



# NGOs: M&A for innovation and impact

Accenture Strategy



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Roger serves as global lead for Accenture Development Partnerships, a business practice focused on the international development sector. He engages with clients and ecosystem partners to help design and apply environmental, social and corporate governance (ESG) principles, develop innovative shared value partnerships and envision new business models to progress the Sustainable Development Goals. Roger is based in Washington DC.



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Sonia supports clients in their growth strategy, operational improvement and transformation. She has due diligence, merger integration and divestiture planning and execution experience in various industries including nonprofit, consumer goods, energy, pharmaceuticals, retail and telecommunications. She has also served as a board member of two nonprofits. Sonia is based in Boston.

# We are entering an era of huge possibility.

International development and non-governmental organizations (NGOs) have the opportunity to create outcomes at unmatched scale, to help underserved populations and improve society.

Using mergers and acquisitions (M&A), a strategic tool previously underutilized in the international development sector, they can create more holistic change, faster than ever before.

The speed and scale M&A provide are crucial. The world has less than a decade to reach the 2030 United Nations Sustainable Development Goals (SDGs). The time to act is now.



# Moving the needle

As the world enters the decade to deliver, international development organizations are facing a choice—to continue to operate as they have historically or to reinvent themselves for greater innovation, impact and scale.





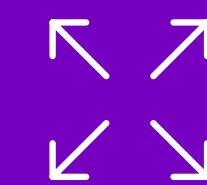
**NGOs have achieved incredible impact to date, laying the foundation for change. However, the issues they are looking to solve are increasingly complex—from quality healthcare to clean water and sanitation. COVID-19 has exacerbated many challenges, particularly for underserved populations.<sup>1</sup>**

As we reflect on the impact of COVID-19 and aim to [rebuild for the better](#), all organizations need to act to remain strong for the longer term. Over the next three to seven years, those who leverage M&A as part of a holistic response will be more likely to outmaneuver uncertainty and outperform those who do not.<sup>2</sup>

Achieving the SDGs at the depth and speed necessary will require NGOs to change.

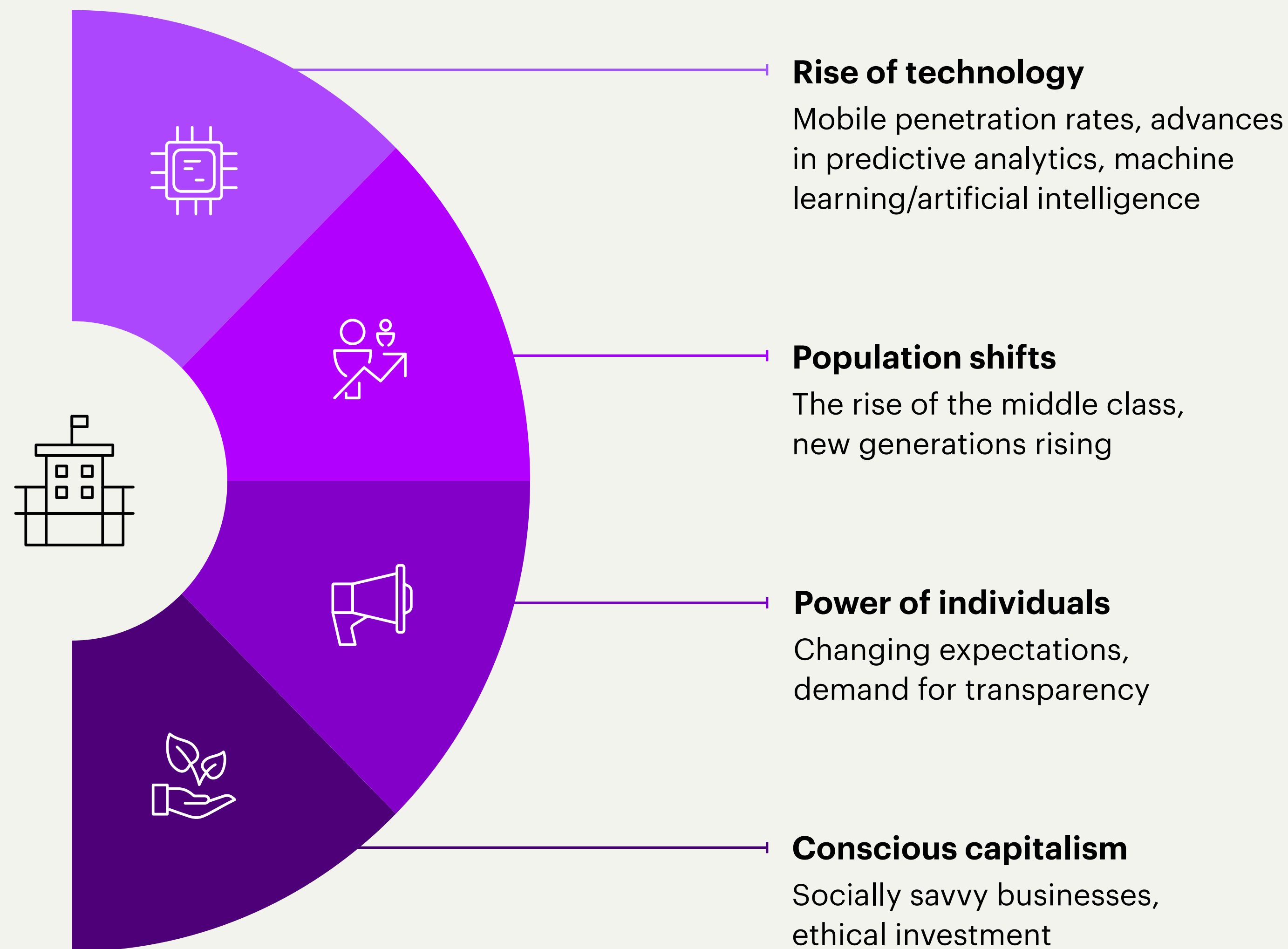
As Liu Zhenmin, UN Under-Secretary-General for Economic and Social Affairs, stated: “One third of the way into our SDG journey, the world is not on track to achieve the Global Goals by 2030.”<sup>3</sup>

