

Story of a merger: DTA and bassac create Locality

In partnership with



Authorship

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I hope that this account of the merger of the British Association of Settlements and Social Action Centres (bassac) and the Development Trusts Association (DTA) will be useful to other organisations on a similar journey, or indeed considering whether or not to start the journey in the first place. We were fortunate in being able to draw upon experiences from past merger attempts and feel the least we can do is pass on our own experiences for future use.

It is important to remember that the term 'merger' covers a variety of circumstances. Some mergers are in fact acquisitions or takeovers, or rescue operations, or are driven by a third party agenda (often an agenda set by a government agency or funding body). In all those cases important and distinctive considerations apply, which thankfully we did not have to deal with.

The bassac/DTA merger was driven by a shared vision, of how bringing our two organisations together could create something even more powerful, raising the game for the community sector and building a movement capable of driving forward greater change than either organisation could achieve on its own. Of course, our merger took place within a complex and extremely challenging financial and policy context, but the key driving force was our positive common goal. So, I expect that our experience will be most relevant for organisations where the possibility of merger is primarily motivated by mission.

The following pages tell the story of our 12-month merger process and the experience of the early post-merger period as the new organisation, Locality. Our merger succeeded because of many factors, but I would like to take this opportunity to highlight three.

Firstly our boards, and especially our two Chairs, Micheal Pyner and Joanna Holmes, were absolutely central to the success. Without such leadership, such commitment to the merger vision, such exceptional patience, skill, and consideration, I cannot see how a merger of this type could be achieved.

Secondly, the merger vision brought out the most positive qualities among the two staff teams (where universally, personal self-interest took a back seat), among our memberships (which voted 96% and 97% in favour in the two networks), and among our partners and funders (not least the Esmée Fairbairn Foundation and the LankellyChase Foundation, which both helped generously towards merger costs).

Finally, our advisers throughout the process were of the highest quality. The first-rate contribution of our legal advisers, Bates Wells and Braithwaite (BWB), is mentioned in the following pages. I would like to say something as well about the support from the Institute for Voluntary Action Research (IVAR). They provided not just a safe space for difficult discussions, but they also challenged us throughout. They did not allow us to become caught up in the momentum of the merger process. They made us focus intensely on the vision, on the difference we were trying to make. It was only when we were truly confident about this that we were strong enough to deal with territorial questions, which might otherwise have turned into deal-breakers, or could have stored up cultural problems for the future.

Steve Wyler

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Introduction and background

This report

In April 2011, the British Association of Settlements and Social Action Centres (bassac) and the Development Trusts Association (DTA) merged to form Locality, the leading nationwide network of settlements, development trusts, social action centres and community enterprises.

This report, from the Institute for Voluntary Action Research (IVAR), offers a detailed account of the merger, based on re-examination of documents generated during the merger process and on interviews with five of the key participants (interviewees are listed in Appendix One).

In telling the story of the merger, we write both from IVAR's position as close observers of the merger negotiations – as facilitators of formal meetings and other conversations between the two parties and recorders of much of the discussion that took place – and from our experience of other voluntary and community sector (VCS) mergers. We begin by outlining the background to the decision to merge before moving on, in Part Two, to describe the key events of the 12-month period leading up to the merger and the early stages of transition to the new organisation. We focus particularly on the challenges encountered and the ways in which they were addressed. In Part Three, we offer our own reflections on the merger.

This report is aimed at the staff and trustees of organisations contemplating merger. It forms a companion to IVAR's publication *Thinking about ... Merger*¹. We hope that together these reports will shed light on the issues to be considered when embarking on merger, one of the more complex processes an organisation can undertake.

Where relevant, we note the source of written quotations; verbal quotations from interviewees are included without attribution.

1 IVAR (2011) *Thinking about ... Merger*, IVAR: London, available at www.ivar.org.uk

Background to the merger decision

THE COMMUNITY ALLIANCE PARTNERSHIP

In March 2010, the Chairs and Chief Executives of bassac and DTA announced that they were: *'jointly committed to exploring a merger alongside their ongoing collaboration with Community Matters through the Community Alliance'*. This was not a sudden decision, but was part of a gradually evolving process of discussion and reflection within the two organisations and between key representatives of both. Since 2005, bassac and DTA, together with Community Matters, had worked closely as members of the Community Alliance (initially with the Scarman Trust as a fourth partner) and, through working together, had been able to enhance the offer to their memberships and to influence the policy environment to the advantage of community sector organisations.

Throughout the Community Alliance's lifetime, the partners worked with IVAR to reflect on the workings of the partnership as part of a Real Time Evaluation. As part of that process, the Alliance partners agreed in December 2009 to explore alternative structural arrangements to enable them to work together more effectively. This exploration led bassac and DTA to the view that a merger between their two organisations could bring substantial benefits to their members and the wider community sector. The creation of a new organisation was seen as having the ability to draw on the strengths of both organisations to build a movement of aspiring organisations with a commitment to social justice, enterprise, asset development and self-determinism, able to create real change in communities. While fully supportive of the concept of an aspirational community movement, Community Matters felt that its work embraced other issues, and that its members were sufficiently distinct from those of bassac and DTA to require the continued existence of a separate, independent, membership body.

