MEMBERSHIP AND REVENUE

Association merger activity on the increase in recent years

Experts advise bringing in outside strategic, legal advice early in process to boost chances of success; CEO shares merger criteria

By William Ehart

Unlike in the corporate world, there are no hostile takeovers among associations. No stock swaps, no cash tender offers, no proxy fights.

But there can be synergies, and an increasing number of associations have been trying to achieve them through mergers and acquisitions in recent years.


Younger

"We're seeing tons and tons of interest," said Jay Younger, CEO at McKinley Advisors with three decades of experience in associations.

"It is dramatically more active in terms of M&A than in the past. Ten years ago, this was not a thing, outside of buying or selling events. Today, it's not uncommon for us to have four or five merger discussions going on at any given time. It's happening in trade associations, it's happening in professional societies," Younger said. Among factors driving the deals are members' desire to pay less in dues, attend fewer meetings, create operating efficiencies, salvage an ailing group or speak with a greater voice before policymakers.

Other experts see the same trend.


Tenenbaum

"We've never had so much association M&A activity as we have in the last few years," Jeff Tenenbaum, managing partner of Tenenbaum Law Group, told CEO Update. "We're working on six to eight right now in different forms. Not just straight-up mergers but all different sorts of combinations," such as consolidating annual events or association publications.

Informal discussions

One association CEO considering some type of combination runs a professional society that was hard hit during the early days of the Trump administration. The association was forced to cancel its annual conference, which represented 75% of its revenue, because thousands of federal employees couldn't attend.

"Some of the changes that have been put in place by the administration have created difficulties in fulfilling our mission, which is usually done through large events and conferences," said the CEO, who asked to remain anonymous since the talks are informal and confidential. He has discussed possible combinations with a few CEOs who lead associations related to his field on the sidelines of other events but no formal meetings have taken place, he said.

"Our conversations usually start along the lines of, 'Hey, are there areas where we could begin to collaborate?'" the CEO said.

"Obviously, in the association space, you can't really have a hostile takeover. You're not buying anybody. It's really about aligning missions and boards toward a common interest. A lot of that starts with, 'Let's just do a webinar together, or let's do a joint paper or let's host an event together.' We're looking for opportunities to collaborate and then build on that smaller foundation over time to further align interests, and ultimately that could lead to a merger."

The CEO said he could see his group becoming a subsidiary of a larger organization.

He was forced to lay off some employees early on and later outsourced all staff functions to an association management company, which he said is saving the group about $1 million annually. The organization also is selling its headquarters building, of which it is the only occupant. There is still uncertainty about whether federal employees will be allowed to attend a large, national annual conference requiring heavy travel expenses, so the CEO is trying to keep the association viable by hosting smaller, regional events.

He estimates the group has 18 months to two years to make the business transformation work financially before its reserves are exhausted. But so far, his board has only authorized informal discussions on possible combinations with other groups.

"When I first presented this to the board back in the March-April timeframe, I said, 'Hey, I can start talking (to other associations) now.' They said, 'No, let's wait and see how this business transformation works. Keep having your informal conversations. If we need to ramp that up, we will, but we don't see the need to do it right now,'" he said.

"In many of these cases, the CEOs can see the necessity for a merger before the board can," the CEO said. "So, for many CEOs, in addition to getting staff aligned and getting missions aligned, it's also getting your board on board with the idea of a merger. Many board members tend to be very loyal to the organization and want the organization to remain independent even though the financials, the business side of it, don't necessarily support it."

The CEO has several criteria for evaluating associations with which a merger or acquisition could make sense.

"One, obviously, the risk profile of the organization," he said. "Are they exposed to these changes in government just like we are? If we merge with somebody who's in the same boat, it doesn't really help us. The second is financial depth. We want an organization that has some depth of financial resources. Then third is market potential: What market does it open us up to?"

Early strategic and legal advice

Such strategic considerations, as well as legal ones, are key early in merger discussions. That's why associations turn to strategic consultants like Younger, of McKinley Advisors, and attorneys like Tenenbaum, who have deep experience. There are also practical considerations, like making sure members will support a deal if a vote is required.

