

Collaboration and Mergers

What is collaborative working?

Collaborative working describes joint working by two or more organisations to better fulfil their purposes, while remaining as separate organisations. This may relate to any aspect of a charity's activities e.g. administration, service delivery.

Collaboration can range from informal networks and partnerships to consortium contracts and legally binding agreements and can be for a fixed period or permanent. Collaboration can also result in merger when two organisations see the need to combine as one.

Why collaborate?

Over recent years, interest in collaborative working has been growing due to several influencing factors, both external and internal, including:

- A move away from long standing grant funding to openly advertised contracts and a decline in small contract opportunities and a rise in large scale contracts
- A reduction in the number of funding and contract opportunities available and increased competition for funding or services.
- Streamlining of procurement processes, moving towards single point of contracting rather than multiple contracts.
- A reduction in charitable donations and giving, the impact of the pandemic and the need for more efficient use of resources.
- The development of new opportunities.
- The desire to provide more or more effective services to beneficiaries
- The need to increase efficiency through better use of resources
- Preventing duplication of services
- Financial difficulties
- Raising public profile or boosting income
- Loss of key staff or trustees such as a chief executive or founder trustee
- 'Survival' and 'rescue' – an at-risk organisation merges with another with similar objectives so that its services continue.

Forms of collaboration

A simple informal arrangement

Two or more organisations may work together to deliver joint events, shared advertising, shared office facilities or just share ideas and deliver joint projects. Usually this is achieved quickly at little if any additional cost.



A formal arrangement

Organisations may enter a contractual arrangement, perhaps with a prime contractor working with a sub-contractor. The Prime or lead will take responsibility for contract delivery and liaise with the commissioning body. This model will require investment in ensuring the appropriate responsibilities and expectations are clear and an agreement is in place.

Joining or forming a Consortium

Many organisations are now choosing to join a consortium. A consortium is where two or more organisations come together and pool their resources to achieve a common goal.

A joint venture

A joint venture is often a medium to longer term initiative. These arrangements are typically a partnership of equals. Joint ventures can also be helpful when considering more formal joint deliver across sectors such as VCSE and public sector joint ventures or joint ventures with the private sector.

Merger

Collaboration can lead to merger. A merger is where two or more organisations formally combine to form one organisation. This can be the most complex and highest risk form of collaboration and may require robust legal and professional advice.

Types of agreement

There are many different types of collaborative working agreements, ranging from very informal, such as verbal or embodied in the content of a letter or email, to formal contracts, such as those used for large scale service delivery projects. Written agreements can come in several formats depending on the formality required. Some of the most common examples include:

Memorandum of understanding (MoU)

An agreement between two or more parties indicating an intended common line of action. It is most often used in cases where parties either do not want a legally enforceable commitment or cannot create a legally enforceable agreement

Service level agreement (SLA)

Part of a service contract where the level of that service is formally defined in writing

Contract

An agreement enforceable by law.

Tips for successful collaborations

- Be clear that any collaboration is in the interests of your charity's beneficiaries
- Make sure you are satisfied that the collaboration furthers your charity's objects



- Ensure that your agreement clarifies objectives, processes, roles and responsibilities
- Pay attention to communications and make sure that all stakeholders understand how and why your charity should collaborate
- Make sure that your charity's independence is not compromised
- Contact the Charity Commission at an early stage if you need our advice or help

Tips for successful mergers

- The merger should be in the best interests of the charities' beneficiaries
- The charities involved must be compatible in objects, culture, and values
- Effective communication with all stakeholders from the outset is vital – processes and outcomes should be clear to all involved
- The charities' trustees should be united in believing that the merger is the best way forward
- Identify the key roles and responsibilities in the merger process
- Communicate and negotiate in a way that reflects the interests of all parties
- Contact the Charity Commission at an early stage if advice is needed

Barriers to success

Charities should take time when considering collaboration to think about the potential barriers to the success of the collaboration. Barriers can be cultural, structural, financial, professional, or political. Identifying these at an early stage and looking at whether they can be overcome will help in deciding whether to proceed with the collaboration or merger. The most problematic barriers identified by charities include:

- Lack of adequate communication with stakeholders
- No stated objectives or evaluation mechanisms
- Integrating staff from different organisations
- Integrating IT systems
- Lack of project planning/process management
- Personality clashes
- Culture clashes
- Rushing the process, having different expectations or unrealistic targets

Links to other sources of information

- Choosing to collaborate: Helping you succeed – Charity Commission
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/409625/Choosing_to_collaborate.pdf
- Making mergers work: Helping you succeed – Charity Commission



https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/407825/Making_mergers_work.pdf

- NCVO KnowHow -Mergers
<https://knowhow.ncvo.org.uk/organisation/collaboration/mergers>
- NCVO KnowHow – Should you collaborate
https://knowhow.ncvo.org.uk/organisation/collaboration/what_is_collaboration/should-you-collaborate-ncvo