It was thus agreed that confidential discussions would take place within the senior management teams (SMT) of bassac and DTA, that their boards would be asked to endorse a process of exploring merger in greater detail, and that the two Chief Executives would begin to look at the issues requiring negotiation. In Part Two we outline the key events that took place during the merger discussions.

A HISTORY OF COLLABORATION

Alongside their relationship as partners in the Community Alliance, DTA and bassac had a long history of collaboration. They had decided in 2005 to buy a building together; co-location was seen as offering the potential for: closer working relationships that would benefit members of both networks; sharing some staff and office facilities; and offering opportunities for shared learning for staff and members. This foundation offered a strong basis for merger: *'it helps to have the confidence that comes from working together well; it makes a big difference'*. With this background, some of those most closely involved considered that, while they had thought deeply about whether merger was the right step, there was also *'a kind of positive inevitability'* about it.

THE WIDER ENVIRONMENT

Throughout the merger discussions, the voluntary nature of the merger was stressed: *'it was a very sensible thing to do at the time we did it, but we did it voluntarily because overall we wanted to; it made sense to us'*. At the same time there was, however, a sophisticated understanding that in the evolving political and economic environment, structural changes would be required in order to continue providing effective support to members: *'it was clear to a lot of people at a time of recession that the way you needed to deliver, the amount of resource needed to deliver, was going to change radically and it needed a bold step'*.

Both bassac and DTA were fortunate to be in good financial shape, so merger was not driven by financial challenges. This allowed them to focus on their vision for the merged organisation and the potential benefits it could achieve. However, as the merger discussions developed, the severity of the external financial environment became increasingly apparent and it was evident that the scale of DTA's and bassac's combined operations would not be achievable in the future. Thus, merger presented the opportunity to create some savings through consolidation, but more importantly it reinforced their shared vision and demonstrated a willingness to change.

As the merger negotiations gathered momentum, the advent of the coalition government and the spotlight it threw on voluntary action, associational life, community organising and activism created opportunities as well as requiring action. So, while merger discussions were entered into voluntarily, there was also an awareness of there being a brief window of opportunity in which to be proactive before the VCS might be forced into making changes.

The merger process

We set out here the key events in the 12 months leading up to the merger in order to provide a timeline of the process and a reference point for our later description of the challenges and critical success factors of the merger.

Date	Event	Key points
March 2010	Chairs and Chief Executives of DTA and bassac express their commitment to exploring merger.	
March 2010 (bassac) and May 2010 (DTA)	Both boards agree to take the next steps in exploring the creation of a merged organisation.	
Early April 2010 (bassac) and May 2010 (DTA)	Decision to explore merger announced to staff teams.	Internal confidentiality stressed and ways in which staff could raise questions made clear.
End May 2010	Members, key partners, funders and other external audiences informed of merger discussions.	
May 2010	First meeting of Merger Working Group (MWG).	Group comprised bassac and DTA Chairs and Chief Executives, supported by IVAR. MWG acted as forum for exploration of all aspects of merger.
July 2010	Residential event for bassac and DTA boards.	Facilitated (by IVAR) discussion of bassac's and DTA's values and work with members. Began shared thinking about the value base and 'member offer' of the new organisation.
July 2010	Meetings of both boards.	Trustees noted the existence of common values and vision; began to address risks and opportunities of merger. Negotiations over Heads of Agreement began.
July 2010	Joint Merger Steering Group (JMSG) established as joint committee of the two boards, building on the work of the MWG.	Group comprised three trustees from bassac and three from DTA, plus three independent members. Facilitated and serviced by IVAR.
July 2010	Both organisations begin an extensive programme of consultation with their members.	
July 2010	Senior staff and JMSG begin work on organisational structure, staffing and the member offer. Senior staff begin the 'due diligence' process. Legal advice sought on constitutional matters, transfer of assets etc.	
September 2010	Two-day joint staff event.	Enabled staff to raise questions, discuss draft vision and business case and potential 'member offer'.
November 2010	Extraordinary General Meetings of both organisations vote in favour of merger.	Not a constitutional requirement, but members' support deemed essential.
November 2010 to January 2011	Organisational structure confirmed; decisions made on staffing.	
December 2010	Decision made on chairing Locality board.	
December 2010	Decision made on organisational name and brand.	
April 2011	Merger of bassac and DTA to form Locality.	DTA's Articles of Association used, for reasons of practicality, as the constitutional vehicle.

Developing Locality's vision

As we described earlier, the merger was driven by a strong sense of the potential benefits for the members of DTA and bassac: *'the vision driver was very important'*. A paper prepared for staff of the two organisations, announcing the decision to explore the creation of a merged organisation, stated that: *'we want all communities to become places where people can maximise their full potential, can come together to achieve more, can take control over the things which really matter to them, and can create a common sense of ownership, well-being and pride'*. This vision shaped the discussions in the Merger Working Group (MWG) and subsequently in the Joint Merger Steering Group (JMSG), and enabled them to focus their attention on overcoming the challenges that emerged along the way.

