Non-Profit Organization Merges

A merger takes place when two or more companies decide to join forces to become one. For this to happen, one or more organizations have to dissolve (Chelariu,2017). Sometimes all the organizations involved are dissolving and taking on a whole new name. Sometimes an organization persists and retains its identity, while the dissolved organization(s) may fall within the business structure of the surviving organization. In the profit-sector market a merger would be called an 'acquisition'(Braid,2017). However, in non-profit organizations there are no owners or shareholders. In non-profit organizations ownership of another company cannot be gained, and it is considered a merger legally (Chelarie,2017).

In the non-profit field, the overall objective of a merger is to establish synergy (Braid,2017). This ensures that the combined organizations as a whole will work more efficiently or with higher quality than was achieved separately by the sum of their share. Other goals for non-profit organizations may include enhancing services, pooling resources, reducing duplication, reducing costs, and establishing a greater geographical presence (Haider,2019)

Horizontal Merger Benefits

(Chelariu, 2017) defines “merger” in three categories: Horizontal, vertical, and conglomerate. A horizontal merger occurs when two organizations unite under one ownership providing similar or complementary products or services to the same market. There can be several benefits for an organization that has undergone a horizontal merger (Peavler, 2019). A higher market share or market power is the most obvious benefit. The merging companies combine to incorporate the customer base, software, and products available on the market. The new company will increase its foothold among customers with more goods and services under one name (Braid,2017). The new company can now raise its sales by growing its customer base. Nonetheless, for businesses undergoing horizontal integration, it is normal to see more income than when they were separate organizations (Peavler, 2019).

The merger that took place between America's Boys and Girls Club in 1990 is a perfect example of a successful horizontal non-profit merger. The Boys Club of America was formed in 1860 to discourage young boys from wandering the streets (Boys & Girls Clubs,2019). The founders wanted to provide them with an alternative place to spend time and do constructive things. The company has grown dramatically since then and has been expanding across the country. The two organizations decided that they would work best as one in 1990, and had their charter revised and extended by Congress. The two organizations were ideal candidates for a merger because they had similar objectives and missions protecting the gender of their consumer base (Boys & Girls Clubs,2019)

Horizontal Merger Drawbacks

Disadvantages are also to be considered in accordance with the benefits of horizontal merger. The first and most alarming drawback is the level of scrutiny that this method of strategy faces, especially from government agencies (Braid,2017). Big Mergers, such as that of gas companies EXXON and Mobil are the reason for the justification and the implementation of antitrust laws.

Such laws prevent large corporations from acquisitions and mergers that would hinder the competitive market and establish a monopoly (Peavler, 2019).

Vertical Merger Benefits

A vertical merger is where a supplier or distributor is acquired by an organization. When two companies are involved in a vertical merge, they do not produce the same product and do not compete directly on the market as contrasted from horizontal mergers (Jacobson,2019). There can be many benefits to organizations who decide on a vertical merger. After an organization merges with one of its suppliers it no longer has to pay the manufacturer for a product, as they are now basically one group that allows the organization to save money. An organization can benefit by avoiding manufactures with great market power because big manufacturers can dictate their terms especially if they are considered a monopoly (Jacobson,2019). If Organizations are willing to bypass these distributors It can allow for a reduce in internal costs and produce the necessary services faster. Another benefit for customers is the most apparent one, and that is low prices. A vertically merged company can reduce costs and can pass the savings at lower prices to the consumers (Jacobson,2019).

Vertical Merger Drawbacks

While vertical mergers can bring many benefits, it also can entail many risks. Vertical integration can be costly, and the expansion of the supply chain does not always lead to higher profit (Jacobson,2019). Setting up and maintaining manufacturing or distribution centers may require a large investment, and the organization may find it difficult to compete with other businesses that outsource cheap labor to countries. Vertical Mergers are also tough to reverse if the organization fails. As new technologies develop rapidly and become available, vertical integration may potentially hurt an organization. To remain competitive, the organization is then forced to reinvest to new technologies, which is expensive and may require employee retraining (Jacobson,2019). In the end, you may end up losing money on your investment, and too often an acquisition mistake cannot be made profitable by working harder.

Conglomerate Merger Benefits

Conglomerate mergers occur when firms do not compete and do not have a buyer-seller partnership, but for strategic reasons choose to collaborate. A conglomerate merger allows the organization to diversify its market. This helps to mitigate the risks of a vulnerable organization (Leary, 2009). When one industry declines, the organization will resolve the unfavorable situation by doing well in the other diversified industry. A merged organization performs better than every single organization. This provides synergies by growing the merged organizations' sales and revenue. A conglomerate merger can cross-sell its goods or services to the other company's customers with this form of partnership, which helps build a larger customer base. This, in effect, helps to increase sales and profits (Leary, 2009).

Conglomerate Merger Drawbacks

In a conglomerate merger, the merging organizations have no previous experience of each other's functionalities. This can lead to severe organizational mismanagement. Another downside of a conglomerate merger is that the organization shifts its emphasis from its primary

business to another sector, which in turn results in a company that performs poorly in both areas. It is also difficult for organizations working in different industries to effectively merge the cultural values of the firms (Leary, 2009). Although a conglomerate merger is likely to result in higher profit margins, a large amount of money and professional expertise may be required to keep things running smoothly (Leary,2009).

Mergers Today

In the non-profit field, mergers are becoming an extremely popular topic right now. Organizations across the country are either negotiating a merger deal or rumored to be in talks. Currently, the United States has nearly 1.4 million non-profit organizations (Haider, 2019). It is hard to believe that there is a different and unique purpose for each organization. That's why it makes good sense for many of these organizations to merge to help more people and prevent competition among themselves. Nevertheless, this does not necessarily mean that the merger is being pursued by many organizations. Since a merger can be such a drastic transition, managers and directors of nonprofit organizations may converse the idea of a merge, just to discover that the move is not the best idea for their organization at the moment. Nonetheless, it is important to highlight that they are widely considered across the board (Haider, 2019)

Conclusion

In conclusion, I find the opportunity for non-profit sector mergers to be very promising and exciting. Recently, it seems that non-profits are learning from for-profit business success. It is possible organizations can achieve more objectives by implementing existing business plans and strategies for a non-profit organization. In the future, I agree that drawing the line ethically between which traditional American business practices they can and should not emulate will be a challenge for non-profit organizations. I feel that if non-profits in all aspects of business followed the for-profit sector, they might lose sight of what is important for their goals. Following successful business models for profit is a great opportunity but knowing where to draw the line is crucial for non-profits.

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