CIVIL SOCIETY STRATEGIC PARTNERSHIP TOOLKIT

FASTER AND FURTHER TOGETHER

Over half of the respondents to a February 2025 survey we carried out with partners reported that their organizations were considering restructuring, merging, or closing in the next 3-6 months, largely in response to the unexpected stop work orders (SWOs) announced by the US government. While this exact challenge is new, it is part of a broader trend of disruptions to non-profit work that has occurred in recent years, from the COVID-19 pandemic to reductions in bilateral assistance from many European donors, to strategic pivots of philanthropic funders.

These challenges raise the stakes and accelerate the timelines for prioritizing strategic planning for a combination of organizational succession, project mergers, and assets that can help continue critical work and preserve the value of the lessons learned, tools developed, and relationships that have driven the mission and impact of civil society globally.

This guide is designed for this moment - while many of the most successful, future-facing strategic partnerships and mergers we have seen can take between 1-2 years, many of the organizations in our community only have a matter of months. But those are important months - and months we can use to build, reorganize, and salvage the people, projects, technologies, and learnings of the work we have done together. To that end, this resource focuses on mergers, but the steps and processes involved are equally, if not more, important for organizations considering partial partnerships, business-focused pivots, and, where unavoidable, sunsetting or legacy planning for the things they have built.

We've assembled this toolkit in order to help organizations strategically navigate the practical considerations that go into transition planning for non-profit and mission-driven organizations, based on our own experiences, and those of others, facing these challenges. It is an evolving draft- and as such will certainly change- but is suited to organizations considering some sort of transition in the spring of 2025 and onwards in the immediate aftermath of US and other donor government aid cuts.

> ***"We realized we could go faster and further together rather than alone"***
>
> *– CEO of a recently merged education organization*

> ***"Why did we take the bold step of becoming partners? We did it because we knew that a partnership would allow both our organizations to better enact our shared mission and have a greater impact on the people and institutions that we serve across the globe."***
>
> *– CEO of an organization that recently entered a strategic partnership*

WHO IS THIS FOR? WHAT PROBLEMS ARE WE SOLVING?

This guide is designed for organizations facing a financial cliff, considering their options, thinking about how to preserve as much of what they have created as they can, and/or pursuing a proactive future for their work. This is particularly relevant now, in the light of US, UK and other severe aid cuts. For some organizations, that might mean a more traditional round of “mergers and acquisitions,” - where organizations that are aligned, but not in financial distress, are able to absorb less stable organizations as a whole, or at least large pieces (such as whole project teams).

While that will certainly be the case for some, the unfortunate reality for many organizations is that they will not be able to simply join another organization without significantly or meaningfully changing what work they do, as well as how they work. For most public interest organizations, preserving their work (as opposed to shutting it down, wholesale), will require them to assess and inventory their work at a more granular level - likely having to work to find more than one pathway to sustainability or preservation for different component units.

As we understand it, that has created several exigent needs and opportunities:

- Some organizations are closing entirely, and will need to find ways to either wind-down, archive, or think through other succession-planning support to build a future for their projects, teams, technology assets, data, and resources;
- Other organizations have a range of functioning and funded projects, contracts, technology products, and/or business units, and may need to find new operational infrastructures capable of supporting their present and future needs;
- Some organizations have projects, products, or teams with a unique value proposition that are not financially self-sustaining but may be additive to other organizations; and
- Other organizations have infrastructure and growth capital and want to acquire aligned projects, contracts, technology products, and/or teams in order to augment, diversify, or otherwise expand their offerings.

We can bridge the gap for organizations considering some form of merger, joint venture, or partnership, to accomplish one of four things:

1. To prepare for whole-of-organization partnerships and mergers;
2. To assess, prioritize, and strategize finding forward-looking, actively supported futures for component parts of organizations - such as projects and programs, technology assets and documentation, data, and knowledge products;
3. To safely and responsibly provide long-term archiving and/or wind-down for valued work, like lessons learned, project reports, and other assets; and/or
4. To acquire, merge, and/or partner with transitioning organizations.