The business of shaping the vision for the merged organisation in more detail, together with the associated 'member offer', was carried out primarily by the two Chief Executives. As one of them put it: *'actually it was really good. We started it together; he did a bit; I did some more, he did a bit more and I finished it off. It really was a kind of coming together. It wasn't brilliant, but it was a start and I think it gave us the foundation that the JMSG did helpfully critique quite heavily'*. The resulting document fleshed out the vision for the new organisation, describing it as having the ability to build on the strengths and achievements of bassac and DTA through the creation of: a stronger movement; a new voice; a new offer; a more powerful brand; a stronger future.

Subsequent discussions with members of both organisations about the implications of merger indicated a considerable appetite for a merger, but also that the vision was not sufficiently compelling to outweigh the disadvantages that some DTA members felt would be associated with the loss of the DTA brand and identity. This resulted in some adaptations to the statement of organisational vision, in particular the description of the offer to members, to which we refer in more detail on page 11.

The challenges of merger planning

The challenges facing the two organisations in coming together were many and varied; the main ones were:

- Concerns about the compatibility of bassac and DTA
- Securing the support of members
- Developing a new staffing structure
- Organisational leadership
- Choosing a name for the new organisation
- Securing funding
- Communicating information about the merger
- Dealing with the volume of work.

We discuss each of these, and the ways in which they were addressed, in turn.

CONCERNS ABOUT THE COMPATIBILITY OF BASSAC AND DTA

While bassac and DTA had a long history of working together, and senior staff and trustees shared a vision of what could be achieved through merger, they recognised that the two organisations had different organisational styles, ways of working and approaches to decision-making. This caused some anxieties about the implications of these differences for a merged organisation. Given that DTA was the larger partner in terms of staff size and financial resources, some bassac staff and trustees were concerned that this would lead to the new organisation being dominated by the DTA organisational style, and that merger might feel more like a takeover than a merger of equals.

Early discussion of these issues in the MWG gave voice to the realisation that neither set of trustees had sufficient information about the other organisation and its members. This then led to the decision to arrange a joint residential event for trustees. At that meeting, trustees acknowledged the extent of similarity between the two sets of members: *'it helped people to realise that they were like-minded organisations and that there wasn't anything fundamentally different about what they were trying to achieve, and even the way they operated'*. In addition, the amount of time and effort trustees put into the discussions, especially their focus on the vision for the new organisation, helped allay some of bassac's concerns about a takeover by DTA. The meeting was described as a key point in cementing relations between bassac and DTA: *'from then on there was a real boost in terms of a head of steam to drive it forward'*. It was seen not only as *'a real turning point'* in itself, but as a key stabilising factor that prevented later *'wobbles'* from becoming more serious.

The two-day joint staff event held in September 2010 provided bassac and DTA staff in their entirety with the opportunity to meet together. This was particularly important for regional staff, who had less exposure to staff of the other organisation outside their own region. Following the event, some concerns remained about differences in organisational style, but staff generally expressed positive views about the prospect of merger.

SECURING THE SUPPORT OF MEMBERS

Both organisations offered their members a variety of ways of discussing the merger proposal, including through regional events and one-to-one discussions with senior staff or trustees. Although members' support for merger was not a constitutional requirement, merging without a positive endorsement from them was seen as completely unacceptable to both organisations.

Both sets of members expressed concern about the possibility of losses, albeit of a slightly different kind. Some bassac members were anxious about the potential dilution of the many years of history of the settlement movement, described as: *'a very familial network and movement'*. Some DTA members – particularly those in Scotland, Wales and Northern Ireland – were concerned about the loss of brand and identity associated with the DTA name, and about the potential break-up of the Development Trust network. This phase was: *'quite a critical stage in the debate'*.

In order to address these concerns, the JMSG arrived at a compromise whereby the identity of the two networks and their associated brands would be retained. Members of the merged organisation would thus be able to opt in to a Development Trusts network, a Settlements network, a Community Enterprise network and/or a Social Action Centres network while being formally members of the one organisation. And while the new merged organisation would have a new name, there would not be a requirement for DTA Wales, DTA Scotland and DTA Northern Ireland to change their names. Members of those organisations would continue to have dual membership of the new merged organisation and of the Association for their particular country. These changes, combined with a clearer business case for merger, were sufficient to allay the fears of most members and enable them to vote heavily in favour of proceeding at DTA's November Extraordinary General Meeting: *'in quite a short space of time the mood had shifted dramatically and we got an extraordinary level of support from those who attended, and proxy votes as well'*. In total, 97% of DTA members voted in favour of merger, while for bassac the figure was 96%.