Moving the needle at the pace and scope required means NGOs need to try a new, more impactful strategy—one that addresses the interdependencies and collaboration necessary for success. To leapfrog innovation and create targeted outcomes for underserved populations, NGOs will need new capabilities (see Figure 1). Further, they will need talented people who understand the technology that enables those capabilities. M&A can bring several benefits to meet those needs that are not offered by traditional NGO partnerships.



**Unlike the for-profit sector, which focuses on valuations and multiples, the primary purpose of M&A for NGOs is to expand impact.**

**Figure 1:** Beyond the need to drive systemic change to achieve the SDGs, several additional trends are pushing the need for NGOs to innovate through M&A







# M&A: Change accelerator and value creator

NGOs cannot go it alone and still achieve desired outcomes at the speed and scale necessary. Fortunately, as large global businesses are becoming true corporate citizens and investing in positive change for our world, they are looking for partners to help make it happen.



## **Partnerships in the international development sector are a given. The choices NGOs make now will determine how they come together and shape this decade—and beyond.**

In the business sector, 85% of executives are not very confident that their current operating model can meet shifting strategic priorities.<sup>4</sup> NGOs are facing similar shifting strategic priorities due to a rapidly changing world and donor environment. The need for innovative technologies and the talent that fuels them is real.

NGOs will need to apply some private-sector best practices within their organizations to shape themselves for more effective partnerships. They will need to innovate for their own survival, similar to the way companies have been required to over the past five to 10 years.

[Accenture Development Partnerships](#), since its launch in 2003, has partnered with NGOs around the world to support social, economic and environmental impact—from training and supporting health workers to empowering communities with sustainable energy. Our experience completing 1,800+ projects across 95 countries has given us a global view of how NGOs operate.

In addition, our involvement working with many of the Fortune 500, helping the largest companies with their M&A, gives us global business expertise in what makes a successful partnership. When we apply both lenses to creating positive change in international development, we can literally help change the world.

A modern M&A strategy can create growth, amplify impact, improve efficiency and effectiveness, and shore up financial diversity and sustainability for NGOs. Organizations can start by considering partners within their existing network to merge with or acquire, capitalizing on shared purpose, complementary capabilities, and more.



# Why now is the time for NGO consolidation

Several factors show that exploring consolidation through M&A in the NGO sector is a wise move (see Figure 2).