This guide is aimed, specifically, at organizations who are going through one or more of the above challenges - toward seeking a future for their organization and, failing that, the teams, projects, and the digital assets and resources they have created. Many organizations in the social sector have not had to look at their work through the lens of transition, merger, and succession - and so this guide is designed to provide rapid support to leaders to use relevant tools to preserve, protect, and grow the value of their work.

There is no one "way" to manage organizational transitions, and a number of the steps in this process - like thoughtfully communicating with your stakeholders, board of directors, and team - are things you should do throughout the process. There are consultants, support services, and expert infrastructures you should consult along the way - they can help provide context, expertise, neutrality, and a range of other important factors - and we may be able to provide introductions and support for this capacity, but you should (proudly) own both the procedural and substantive decisions you make at each stage.

Similarly, the strategic value, cultural and political values, and quality standards your organization holds are likely to be important considerations and conditions at every stage of the process. Here, we have provided a sequential order and are hoping to address a range of these considerations, but every organization's process, priorities, and outcomes will vary, based on opportunity and the operating environment.

The Key Steps:

1. Inventory
2. Landscape Analysis
3. Governance, Participation and Communication
4. Alignment (cultural, strategic, financial, technological, positional)
5. Approach, Pitch, and Negotiation
6. Cultural, Financial, Operational, and Technological Integration Planning
7. Due Diligence and Contract Formalization
8. Celebration

There are professional support services, organizations, and skills that are valuable at every stage of the process - but both the process and the outcomes are things that you will have to live with - so it is critical for organizations to have an organic sense of ownership over the character and substance of how each step is carried out. In the current context, while each of these takes significant thought, speed is of the essence, given funding constraints and political dynamics. We can work with you to sequence, prioritize and align processes as necessary over the course of 2025.

1 WHERE TO START? INVENTORY AND STRUCTURAL ANALYSIS

The first place to start is inventory. No matter what strategy you deploy toward next steps, take thorough stock of the things that you are working to transition, and the highest-priority components of your mission you wish to preserve and further through this process. It's worth noting that the "unit" size of these things might be different than what you are used to - most organizations are built around goals, projects, teams, and tools/processes - whereas transitions often involve finding pathways forward at a more granular level. It is exceptionally valuable, at this stage, to also articulate the structural roles and comparative advantages you provide in your ecosystem, as a lot of professional services ecosystems may have the same structural issues, despite using very different language and/or framing for the value of those structures.

Here is a list of some of the things it's important to have in an organizational inventory:

1. **People and Teams.** Mapping out your team structures is a first step to helping them plot next steps - and, specifically, the way they're funded and the core skills (or comparative advantages) they bring to each position;
2. **Grants, Contracts, and other funded projects and/or funder relationships.** Put together a list of your existing, ongoing lines of revenue. It's most useful to list them individually and, critically, to think about the assumptions and dependencies required to keep them operating;
3. **Technology Tools, Services, and Business Processes.** What are the things your organization has done that make its work unique? Often, these are approaches, technologies or ways of delivering unique services - these may not be "things," and instead be ways of doing things, captured in a toolset or service architecture, but they may be important to preserve and valuable to other organizations.
4. **Datasets, Patents, Real Estate, Knowledge Products, and Assets.** Your organization's assets may not be active sources of revenue, but they are definitely valuable - figuring out what to do with assets is typically about preserving as much of their future value as possible.
5. **Permissions, and Concessions.** Your organization may have managed to negotiate unique opportunities, such as business registrations and clearances to work in specific places, tax and other beneficial status recognitions, and/or other commercial contracts - all of which may be valuable.

The act of inventorying your organization as a series of component parts is not always natural, or comfortable, but it does a tremendous amount to (1) help you identify and organize your priorities; and (2) help you frame the value add, pitch, and potential partners for each piece.