DEVELOPING A NEW STAFFING STRUCTURE

Developing and populating a new staffing structure presented some challenges. In order to have people in post before 1 April 2011, and to ensure that staff did not have too long a period of uncertainty about their futures, the structure for the new organisation had to be agreed during the autumn of 2010. This was well in advance of full knowledge about what funding would be available or what programmes the new organisation would be running: *'at the time of the merger we really didn't know what would be out there'; 'we started off with 85 staff and we didn't know if we'd have ten between us'*. Those involved in selecting staff were also concerned that there were some posts in DTA and bassac with very similar responsibilities, held by high quality staff, and there was no scope to employ everybody.

The two Chief Executives took the primary responsibility for drawing up the staffing structure, involving other managers and the JMSG where appropriate. Advice on issues concerning transfer of staff, redundancy etc was provided by a staff member working for both organisations, by a DTA board member with extensive experience in this area of work and by legal advisers. Alongside the offer of voluntary redundancy, a staged recruitment process was established, with the timetable clearly advertised to all staff. Support was made available to staff throughout; including the services of an external agency to those made compulsorily redundant.

The consultation exercise was described as very constructive: the fact that *'people had bought into the vision'* was seen as an important contributory factor in the smooth running of an extremely complicated process.

It was, however, an anxious time for everyone. In retrospect some felt that they: *'could have done more to give staff and members more certainty earlier'*, although it was also acknowledged that it would have been difficult to have truncated the process further without cutting corners and falling foul of employment law. Nevertheless, there was still a view that, in the period close to the date of legal merger, staff might have benefited from more information and assurances about the way the new organisation would work with its members, and hence the implications for their own roles.

ORGANISATIONAL LEADERSHIP

The question of organisational leadership – both in terms of the Chief Executive role and the board of the new organisation – proved challenging for the JMSG and both sets of trustees. The Chief Executive of bassac indicated at an early stage in the discussions that he had decided to move on to other opportunities. The dilemma, therefore, focused on whether there should be an internal appointment or an external recruitment process. The decision to be made was not just about staffing or about personal qualities and attributes, but was tied up with the question of organisational culture, the business requirements of the new organisation, potential dilution of the bassac identity and the view that an internal (DTA) appointment could reinforce the perception of some bassac personnel of potential dominance by DTA. After much deliberation, it was agreed that a rigorous internal recruitment process, open to DTA and bassac staff only, would be carried out, overseen by the JMSG.

As with the issue of the Chief Executive role, discussions about organisational governance were very much tied up with concerns about the balance of relationships between DTA and bassac. At one stage it was suggested that the board should include more ex-DTA trustees to reflect DTA's larger membership. However, as members of the JMSG and the two boards became increasingly committed to the vision for the new organisation, it was clear that: *'what we were bringing together was not just numbers of members; it was a vision and a belief. What bassac brought to that vision and belief was equally as strong as what DTA brought'*. The decision was therefore made that the board should comprise equal numbers of bassac and DTA trustees, plus three independent members (in effect, a continuation of the JMSG).

The question of who should chair the new board of trustees was not resolved for some time. This delay was the result of several factors: a concern with balance between DTA and bassac, sensitivity to the views and qualities of the possible candidates and the absence of a procedure for the JMSG to make the decision. Ultimately it was agreed that Joanna Holmes, Chair of bassac, should take on the role, with Micheal Pyner, DTA's Chair, as Vice Chair. While this outcome was not disputed, in retrospect some thought that it would have been preferable to have agreed a process for making the appointment at an earlier stage: *'it was all a bit vague and there should have been clarity around what is the process, how are you going to handle it and when are you going to do it'*.

CHOOSING A NAME FOR THE NEW ORGANISATION

Choosing a name for the new organisation proved exceptionally challenging, even once DTA members' concerns about loss of brand identity had been overcome. The name had to fit several criteria: availability (including domain name); its look and feel; longevity; the need for sufficient dynamism, but also gravitas, distinctiveness and originality: *'you have to have a name that speaks to your goal and your ambition in some way, or, if it's relatively neutral, it has to be capable of being imbued, filled, with the meaning you want for it quite quickly'*. Members and staff of DTA and bassac put forward suggestions; brand consultants devoted a lot of energy to the issue. Many potential names were ruled out because of their similarity to those of other organisations. After intensive work, the name 'Locality', with the strapline 'Communities ambitious for change', was arrived at: *'I think it was absolutely the right choice, or the only possible choice'*.

SECURING FUNDING

Securing funding to support the merger process, and thence the work of the new organisation, seemed at the outset to be a major challenge, particularly given wider funding constraints and the short space of time available to seek longer-term funding: *'it was a double financial challenge'*. Both bassac and DTA knew that, whether or not they merged, they were likely to experience a significant drop in funding from April 2011, with several funding programmes coming to an end. The reactions of various independent funders to the idea of merger proved, however, to be encouraging, and finance was secured to support the costs of merger, in particular from the Esmée Fairbairn Foundation and the LankellyChase Foundation. The new organisation positioned itself well to retain the support of funders and maximise funding opportunities.

COMMUNICATING INFORMATION ABOUT THE MERGER

When the decision was made to explore merger, everyone involved was concerned that staff, trustees, members and external bodies should find out about the discussions through a proper process, rather than by accident or hearsay. Stress was put on the importance of internal confidentiality, particularly in the critical early stages of negotiations. A very careful process of information sharing and consultation was planned by the Chief Executives and Heads of Communications at DTA and bassac; beginning with the two boards and SMTs, then the wider staff teams and members and finally external bodies (partner organisations, funders, government officials, etc).

