

With recovery distant, more groups are discussing mergers

Lack of clarity on when events will resume, pending exhaustion of resources likely to bring associations together on missions to survive

By William Ehart

With COVID-19 cases rising and a resumption of face-to-face meetings and many other normal economic activities looking further out, more and more associations are evaluating survival options.

Among those: combining with or being acquired by another organization.

When the Association for Corporate Travel Executives announced its liquidation on July 7, the group said it failed to find a merger partner.

Efforts to “find a home for the ACTE community within a larger organization” were doomed by the spike in virus cases, which “have made investors and partners justifiably pessimistic around the viability of event-based organizations for some time to come,” according to the statement on ACTE’s site.

Experts say many more associations are talking to potential partners, and more will in the months ahead as financial resources, such as reserves and pre-paid dues, are exhausted.

Glenn Tecker, chairman and co-CEO of consulting firm Tecker International, said the financial position of associations tends to lag five to 10 months behind the industries or professions they represent. He expects to see more action on combining functions or entire associations in the late fall and early 2021.

Merger and acquisition discussions take time and can go on informally for months among board chairs or association CEOs before outside attorneys are engaged. But such attorneys already are seeing an uptick. That suggests even more discussions are in the works.

“We have a couple (of mergers) that are in the process of discussions,” said Art Herold, partner at Webster, Chamberlain & Bean. “Nothing has been formalized yet.”

In those cases, companies that are members of more than one association in their industry are questioning why they are paying dues to two or more organizations during tough economic times, Herold said.

Mergers can involve groups of comparable size, with both organizations dissolving and forming a new entity. Other times, a much weaker association is driven into an acquirer’s arms.

“Sometimes one group simply transfers its assets to the other group, and then that group dissolves,” Herold said.

‘Going to get worse’

Attorney Jeff Tenenbaum noted that merger activity increased during the last recession 12 years ago—and that today’s crisis is worse for many associations.

“The moment an association’s leadership realizes, and most of them are already there, that the status quo can’t go on indefinitely, they start to explore all of their options,” Tenenbaum said.

So far, only a “small minority” of his firm’s clients are in merger talks, but interest is up. Tenenbaum expects the trend to accelerate given the states of the pandemic and the economy.

“This is going to get worse before it gets better,” he said.

“(We have clients who) are being very proactive and exploring all of their options,” Tenenbaum said. “You’ve got to do what you need to survive. One option is cutting expenses, and staff is usually one of the biggest expenses. And another thing that associations are doing is exploring potential mergers.”

Observers have long said there are too many associations representing industries and professions, but in good economic times there is less pressure to merge. With association revenues in freefall, obstacles fade away.

“In normal times, there may be some real good arguments to push back on (member demands for consolidation),” Tenenbaum said. “But in these times, the associations really don’t have any leverage. The members can dictate.” ■

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