2 WHAT TO LOOK FOR? LANDSCAPE ANALYSIS

There are many ways to conduct a landscape analysis, but arguably the most effective way is to focus on which organizations are best-positioned to realize the value of the work that your organization has carried out. For many organizations, of course, the value of their work is not just "what" they do - it's how they do it - either as a measure of quality, culture, and/or principles; of where they work and what communities they serve; and of the broader impact goals they intend to achieve. Each of those considerations are important boundaries for a partnership landscape analysis.

Focusing on value proposition helps move past traditional conceptions of your work, toward the more fundamental question: who is best-positioned to realize the value and values of your work?

Here are a few starting points and questions for how to conduct a landscape analysis:

- **Who does similar work?** This might mean someone who provides a similar service, but it also might mean an organization that provides aligned, adjacent services. Historical competitors can be good partners, but so can broader systems.
- **Who solves similar, structural problems - in your field and other fields?** Organizations that have a shared definition of the problem they are trying to solve are often better-positioned to understand each others' work, even if they are in very different contexts or fields.
- **Who prioritizes the impact or vision that you hoped to have?** Similarly, organizations that are trying to have the same impact may have very different approaches, but be better-positioned to fund, sustain, and/or apply each others' work.
- **Who works with the communities or in the geographies where you work?** Regional and place-based initiatives are another way to approach building partnerships, especially for organizations whose priorities are serving specific communities.
- **Who has infrastructure or major investments in the same context?** Revenue is another approach and organizations with considerable outlays in businesses or contexts that are adjacent to your work are more likely to be aligned with your work (and be serious, as opposed to speculative, about it).
- **Who has financial stability to take on the risk and change management of a merger?** Organizations with a stronger balance sheet (e.g. significant positive unrestricted net assets) will likely be in a better position to invest in the success of a strategic partnership or merger, and to navigate the risk inherent in bringing two organizations together.

There are a lot of ways to look for alignment - and many of them can be more personal or social. Similarly, recent aid cuts are large enough to be affecting, if not eradicating, entire lines of business - meaning that many organizations will need to expand their landscape analyses beyond the markets and industries they think of as "theirs."

3 GOVERNANCE, PARTICIPATION & COMMUNICATION

Every organization has its own governance process for making major decisions and each group of stakeholders are important to engage throughout every stage of planning a transition. Sometimes, that is direct and straightforward - like ensuring that the Board of Directors and your team are not only aware of what is happening, but actively engaged in supporting the process - and other times it may involve engaging outside groups, like contributors, participants, and groups that are otherwise impacted by major changes. These groups are not only interested stakeholders, they are often critical to ensuring the success of whatever next steps you choose to take.

While it is important to communicate with your governance bodies and external stakeholders, that does not necessarily mean communicating every nuance or challenge immediately. Every organization's relationships and communication styles differ in important ways, so rather than suggest a specific approach - we suggest that you start by developing a strategic stakeholder communication plan. A communication plan enables you to focus your message to each group, demonstrate clarity and leadership in uncertain contexts, and to selectively leverage each group's core strengths in order to achieve the best possible outcomes for the group.

Here are a few considerations for your communication plan:

Who are your core audiences?

The primary purpose here is to segment and target communications in order to prioritize engagement based on their needs and dependencies on your work, their ability to contribute to next steps, and continuing the relationship you've developed in good-faith (and, in some cases, legal compliance).

How does each group rely on what your organization does or provides? How might they be impacted by a merger, partnership, or shut-down?

The answers to these questions not only inform "how" you communicate with each audience, they should also help you understand your communication timeline.

What do you need from each group to either (a) co-design a way forward; or (b) ensure the effective implementation of the plan your team develops?

