Merger/Affiliation Worksheet

This worksheet provides a framework for developing and executing a potential affiliation or merger between two organizations. It is primarily a methodology for non-profit organization affiliations, but the steps are applicable to any combination of organizations, proprietary or non-profit. NOTE: It is comprehensive not exhaustive, and each merger/affiliation has nuances that may require additional steps or phases.

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1. What are the drivers behind a possible decision to affiliate or merge with another organization (e.g., financial, consolidate mission, growth, market share increase, addition of new services)?
2. What would a proposed partner look like/need to bring to the consolidated organization?
3. What do we as an organization hope to gain in the combined entity?
    a. New/added revenues.
    b. New businesses/product or service lines.
    c. New markets or broader market areas.
    d. Capital.
    e. Access to capital.
    f. Intellectual property.
    g. Staff resources.
    h. Technology.
    i. Purchasing power.
4. Are other options aside from merger/affiliation available?
    a. Acquisition.
    b. Joint Venture.
    c. Strategic partnership.
    d. Grow organically.
    e. Other.
5. Is a merger/affiliation in the best interests of our constituency and our mission?
6. What considerations do we need to address with our staff, creditors, donors, customers? Is their input relevant? Is a dialogue/discussion required?
7. In light of 7 above, what are the risks and benefits of a merger/affiliation?
8. What are the estimated costs and time associated with a merger?
    a. Professional fees (legal, accounting, consulting).
    b. Marketing and messaging.
    c. Staff time.
    d. Unanticipated costs.
    e. Length of time from start to completion.
9. Do our governing documents and local/state laws require notices of an intent to affiliate/merge? Is permission required from any members?
10. In terms of due diligence, will the work be done in-house or via consultants?

a. What is the in-house capability?
b. Who would lead the process?
c. Who will be involved?
d. If not in-house, who will be involved (lawyers, consultants, etc.)?
    i. Are bids required for consultants or others?

11. What is the financial position of our organization and the proposed partner?
    a. Assets
    b. Liabilities
    c. Revenues
    d. Cash flow
    e. Trend – three years to current
12. What are our projections/forecast for the next two years? What are the proposed partner's projections? What is the combined entity forecast for the next two years?
    a. Revenues
    b. Expenses
    c. Liabilities
    d. Cash flow
    e. Cash/investment balances

13. What is the culture of the other organization like? How does it compare to our organization?
    a. Leadership style
    b. Pace of operations
    c. Employee engagement
    d. Staff turnover/retention
    e. Community engagement
14. Can we anticipate any cultural challenges during the consolidation? If so, what might those be?

15. What regulatory steps may be involved?
16. What will the legal structure be for the combined organization? New corporations? New entities and if so, what kind?
17. Are there employee-related issues to take into account such as contracts or unions or benefits such as pensions?
18. Are there tax implications or taxable organizational elements that are part of the process (taxable entities v. all non-profit)?
19. Are there reserves, donations or other investments/accounts that require special consideration (restricted funds, pledged funds, gift annuities, charitable funds, escrows, etc.)?

20. What are the financial/operating elements (aside from operations) that need to be reviewed as part of the process?
    a. Condition of plant/property/equipment in terms of age and any deferred maintenance.
    b. Marketing materials and pricing.
    c. Valuation of assets.
    d. Valuation of liabilities.
    e. Valuation of investments.
    f. Valuation of goodwill and intellectual property.
    g. Status of licenses.
    h. Reimbursements and claims.
21. What are the compensation impacts and considerations (wages and benefits)?
    a. Executive
    b. Senior leadership
    c. Staff

22. Are there legal implications/exposures that need review?
    a. Pending or possible litigation.
    b. Contracts (assignability, length, termination notices).
    c. Intellectual property such as trademarks and patents.
    d. Environmental exposure at locations/within facilities.
    e. Compliance with state/national regulations.
    f. Tax exposures.
    g. Employee litigations, claims or obligations.

23. What are the service levels provided in the other organization? What is the quality and satisfaction level?
24. Will new services be added? If so, what?
25. What investments may be required for new services?
    a. Different/additional staff.
    b. Technology.
    c. Capital investment (equipment, plant, property).

26. What labor/employment issues need to be reviewed?
    a. Benefits.
    b. Compensation plans.
        i. Wage scales.
        ii. Bonus programs.
        iii. Commissions.
    c. Vacation, holiday, plans/programs.
    d. Education/tuition reimbursement.

e. Other.

27. Can benefit plans be integrated or will they be separate? Identify any that require separation.
28. What is the competency of the workforce at both organizations? Is there a difference?
29. Are new skills required or going to be required and if so, how will the same be obtained?
30. What is the education level of the workforce between both organizations?
31. What is the managerial competence and performance history of the partner organization?

a. Financial performance.
b. Quality and customer satisfaction.
c. Compliance and legal.
d. Staff retention.

32. Who are the key personnel between the organizations? Is there duplication? Will there need to be consolidation? If so, where? If reductions occur, will there be severance offered and in what form?

33. Going forward, how will the following issues be addressed and by who or whom?

a. Decision making, final authority.
b. Governance.
c. Promotions, terminations, discipline, rewards/compensation.
d. Capital investment/purchase decisions.
e. Marketing/Public Relations/Communications.
f. Technology management and consolidation/integration
g. Security.
h. Compliance, legal.
i. Financial operations including budgets, projections, etc.
j. Investment management.
k. Debt/treasury functions.
l. Cultural integration.

34. Are cross organizational teams planned for integration? If so, identify what issues and where accountability resides.

35. Looking at or contemplating the combined entities, what elements of the following need to be addressed?

a. Redundant competencies.
b. Unique services.
c. Names, marketing strategies.
d. Employment contracts, benefits.
e. Contracts.

36. What is the ideal structure for this “affiliation”?

a. Combined entity via official merger.
b. Joint venture.

c. Joint marketing program/strategic alliance.
d. Partner agreement with exclusivity.
e. Shared services programs/agreements.

37. What possible costs are associated with the contemplated final structure?
    a. Severance costs.
    b. Relocation expenses.
    c. Licensing.
    d. Commissions.
    e. Other

38. Who (person or persons) will manage the process?
39. Is there a project plan in-place or developed, with milestones and KPIs?
40. Is a project board or steering committee required?
41. Have stakeholder analyses been done and is a communication plan in-place to address all relevant audiences?
42. Are the risks of the affiliation identified and planned for?
    a. Reputational.
    b. Operational.
    c. Legal.
    d. Contractual.
    e. Employment.
    f. Compliance.
43. What does success look like when the process is finished?

44. What is the basic information system like? Will these systems merge, switch to a new system, etc?
45. How will data security and integrity be managed during the process?
46. What information sharing/linkages need to be created during the process?
47. Is there system compatibility or will a whole new system be required in terms of hardware and software? Identify the process and the project plan for technology.