Both organisations took care to keep staff informed about the timescale for the merger process and about when and how decisions would be made, and to give them the opportunity to raise questions and concerns with their managers. This was seen as very important: *‘that was a very, very key part of mobilising this movement of support from staff, board, members and externals; getting staff on board was the first’.*

DEALING WITH THE VOLUME OF WORK

From the outset, it was clear that achieving a merger in 12 months would entail a huge volume of work, much of which would have to be done before the Extraordinary General Meetings scheduled for November 2010. As the discussions gathered momentum, the extent of the work became clearer, particularly in relation to the ‘due diligence’ exercise that bassac and DTA needed to conduct on each other’s assets and liabilities; human resources issues; the consultation process; legal and constitutional matters.

Dealing with the volume of work was stressful for everyone: *‘there were times when everything felt too quick; the sequence in which things needed to be done meant that sometimes there was very little time – the autumn was a very heavily filled period’.* It was helped, however, by the skill and dedication of senior staff; by the support of both boards; by the assistance offered by various external advisers and by two over-arching factors: the commitment of those involved to the vision for the merged organisation and the existence of a clear process and timescale for arriving at the point of legal merger.

The transition to a single organisation

As we have discussed, bassac and DTA moved towards merger with a strong foundation of shared interests and a history, strengthened through co-location, of working together. But they also had differences of organisational style, priorities and internal systems, and worked with members with somewhat different histories. Achieving the transition to a single coherent organisation, that reflected bassac and DTA’s different paths to merger, and that also built something new and dynamic, presented a challenge. We discuss in turn:

- Board integration
- Integration of staff teams
- Member integration.

BOARD INTEGRATION

Integration at board level began with the meeting of the two sets of trustees in July 2010 and the establishment of the JMSG as a joint committee of the bassac and DTA boards. The JMSG reported to both boards and held responsibility for much of the decision-making about key aspects of the merger process, including the appointment of the Chief Executive and approving the organisational name. On merger, the JMSG became the first Locality board, with its members to remain as trustees until the first Annual General Meeting (AGM).

From the first meeting of the JMSG, members considered the future interests of Locality rather than DTA or bassac: *'people from the very beginning have been talking about what's required for Locality; nobody's been speaking as DTA members or as bassac members – that just hasn't happened'*. The inclusion of three independent members, with knowledge of both organisations but without allegiance to one more than the other, helped in this respect. Consistency of membership between the JMSG and post-merger board was also very important, leading to a situation whereby: *'the board absolutely does not operate as bassac and DTA members in separate camps; it operates as Locality board members – there is a very strong sense of that'*.

INTEGRATION OF STAFF TEAMS

As the new staffing structure took shape in advance of the merger, the question of how to integrate staff from the two organisations into a single entity required much thought. Several concurrent approaches to building the new staff team were taken, including a joint staff event (September 2010) and the establishment of a joint SMT. Preparation for merger required a considerable amount of cross-organisation collaboration, for example, between staff responsible for financial planning and management; human resources; communications; organisational systems; member relations. The significant work carried out to secure finance for future work meant that DTA and bassac staff needed to collaborate on submitting tenders for work to be undertaken by the new organisation; this helped build relationships as well as contributing to the primary purpose of securing funding: *'the process of going for it will help build the organisation'*.

Since merging, there has been ongoing work to build the Locality staff team and develop a new organisational culture that is neither that of DTA nor bassac, but distinctly that of Locality. Staff come together at team days; new management systems have been established; new organisational systems and supervision arrangements set up and a mantra – *'keep it simple, make it clear and work as a team'* – developed for staff. Work to accommodate the different ways of working that formerly characterised bassac or DTA – such as their approaches to technology, staff ways of organising their time and methods of consulting staff – is ongoing.

While the development of the new organisational culture will continue to require attention, much progress was made in a relatively short period of time. This was helped by the tasks carried out prior to merger; by the appointment of a senior manager, originally from bassac, but who commanded respect across both organisations, as Director of Integration; and by the commitment of staff to the vision of Locality. Since merging, staff have formed loyalties to their own teams (rather than bassac or DTA allegiances): *'in some measure we've got through that stage'*. A staff survey in September 2011 showed that a high degree of integration had been achieved, providing a foundation for the new organisational culture: *'it isn't the case that you've got a battle between two ideologies, but what you do have is the potential to shift the culture to get it to Locality's rather than whatever was DTA's or bassac's before'*.

MEMBER INTEGRATION

Getting former DTA and bassac members to work together was seen as the aspect of the integration process requiring the most attention. Before the merger, members in some regions had little opportunity for contact with members of the other network. bassac, with the smaller number of members, had few in some parts of the country; even in regions with more bassac members there was not extensive collaboration with DTA members. Discussions about the organisational vision and the potential benefits of merger were, of necessity, carried out separately with DTA and bassac members.