One of the natural tensions in managerial communication is between "leadership's job is often to develop plans to minimize uncertainty for the people that depend on them," and "the best solutions are developed with the participation of those impacted." Understanding who needs to be involved at each stage of the process is not only a question of mitigating the potential fallout of uncertain times, it's about maximizing the opportunities your stakeholders have to contribute to your collective success - whether by proposing new ways forward, leveraging their complementary skills and networks, or by ensuring that you understand their needs, not just your assumptions of their needs.

What are the most important details, deadlines, and assurances you can responsibly provide - and when?

Transitions create decision points for individual stakeholders and communities, too - and one way to build trust in communities is ensuring that communications contain the details that people need to make choices for themselves about how to proceed.

What are the priorities and values that are guiding your actions? How are you framing the common cause that your stakeholders can organize behind?
Being clear about your short- and medium-term priorities is an important part of preserving the common interests and cause that unite your stakeholder communities.

A good strategic plan will frame each component communications to stakeholders to include: (a) a statement of the issue and its potential impacts; (b) an articulation of the steps your management team is taking and the status/progression of those plans; and (c) the decisions, proactive steps, and timeline for each group to work along to advance your common cause.

4 ALIGNMENT

The most complicated part of managing an organizational transition is ensuring alignment - whether through merger, partnership, or wind-down. The organization (or organizations) that take your work forward must do so in ways that align with your intent and values. When you are considering future partners, organizational infrastructures, or even archiving approaches, it is valuable to not only consider "what" you want to make sure happens - it's worth considering what assurances or guarantees you need to be in place to ensure that it does, actually, happen.

In most cases, a badly planned merger is worse than winding down well.

Doing the work to ensure that transition plans you make are reasonably assured and likely to carry your work forward in-line with your values and priorities is critical to ensuring the well-being of your team, the impact on the communities you serve, and the value of the work you have already done. Poorly planned or misaligned partnerships can have all kinds of negative consequences: transitioning your team to an organization with very different cultures can have traumatic employment impacts, assigning work contracts to an organization that provides a materially different quality of work can damage the communities you are hoping to serve, and conveying your resources and assets to an organization that is not able to sustain - or, ideally, grow - them can result in their destruction or, worse, exploitation.

There are a range of types of alignment - and while not every transition or merger will require (or meet) every type of alignment, it is worth considering each, as a filter for selecting partners, a negotiation point to raise throughout the process, and as a proposition to interrogate in due diligence and contracting processes. When determining alignment, very few matches are perfect, but critically interrogating each will help you prioritize your efforts and comparatively evaluate each options' potential benefits and risks.

Here are a few key types of alignment to consider:

- **Mission.** At the highest level, and especially for organizations that have beneficial tax recognition, the most critical point of alignment is that both organizations share a complementary, if not common, mission. Essentially, both organizations should want their work to support a similar vision of the world. This is aligning your “what for.”
- **Strategic.** Consider whether partner organizations have similar theories of change and, importantly, specifically understand your theory of change. Partnering organizations should also be trying to achieve things in an aligned way, which helps explain and preserve the activities that organizations pursue together. This is aligning your “how.”
- **Operational.** One of the hardest parts of any organizational transition is merging the core functions of each organizations’ teams into a common whole, not only because there is likely to be overlap, but because it involves each unit translating and synthesizing their work together. This is aligning, for lack of a better term, your “who.”
- **Technological.** Whether considering transferring a technology or a team, it is worth considering the tooling and architectures that your work relies on - as well as those used by any organization you are evaluating for alignment. While there may be short-term fixes for technological misalignment, like designing for interoperability, all of the work that goes into supporting misaligned infrastructure becomes overhead and, potentially, technical debt. Seeking technological alignment is an under-considered and important way to both understand operational fit, as well as to understand the cost/benefit calculus each party is likely to undertake.
- **Financial.** It is important to look for financial alignment between the binary of having money, toward understanding how a merger or transition furthers the financial goals of the resulting enterprise. Unless the transition contributes to the organizations’ revenue structure and/or overall business, transitions can become seen as an overhead cost, drag, or slow wind-down. Financial alignment includes thinking about how the intended transition can either grow existing lines of revenue or become the foundation of a new financial strategy with explicit investment from the resulting organization.
- **Cultural and Political.** For public interest and justice organizations, culture and politics are often as important as any particular line of work. These can be nebulous, and include everything from “office/workplace culture,” to “mission and theory of change” alignment, but merit unique consideration. Here, it’s worth considering (and consulting with stakeholders) on what elements of your organization’s culture and/or politics are priorities for your transitioning staff and assets, toward ensuring that future-planning is both initially palatable and long-term sustainable.