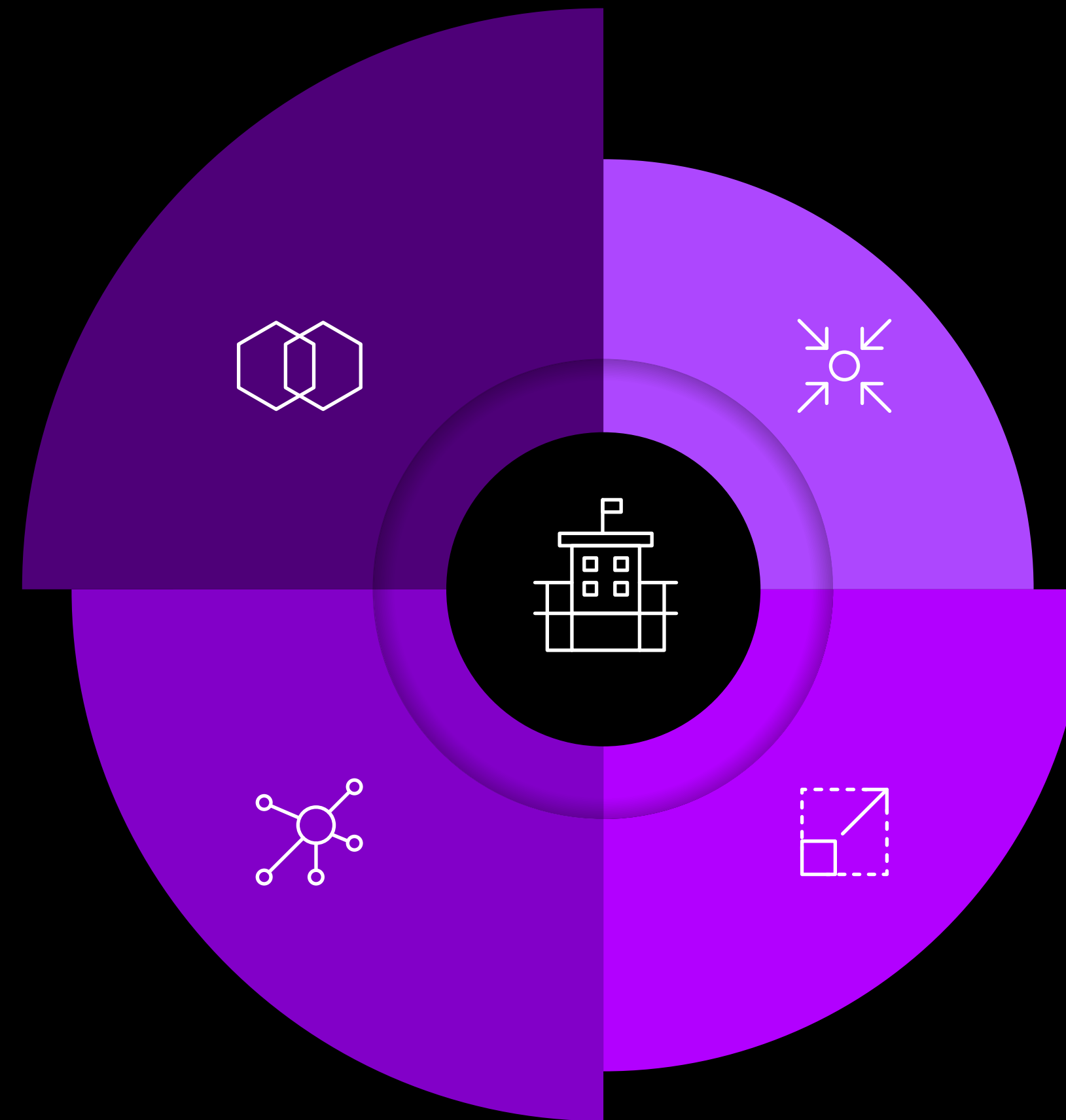
**Figure 2:** Several factors are driving the need for NGOs to explore M&A

**04**  
**Integrated development**

NGOs that join forces to create systems change can have more holistic, lasting impact.

**03**  
**More diverse funding**

By diversifying their sources of funding, NGOs can increase their resiliency against shifts in donor priorities.



**01**  
**Increased competition**

The NGO environment has become increasingly competitive for funds as the number of organizations has increased.

**02**  
**Scale matters**

Over the past two decades, large NGOs have grown at twice the market rate.