In the months following the merger, the need to engage further with members was identified as a priority, with efforts focused on encouraging members to feel part of Locality and enabling them to contribute to Locality's policy work and the development of member networks. Senior Locality staff who previously worked for DTA spent a great deal of time meeting former bassac members: *'what they have done ... in going round and actually getting to know as many bassac members as possible has been very constructive'*. This helped ex-bassac members 'buy in' to the merger. Locality members were consulted about their preferred type of networking opportunities; the approach was that members could form groupings as they wanted – either regional or in terms of interests.

Locality is seen as already having been successful in influencing various aspects of government policy, but it is acknowledged that more work is needed to translate that into tangible member benefits and to balance the high-level policy-influencing role with direct work with members: *'we should be just as much about the needs of the community group in Scunthorpe as we are about writing another paper to Nick Hurd'*.

Critical success factors

We described earlier the challenges of the merger and the ways in which they were addressed. We now turn to some more cross-cutting issues, the factors that contributed to the merger process overall. At the time of writing this report, Locality is still in the relatively early phase of its existence. However, those most closely involved in the merger discussions felt strongly that the merger should be considered a success: *'we won't be able to say entirely whether it's been successful until about five years have gone, but for the moment it feels like it's been incredibly successful; it feels like we are very much in a stronger place, very quickly'*.

What, then, has contributed to this success? Our interviews highlighted seven 'critical success factors':

- A history of collaboration
- An external environment conducive to merger
- A voluntary decision to merge
- A vision for the merged organisation
- The existence of a clear process and timetable for the merger
- The commitment of the key participants
- The involvement of external advisers.

A HISTORY OF COLLABORATION

DTA and bassac had a history of collaborative working, most recently as members of the Community Alliance. They shared a building as well as many organisational values, even if they did not always articulate them in the same way. This provided a solid foundation for the development of the joint vision and thence for merger: *'there was a general practice that we did quite a lot of things as a joint unit; that made the step to merger easy'*.

AN EXTERNAL ENVIRONMENT CONDUCTIVE TO MERGER

The environment in which bassac and DTA were operating was conducive to merger in that it highlighted the need for change in the way membership bodies worked with their members. Funders and policy makers were encouraging mergers and the formation of partnerships of various kinds. Both organisations had good allies amongst key funders, government departments and some other voluntary and community organisations. The timing thus seemed to be right for doing something dynamic: *'it did seem like the real time for grasping an opportunity'*.

A VOLUNTARY DECISION TO MERGE

While acknowledging that the operating environment favoured mergers and collaborations, both DTA and bassac felt that it was very important that they had entered into merger discussions voluntarily and therefore were able to set their own agenda. They merged because the two organisations felt that merger made absolute sense for them, their members and the communities in which their members worked: *'we were in the driving seat; it was our decision, nobody was forcing it on us. It wasn't happening because one of the organisations was in a mess. It wasn't happening because there was pressure from government or anyone else'*.

A VISION FOR THE MERGED ORGANISATION

As we have discussed earlier, the merger was very much driven by a shared vision for what could be achieved through the coming together of bassac and DTA and their memberships. That focus on the vision was crucial to shaping the new organisation and ensuring that decisions were made in the interests of Locality rather than those of bassac or DTA: *'there has to be a shared vision; that's the number one thing. I think if you're crystal clear on that you can find a way through all the rest'*. If less time had been spent on developing the vision, the merger might have seemed less balanced and more like the DTA takeover that some bassac members feared.

THE EXISTENCE OF A CLEAR PROCESS AND TIMETABLE FOR THE MERGER

At an early stage in the negotiations, the MWG agreed a process for the discussions and a timetable for the work to be done: *'the process was the most significant thing'*. The MWG, and later the JMSG, meetings and their relationship to the merger negotiations as a whole were carefully planned and played a crucial part in keeping the merger on track: *'that made it really good; that's what just made it move and [ensured] the thoroughness, insights and depth of the process'*. Having an agreed process, driven by a group of committed individuals who met together regularly, facilitated the building of trust and the group's ability to tackle difficult issues: *'the fact that we met regularly, the fact that we took time to develop relationships of trust was crucial'*.

Some of those involved acknowledged that they had at times wanted to move more quickly: *'let's just get on with it; can't we just do some deals and sort it out and merge?'* But it was also recognised that a merger of such complexity takes time: *'you cannot sort out the staffing stuff in a month, take on board what people's aspirations are for their own employment and what you can deliver'*. The existence of a clearly laid out timetable for action and decision-making focused minds and gave order to the process: *'once you've decided, get on with it; give yourself a timetable and get on with it'*.

THE COMMITMENT OF THE KEY PARTICIPANTS

An important feature of the merger was the generosity of spirit of the key participants, their openness and their ability to see beyond their personal positions to what would be best for the new organisation. The two Chief Executives were seen as having played roles which complemented each other well: *'looking back at the notes you can see Ben [bassac Chief Executive] being facilitative, and exploratory and philosophical, and Steve [DTA Chief Executive] wanting to be really practical. You've got two completely different sorts of views, but you could see them both learning from each other at the time'*. The ability of members of the MWG and JMSG, supported by both boards, to reflect and discuss matters honestly, and to recognise when something posed particular challenges, contributed significantly to the discussions.