This is an intentionally incomplete and illustrative list - the ways you prioritize alignment will be highly contextual to the value and values of your organization. Each of these considerations, however, are critical to considering not only what transitions to pursue - but, importantly, to recognize and set standards for what kinds of partnerships and transitions won’t work (before getting caught up in the urgency of responding to the moment we’re in).

5 APPROACH AND PITCH

Once you've identified a potential partner, the next step is to make an approach and, if they're receptive, a pitch. There is no "one way" to approach a potential partner, but working through the steps above can make it a lot easier to make a compelling case for a merger or transition. Finding a partner is often one of the most difficult parts of the process - which was a key motivator driving the collaboration between Accountability Lab and Development Gateway: acting as a **trusted broker to help organizations find their potential partners** in a radically compressed time frame. (Fill in our merger exploration survey here)

One of the trickiest parts of planning transitions - especially when one or more organizations involved are facing financial instability - is ensuring that both parties are invested enough in the partnership to do the work that enables it to succeed beyond the transition process. Thankfully, many of our organizations have a long history of identifying opportunities, putting together complex proposals, and pursuing them with a wide range of strategic partners. Unlike grants and contracts, though, **transition approaches typically need to center the needs of your prospective partner, including an understanding of their markets, operations, and funding ecosystem.**

Doing the work to research and frame those propositions is one of the more time-consuming parts of a merger and/or transition process, and it is also one of the most important ways to inspire mutual interest and investment. In time-pressured contexts, organizations can also leverage their governance bodies, broader network, and other stakeholders to do the research involved in landscape analysis, alignment, and making critical introductions.

There are a few common approaches to expediting the transition identification and approach processes:

- **Leverage your Board of Directors and Advisors.** Boards often have a complementary network of connections, knowledge of other organizations' work, and experience being an advocate for your work. They are also, other than your team, the group that are most likely to be proactively motivated to help you find the right solution.
- **Engage your Donors, Funders, and Customers.** Where you have strong relationships, donors, funders, and customers are all groups that have, typically, done some amount of landscape analysis before choosing to work with you. Independent perspectives and bodies of research can help you identify (a) who they think of as similar; and (b) what value propositions drew them to you, instead (so you can pitch them to competitors).
- **Communities of Practice, Professional Associations, and Problem-focused Convenors.** There are a tremendous number of informal professional communities (sometimes called "Communities of Practice") built around the problems you work on, the methods and tools you use to solve them, and focused on the communities or geographies you serve. These groups can be critical sources of coordination, information sharing, and visibility to connect with potential partners.

- **Hire a Consultant**. There are a wide range of individuals and organizations focused on supporting organizational transitions. Hiring a consultant is another way to rapidly bring on complementary research and knowledge, procedural skills and expertise, and social capital and network access.
- **Matching Services.** In some cases, organizations and networks build partner matching services, toward helping organizations articulate their needs, participate in mutual aid or transition planning, and/or providing suggestions about potential partners. (Fill in our merger exploration survey here).

Each of these resources are incredibly valuable at expediting processes, improving the speed and quality of your landscape research, and making critical introductions to move forward. They can also, critically, help you frame your pitch to a potential partner organization.

Perhaps the most important part of pitching a partner organization is to **frame the value of the merger in clear terms that center the needs of your prospective partner.** Obviously, the more clearly you can articulate the opportunity, the strategic value of your work, and your requirements, the easier it is for potential partners to evaluate whether it is a good fit.

