

Abstract – Chapter 6

Transformative mergers in the sector

There has been a lot of recent debate about the merits of some serious consolidation amongst international NGOs. There are many strong arguments around economies of scale, economies of scope and economies of skill, as well a need to simplify the NGO landscape for donors, beneficiaries and other local stakeholders.

However, the key point is this. The days of independent NGOs ploughing their own furrow in rural areas in the poorest countries are in the past. Not only are there grave doubts about the efficacy of this approach, but there is a declining list of countries where local governments in developing countries will continue to allow NGOs to work in such a way. Modern programs need combined efforts, ideally led by local government bodies, involving credible local NGO/other stakeholders as well as relevant private sector firms (local and international). NGOs can play a valuable roll in helping these large-scale initiatives in a variety of ways. However, to be useful and practical contributors to these large-scale programs, they need to be of material scale, at local and international levels to be really effective. Arguably, a dramatic wave of consolidation is necessary to get to that place.

There will be considerable barriers to overcome along the way. The first is the absence of the kind of financial incentives from the market and from shareholders – that drive mergers in the private (business) sector. Another is the unique dynamics that exist within NGOs at board and senior leadership level, where people tend to have deep-rooted commitments to particular causes and the way they are framed – not to mention the formidable egos that can sometimes stand in the way.

Taking the necessary steps to strategic consolidation will thus demand vision, sound judgement, exceptional courage and resolve. We know that mergers are far from straightforward: combining two or more organizations into something that is more than the sum of the parts is a challenge in any sector. It is important to pay proper attention to each of the key phases, from the pre-deal negotiations through to the detailed planning required once the deal is agreed, and of course the hard work of making the integration happen, combining structures, functions, policies and approaches - turning the new body into a genuinely unified organization.

However, the bottom line is about people. Like any professional services organization, people are the primary asset. They hold the capacity, the knowhow, the goodwill – they are the key to making any combination work. A good integration will raise the possibility of a more impactful, efficient and powerful agency. A poor integration could undermine the motivation of the very best staff, should they hang around to complete the journey.