For some senior staff, work on the merger took almost all of their working time for six months. Their commitment to the process, and willingness to put so much effort into it, made a significant contribution to the merger: *'they just did a mountain of work really properly; you can't overlook it – that side of it just has to be done'*. Alongside this, the highly professional manner of staff during the selection process contributed enormously to the smooth progress of the merger.

THE INVOLVEMENT OF EXTERNAL ADVISERS

Finally, the enabling role played by external advisers – legal advisers, IVAR as facilitators of the JMSG and others with experience of VCS mergers – was stressed.

DTA and bassac had decided to employ one rather than two legal firms; this was seen as having the benefit of saving money and time. Bates Wells and Braithwaite (BWB) were selected by tender, on the basis of quality of service rather than just on price. Employing a single firm required BWB's lawyers to operate an internal system of 'Chinese walls' so that each board could receive the independent legal advice it needed. Although the costs were significant, both organisations felt that the advice they received was invaluable. What was also beneficial was that the process was overseen by a partner from BWB who had chaired the Community Hub (on a voluntary basis), a joint trading venture set up by bassac and DTA to manage their shared building.

Access to expertise built up from other mergers by both BWB and IVAR was useful: *'it was helpful to reflect on someone else's experience and highly reassuring to know that we weren't alone'*. The involvement of independent advisers in the JMSG and in other discussions added an element of objectivity and intellectual rigour to the negotiations: *'without it, it would have been a very different process, and it would have descended into haggling over minutiae'*.

The availability of impartial guidance was described as assisting the focus on the vision and helping address the challenge of organisational culture change: *'it took the heat off, like the release valve on a pressure cooker, and allowed us to say things early on before they'd festered. It forced us to look at things we might have slightly avoided, that might have become much bigger'*.

IVAR's reflections on the Locality merger

In this final section we offer our own reflections on the merger, based on our re-reading of documents written during the merger discussions and interviews with key participants, as well as our position as facilitators of the MWG and JMSG meetings. We were in the privileged position of being both within the merger process and also slightly outside it, bringing in reflections from other VCS mergers, probing and nudging where appropriate, but not pre-occupied with the operational detail of bassac or DTA. From this perspective, we comment on three key aspects of the merger:

- Developing the vision for Locality
- Planning and organising the merger process
- The process of transition and integration.

Developing the vision for Locality

As we have discussed, the existence of a strong vision for the merged organisation, and the ability of trustees and senior staff to see it as '*a prize worth aiming for*', sustained their search for a way of addressing the emerging challenges. Their recognition that the development of an organisational vision is an iterative process rather than a discrete activity enabled them to work to build consensus and ultimately to secure members' almost unanimous support for merger.

As the merger discussions unfolded, and as the two boards got to know each other better, participants from both organisations increasingly recognised the value of their respective contributions to what would become Locality. This concept of an 'exchange' enabled them to move beyond earlier concerns such as the numbers of trustees from each organisation who would form the new board, and instead to look at what form of governance was most suited to the fulfilment of the new organisational vision.

Our experience of other VCS mergers suggests that where mergers are driven by expediency, such as financial or governance problems on the part of one of the merger partners, or external pressure to merge, it is usually much harder to find a way through some of the trickier aspects of the negotiations. We suggest that the situation for bassac and DTA might have been different if they had not been able to embark on merger at a time of their own choosing. Their experience may well, therefore, hold lessons for others contemplating merger.

Planning and organising the merger process

As well as a clear vision for the merged organisation, merger requires detailed work on a range of operational and strategic matters. The success of the Locality merger was aided by:

- A joint communications strategy
- A detailed timetable for action
- The availability of resources, both human and financial
- The existence, in the JMSG, of a cross-organisation steering group
- The availability of external advice and facilitation.

JOINT COMMUNICATIONS STRATEGY

It can be difficult to strike a balance between telling people that merger is under discussion – and thus raising their anxieties about the implications for them – and not telling people, risking their finding out through rumour or overheard remarks. DTA and bassac managed to get this balance right: the care taken over communications was instrumental in helping staff buy in to the idea of the merger and in reducing, as far as possible, the levels of anxiety that mergers inevitably present. We encourage Locality to maintain the strategy of attaching great importance to internal communications as the organisation develops, and other organisations to replicate their example in their own approaches to merger negotiations.

TIMETABLE FOR ACTION

The communications strategy was part of a much larger timetable covering all the work to be carried out in the lead-up to merger. The existence of a timetable may seem like an obvious management tool; we suggest, however, that its value lay not just in ensuring that tasks were carried out on time, but in helping staff to see how their own efforts related to the overall process and to the 'prize' of the fulfilment of the organisational vision.