While there is, similarly, no “one” way to pitch prospective partners, there are a few common elements that may help you narrow your organization’s overall pitch into a merger pitch. Every partner and process will be different - and a number of partners will be willing to help you frame your understanding of their work through ongoing negotiations, but here are a few considerations to help you put together an initial pitch:

- **Demonstrate an Understanding of the Partner Organization.** Partnership is a two-way street and one way to demonstrate an investment in that relationship is to be able to frame your pitch in a clear understanding of how your partner operates, what they prioritize as an organization, and how your missions align.
- **Explain the Value of Your Work through their Service Offering and/or Market.** Partnerships also require a significant amount of funding to sustain, so demonstrating how a partnership will add capacity, value, and, where possible, revenue to the business lines that sustain the partnering organization is a critical part of making the case.
- **Share your Market Assessment and Strategic Vision.** Most pitches involve explaining the present state and future potential of a partnership’s ability to add value, further the shared mission of the organizations, and, crucially, generate revenue. Pitches that include context on market analysis and a forward-looking plan for financial sustainability for partnerships address start on a stronger footing than those that do not.

6 NEGOTIATION

Once you find a partner and successfully pitch a transitional idea, it is time to move into negotiation and implementation. It's very important, especially at the early stages, to set common expectations about how to procedurally work together, as well as toward fine-tuning the partnership to reflect what will happen after the transition.

At this moment, it is important to put together a few, key components:

- **A Negotiation Committee.** The strongest negotiation committees include a diverse group of people who know your organization, including skeptics and critical thinkers from both organizations. A typical committee combines board chairs, executive directors, select senior leaders, and board members who may hold differing viewpoints, ensuring that difficult questions are considered. Aim for a committee that is large enough to represent a range of perspectives (board, leadership, staff), but not so large as to become unwieldy and slow, when efficiency is required. This will look slightly different for every organization and partnership exploration.
- **Non-Disclosure and Confidentiality Agreements.** It may be obvious, but transition planning involves sensitive negotiations that require creative thinking and safe spaces. It's important to ensure that you have the agreements, shared understanding, and documentation in-place to create that safety - both during the process and, in case things don't work out, after the negotiation process concludes.
- **A Negotiation Framework.** A good negotiation framework includes key objectives, roles and responsibilities for the negotiation committee and participating organizations, and time-bounded milestones to provide indicators of progress. A negotiation framework is especially important for time-sensitive merger plans, as it will help ensure that their work is on-track to meet each parties' needs.
- **Internal Approval Process.** Whereas Board participation in previous steps is valuable, by the time you are negotiating terms of a transition, it is crucial. This stage should include you having a clear view on the internal stakeholders, governance bodies, and approvals necessary to complete each milestone in the merger process.
- **Budgets, Projections, and Liabilities.** In the next step, we will talk about due diligence and how to ensure that initial alignment assessments get realized through the transition planning process. Your organization, too, will need to go through due diligence and so, it's important to plan to prepare the documentation necessary to support that process.

At this stage, designing a partnership or organizational transition is primarily about sharing a mutually beneficial vision, articulating and committing the ways each organization will invest in that vision, and negotiating the logistics and conditions that each party needs in order to realize that vision. The negotiation phase is a critical step, both in the practical sense of preserving the value of the team, work, and assets that each side contributes, but also because it is where the parties get to set the terms of how their work will operationally integrate.

After an organizational transition is contracted and implemented, it is significantly more difficult to try and shape the resulting merger or partnership, and so investing in a thorough and thoughtful negotiation process is also one of the best ways to invest in the long-term success of the resulting partnership.

