed an ethical line in the sand from which there is no return? Of course, we can as these types of astute activities are in our DNA and the reason our people have survived. Let us embrace our savviness and step towards the problem.

I have never assumed to have all the answers, but do feel good about asking questions. With this in mind, smart people should be answering some of the following:

1. What can our community truly support and what are the priorities?
 2. What should sunset or grow stronger through partnership?
 3. Who convenes these conversations and who meets?
 4. Where do we meet and what are the rules of engagement?
 5. Under whose authority is the meeting sanctioned?
 6. How do we avoid a new broigus and work our way around the old ones that surface?
 7. What would an outrageous M&A option look like for my organization?

These questions represent the most basic macro level thinking. And while there may be hundreds of secondary questions, for M&A activity to be successful the process has to start with basic toe in the water conversations that do not scare or intimidate. The key is to avoid predatory feelings on either side and to frame any discussions within a framework of wise fiduciary leadership.

There are plenty of possible downfalls to consider when we step towards merger and partnership thinking. The most challenging revolve around bringing different cultures, personalities and leaders (both pro and lay) together and assuming it is going to be hunky dory. It will not be – it takes extraordinary effort, trust, honesty and guts to change the trajectory of an organization and its people. In my experience ego and self-protective behaviors are the most challenging elements to overcome – but they can be if we try hard enough and trust one another.

We can be a strange people. More frequently than I ever cared to realize I would hear a colleague, client or Board member say that trust is something to be earned. In these unusual times that force us to consider merger and partnership activities, I suggest assuming trust and moving forward from that perspective. You might just find that it opens doors and allows for these conversations to take place and be more productive. Be clear, I am not living in Disneyland (although the idea has appealed over the past few months!) and I am conscious of the challenges ahead as history shows many M&A activities result in failure, one entity eliminating the other, etc. But we should not be dissuaded by history – today is a totally different playing field and we need to consider every option however unpalatable it might feel. We will be stronger and better for it. It's likely now or never for many of our agencies, synagogues, camps, etc. Talk, cooperation and a merger is surely better than the alternative ... right?

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