DTA and bassac agreed that it would take a year to reach the point of legal merger; other organisations often do not have that length of preparation time, particularly if merging out of financial necessity rather than strategic choice. Whatever timescale is available, working out the steps to be taken, and in what order, is crucial in ensuring that nothing vital is missed.

AVAILABILITY OF RESOURCES

The availability of staff in both organisations with the necessary expertise in human resources (HR) issues, financial planning and management, etc. meant that much of that work could be done internally. There was still the need, however, for detailed legal advice, and a preference for external facilitation of the JMSG meetings and other discussions. The costs involved both pre-merger and in the ongoing process of transition and integration could not have been covered without the very welcome financial support provided by independent funders. This highlights the importance of assessing staffing capacity and likely costs at the very beginning of merger discussions.

THE EXISTENCE OF A CROSS-ORGANISATION STEERING GROUP

In our view, discussions at the MWG and JMSG meetings were undertaken in a spirit of mature consideration of the needs of the new organisation rather than on the basis of self-interest. A forum like the JMSG is a valuable vehicle for discussion of merger-related issues, but perhaps more importantly for the opportunity it offers those most closely involved to reflect, build trust at a senior level and find ways of addressing the challenges of merger. We also note the need for those who are so deeply immersed in planning the merger to remember that other staff and trustees who are less closely involved will regularly need to be brought up to date with the decisions being made.

Our work with DTA and bassac also suggests that a cross-organisational steering group such as the JMSG is enormously enhanced by the presence of trustees alongside senior staff. Their involvement enhances the strategic perspective, provides a clear link to the wider boards and also, in the case of member-based organisations, gives a link back to the heart of the organisation's vision – its focus on its members.

THE AVAILABILITY OF EXTERNAL ADVICE AND FACILITATION

Members of the JMSG considered that the involvement of external advisers (Bates Wells and Braithwaite as legal advisers and ourselves as researchers with wide experience of VCS mergers) was beneficial. Our review highlights the value of external advisers in bringing an element of objectivity to discussions, probing the reasons behind statements and opinions offered and knowing when to accelerate the discussion and when to allow it to run its course. The ability to set a particular merger within the wider context of other VCS mergers, and to offer guidance based on that experience, provides reassurance and ideas about the ways in which challenges can be addressed.

The process of transition and integration

From the very beginning, bassac and DTA conceptualised their merger as involving the creation of a new organisation, with its own distinctive vision, mission and identity. While it was always planned that it would build on the achievements of both partners, Locality was seen as much more than the sum of its component parts: *'the new organisation is bigger than the sum of the parts. It was based on two distinct but overlapping histories of organisations, but bringing them together makes it so much more rounded'*. With this in mind, achieving the transition to Locality, and integrating two sets of staff, trustees and members, required much thought.

From our perspective, the process of transition and integration for staff and trustees was assisted by a number of factors:

- The fact that senior staff began thinking about transition and integration well in advance of the date of legal merger
- The opportunities that staff had to work together prior to merger across the two organisations, e.g. on HR issues, membership arrangements, tendering for new work
- The establishment of the post of Director of Integration
- The involvement in the JMSG of independent/non-aligned members.

As we have already discussed, further work post-merger is needed to facilitate member integration, to encourage former bassac and DTA members to work together and to ensure that they really feel that they are part of Locality. Locality has been very successful in securing funding from the Office for Civil Society's Strategic Partners Programme and through four major tenders, plus other smaller sources of funding. This success is welcome in that it puts Locality in a relatively secure financial situation, at least in the short-term. However, unlike both bassac's and DTA's former funding arrangements, which allowed for more general development work with members, the current regime is much more programme-focused. Members may need time to adjust to this situation and, perhaps, to be helped to recognise that the change is the result of the operating environment rather than the outcome of merger. They are likely to assess the success of the merger in terms of the support that Locality is able to offer them, rather than necessarily in relation to the funding it has secured. The Locality system is that most staff have a 'case management' role, acting as the first point of contact for particular members. This is one aspect of a strategy that should help foster links with members in the new environment.

Concluding remarks

For members then, but also for staff and trustees, the process of adjustment and building relationships will take time. As others have commented, merger is a process rather than an event, and integration requires ongoing work: *'the prize offered by merger takes time to achieve: when can you say a merger has been successful – when the ring goes on the finger or at the golden anniversary?'*² The commitment, selflessness and hard work of key DTA and bassac personnel undoubtedly contributed to the 'prize' of establishing Locality on a firm footing, with a clear vision for the way it wants to develop. As new staff join, and as the external environment continues to change, that vision must remain at the heart of Locality as it approaches future anniversaries.

2 IVAR (2011) *Thinking about ... Merger*, IVAR: London, available at www.ivar.org.uk

Interviewees

Name	Role prior to merger	Role after merger
Joanna Holmes	Chair, bassac	Chair, Locality
Ben Hughes	Chief Executive, bassac	Interim Chief Executive, Community Development Finance Association
Ian Powell	Head of Member Services, bassac	Director of Integration, Locality
Micheal Pyner	Chair, DTA	Vice Chair, Locality
Steve Wyler	Chief Executive, DTA	Chief Executive, Locality

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