7 DEVELOP A PARTNERSHIP AGREEMENT: CULTURAL, FINANCIAL, OPERATIONAL, AND TECHNOLOGICAL INTEGRATION PLANNING

By far, the most complex and operationally intensive part of designing an organizational transition is planning for the functional, sustainable integration of the partnership's people, work, operational structure, technology tooling, and revenue structure, among others. The negotiation phase of transition planning is where each party proposes, project manages, and eventually agrees on how to practically achieve alignment on each of those core categories.

The goal of a partnership negotiation is ultimately to develop a comprehensive **formal agreement** that addresses the interests and concerns of both organizations, the process of integration, and - to the extent possible - the work that the partnership will seek to undertake. This document should include a **detailed legal and structural integration plan**, addressing governance stakeholders, the distribution of assets and liabilities, and operational frameworks - all while ensuring equal treatment of both organizations regardless of their relative sizes. At this juncture, final decisions must be made about the merged entity's identity, whether through absorption of one organization by another, the formation of an entirely new entity, or the establishment of a subsidiary structure with separate legal entities. The agreement should explicitly define the new leadership landscape, including detailed board and management structures, while clearly documenting anticipated changes in staffing, program scope, and physical locations. Special attention should be paid to various organizational functions - from finance and HR to programs and operations - while carefully considering the implications of context-specific tax and employment laws.

Each transition is slightly different, so rather than focus on specific types of alignment, here are a few suggestions about how to approach this phase:

- **Be explicit about power, cultural, and values differences.** These are, often, the biggest challenges to solve and the largest risks to successful partnerships. They can also be awkward to talk about - and yet, if a transition is going to succeed, the negotiating process needs to address them head-on.
- **Design an organizational structure, including legal and human resource considerations.** Working at the level of operations, legal agreements, and human resources can help make things tangible and focus negotiations on mutually solving granular issues.
- **Proactively focus on predictable redundancy.** Each partnering organization brings a complete, or nearly complete, operation - and integrating means aligning the legal contracts and policies that exist, as well as the teams and structures. Likely, includes identifying as many potential redundancies well in advance, and creating a constructive strategy for addressing them proactively, prior to the transition taking place.

- **Manage the tension between “fast,” “sustainable,” and “perfect.”** Transitions, in this moment, are likely to be fast, unlikely to be perfect, and may - if they are really good, become sustainable. The effort that makes the difference is being willing to engage in the messiness, build feedback loops and external legitimacy with stakeholder groups, and to focus on sustaining the things that you prioritized in the beginning.
- **Talk about money.** A lot. Aligning partnering organizations on financial needs, revenue sources, and business development potential is a critical component of long-term success. Be explicit about the operational costs, revenue streams, pay scales and structures, and required investment for future revenue growth with prospective partners.
- **Internal and external communications.** The impacts of a transition will not only vary by stakeholder group - they’re likely to vary within stakeholder group. Be intentional about which group of people will need to be: (1) involved in the preparation and decision-making processes; (2) informed of the progress of the transition and its potential impacts; and (3) directly supported through the impacts of a transition once the plan is being implemented.

8 DUE DILIGENCE AND CONTRACT FORMALIZATION

The process of negotiating a partnership agreement will help the parties articulate the “what” of the transition. By the end of that process, each organization should have a clear and articulated understanding of the mechanics, timeline, and objectives of the resulting transition - as well as a clear view of the requirements and conditions that are important to each party. The due diligence and contract formalization phase is aimed at enabling each organization to ensure that the other is both practically able to live up to the commitments they have made in the negotiation, as well as to consider what might happen if, for some reason, things don’t go according to the negotiated plan.

While there are limits to what can be done after the contract - especially if one organization is functionally absorbed into the other, or otherwise ceases to exist - there are a number of ways to structure both diligence processes and the final contract to provide as much guarantee as possible.