"I always encourage my clients to bring me in from the outset to make sure they understand the various options," Tenenbaum said.

"Sometimes these mergers and other combinations don't work because the leaders involved don't understand the various different ways that you can bring two associations together," he said.

"They may think it's a full-on merger with one merging into the other. They don't realize there are lots of other ways that you can have two associations do things together. Maybe initially they get used to each other, start living together before they get married. You can have joint conferences, joint publications, joint membership categories, joint committees, things like that," Tenenbaum said.

"Then sometimes that gets the two organizations, the staff and the volunteer leaders, used to each other. You could have a joint board retreat, and then, over time, that can facilitate a greater combination between the two."

Younger also recommended associations considering mergers bring in outside communications and branding expertise.

"When we're talking about mergers or consolidation, it can be a complex undertaking with lots of different questions to ask and answer, lots of different work streams that need to be managed tightly and concurrently," Younger said.

The initial phases of a merger are typically confidential, "but once the cat is out of the bag, developing staff assessments is a key part of understanding how compatible the organizations' cultures are," Younger said.

"Research can be super helpful, so we've got a great team that deploys when the time is right to understand member sentiment on these deals. And financial modeling is important to understand when you will start to see a return on your investment," he said.

"Our clients benefit from our capacity to step in and be objective facilitators of that process. We're working with representatives from both organizations in the form of a steering committee, to understand all the big questions, work through them together and get to resolution." ■

Systems, staff are major challenges when groups merge

Steve Landers, recruited to lead association created by merger, leaned on board, staff leaders to help with tough decisions

By William Ehart

While the leaders of the National Association for Home Care & Hospice and the National Hospice and Palliative Care Organization were planning to merge last year, they hired strategic advisory firm McKinley Advisors and retained search firm Russell Reynolds Associates to find a CEO for the new entity they would forge.

The former association was led by Bill Dombi, who retired at the end of last year, and the latter by interim CEO Ben Marcantonio, and each reported nearly $10 million in revenue in its 2023 tax disclosure.

When Steve Landers was recruited in September 2024 to run the newly created group, the National Alliance for Care at Home, he already had extensive experience with mergers and partnerships in the corporate sector.


Landers

A medical doctor, he had held leadership roles at the Cleveland Clinic's Center for Home Care and Community Rehabilitation, the Visiting Nurse Association Health Group and Hebrew SeniorLife.

Volunteer leaders wanted a unified voice in advocacy for the hospice and palliative care industry. Independently, the two associations were viable, with many members in common, but Landers told CEO Update that they weren't thriving as separate organizations.

Landers said certain aspects of integrating two organizations are constant whether in the for-profit or nonprofit worlds.

"You've got to figure out what the team looks like, provide role clarity and figure out what IT systems to use," Landers told CEO Update. "And how to communicate all the changes and start to create a sense of team and family from disparate groups."

"It's important that there's a supportive and thoughtful board, because there are a lot of hard moments and decisions to be made," Landers said.

"One of the great things about our situation is that the board has been very united through this," he said. "They have been businesslike, without a lot of conflict. The other thing I would say is, try to identify partners on the management team to help with different aspects, so that you are not doing it all yourself."

In fact, Marcantonio stayed on as chief integration officer at the Alliance for seven months.

Staff decisions can be the hardest. The two associations had 60 combined employees; today, Landers manages 40.

"Part of the vision for this was to support the membership with efficiencies and eliminate duplication," he said.

"Board members were very helpful (with personnel decisions) because they had been around the organization for a while, and they had perspectives on what was working and what wasn't working," Landers said. Dombi and Marcantonio shared their advice, too.

"The organizations' boards and staff had integration committees that looked at systems, team and structure. Plus, some of the key executives who have stayed through the merger helped with advice," he said.

"There was a fair amount of information (to base decisions on), but obviously, some decisions were harder than others. And the team includes new people as well."

"Anytime you're dealing with people in their careers and their lives, you want to have a level of patience and compassion," Landers said.

For those laid off, the association provided compensation and placement services, he said.

"The fact that the size of the organization changed was not the fault of anybody. It was just a strategic decision by the membership of the boards," Landers said. ■