Here are a few considerations and/or types of due diligence you might consider:

- **Financial.** Every transition will have a financial footprint and, likely, rely on the financial claims made by both organizations - financial due diligence involves going beyond high-level discussion to analyze the underlying and independently validated documentation. This can include profit & loss statements, tax filings, assets and liabilities registers, and cash flow analyses, among others.
- **Legal.** Similarly, most social sector organizations have a (comparatively) high degree of legal complexity - from navigating tax beneficial status to line-itemed contracts to software and data licensing requirements. Legal due diligence is the process of each organization evaluating their own legal stance, and then ensuring they’re both legally and contractually able to integrate inline with those commitments.

- **Organizational.** Partnerships also rely on the organizational structure, services, and support of a range of teams, tools, and third-party services. Be sure to directly engage with and independently evaluate the relevant organizational and operational functions of a prospective partner in order to make sure it's a good fit for your partnership.
- **Environmental and Ethical.** "How" an organization does business is important for identifying alignment and designing integration and making sure that a prospective partner has the internal checks and active, operational structures in-place to monitor and uphold your ethical, environmental, and, where necessary, political values is also a critical part of ensuring that they're able to fulfill the spirit and terms of the transition.
- **Leadership and Culture**. While there's no infallible way to approach this, organizations are made up of people - and engaging with as diverse a group of people inside the organization ahead of a transition can be an important part of understanding their leadership and culture.

Even the best-planned transitions can fail. That's not to say they will, it is to say that it is worth ensuring that the contract formalization process also includes procedural checks that give the parties involved the best-possible starting point.

Here are a few common approaches to combatting common problems:

- **Do tax and financial planning before making the transition.** Understanding the financial footprint of a transition is critical to ensuring that unforeseen expenses do not upend the work you have done to make the merger work.
- **Consider a probationary period.** New team structures and partnerships can take time to get started - if you are able, consider how you might structure a gradual integration process. That might include a probationary period with periodic evaluations against performance milestone, it could include a performance-based transition of assets and resources, and/or provisions that enable the parties to dissolve the partnership for a fixed period of time.
- **Formalize the "soft" costs.** New partnerships often require investments in training new staff, development investments in combining technology offerings or data streams, and/or engaging external stakeholders and customers through marketing. These are examples of support investments that enable a transition to work, but they are not always included as requirements or conditions for a partnership.
- **Identify and articulate "deal breakers."** What things do you absolutely need to be sure that a new partnership or another organization do not do with the people, technologies, and resources you contribute in order to be within your mission? Do you need assurances about data use, technology access, which organizations or communities the partnership will - or will not - work with in the future? While it is critical to be reasonable and measured at this step, the partnership agreement is likely one of the last opportunities you'll have to set conditions on the future treatment and/or use of your work.

And… then… get it approved! If you've brought your boards of directors along through the process and communicated with your stakeholders in a clear and convincing way, then, hopefully the last step is just to…

9 CELEBRATE!

Organizational transitions can be tough - but preserving the value and values of your work is an important process and, in some cases, as important as starting the work in the first place. If you get here, it is worth appreciating and celebrating the potential and future of your work just as much as you did on the day you started. Congratulations!

NEXT STEPS

Is your organization considering a strategic partnership or merger of some kind?

Accountability Lab and Development Gateway: An IREX Venture, would like to offer support for confidential conversations, documentation of needs, and identification of potential matches between organizations to fast track collaborations.

Please complete the survey here or reach out to: Khadijah Chang (khadijah@accountabilitylab.org) to discuss next steps.

ADDITIONAL RESOURCES AND READINGS

Non-Profit Legal Compliance in an Unfriendly Political Environment (Non-Profit Quarterly)

Collaboration Guide (Non-Profit Sustainability Initiative)

Non-Profit Scenario Planning (Bridgespan)

A Case-Based Framework for Supporting Effective Nonprofit Amalgamations

Merger and Acquisition Considerations for Nonprofits

Nonprofit Mergers: Supporting Organizational Resilience and Effectiveness

Mergers and Acquisitions Process Guide (Corporate Finance Institute)

Merger Resources and Template Documents (Merger Resources)