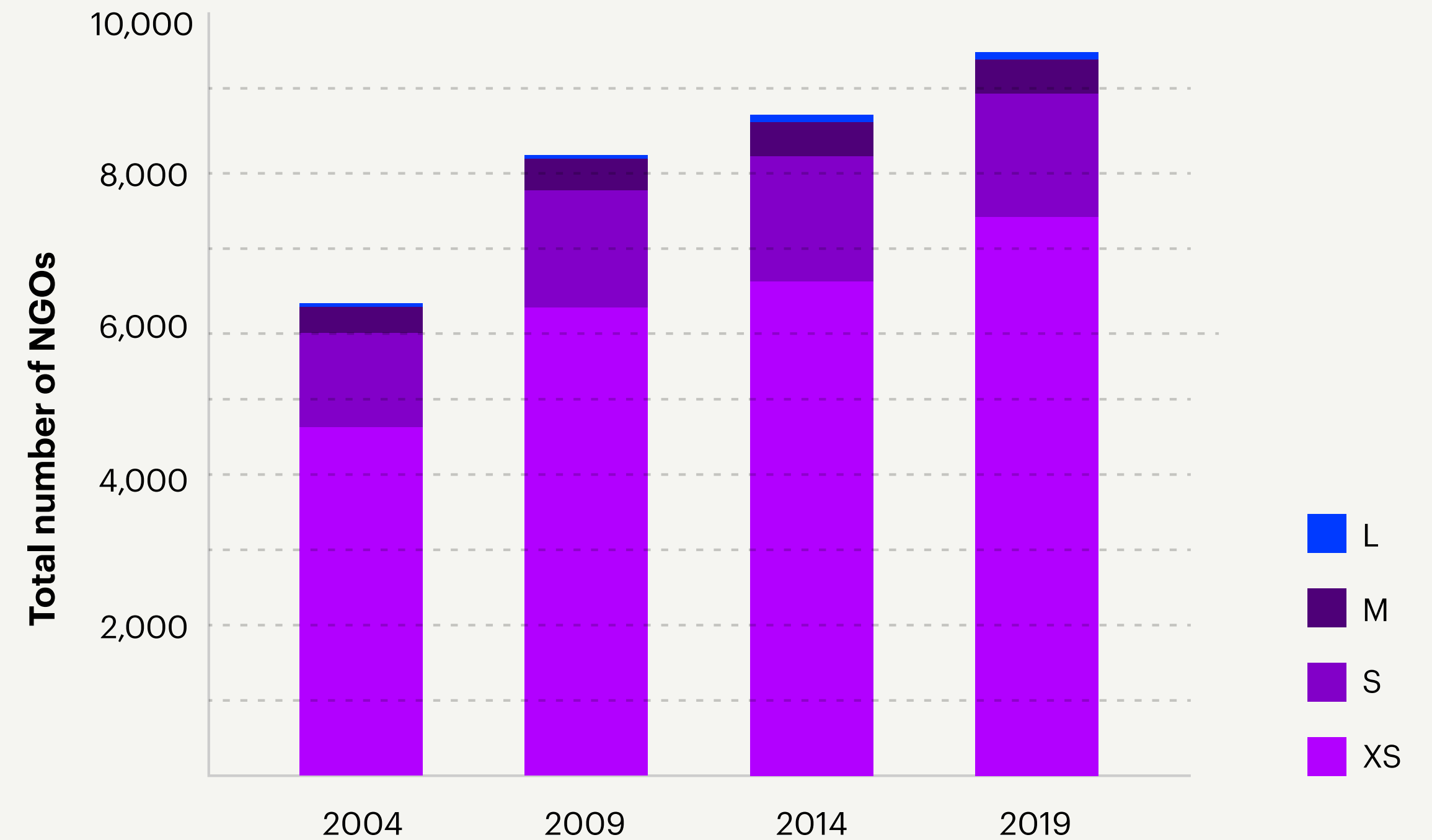


# 01

## Increased competition for donor funds

The NGO environment has become increasingly competitive for donor funds as the number of NGOs has increased significantly since the year 2000 (see Figure 3). With more organizations competing for finite resources, the race for funds has become harder for individual organizations—particularly small and medium-sized ones.

**Figure 3:** The number of international NGOs has grown over the years

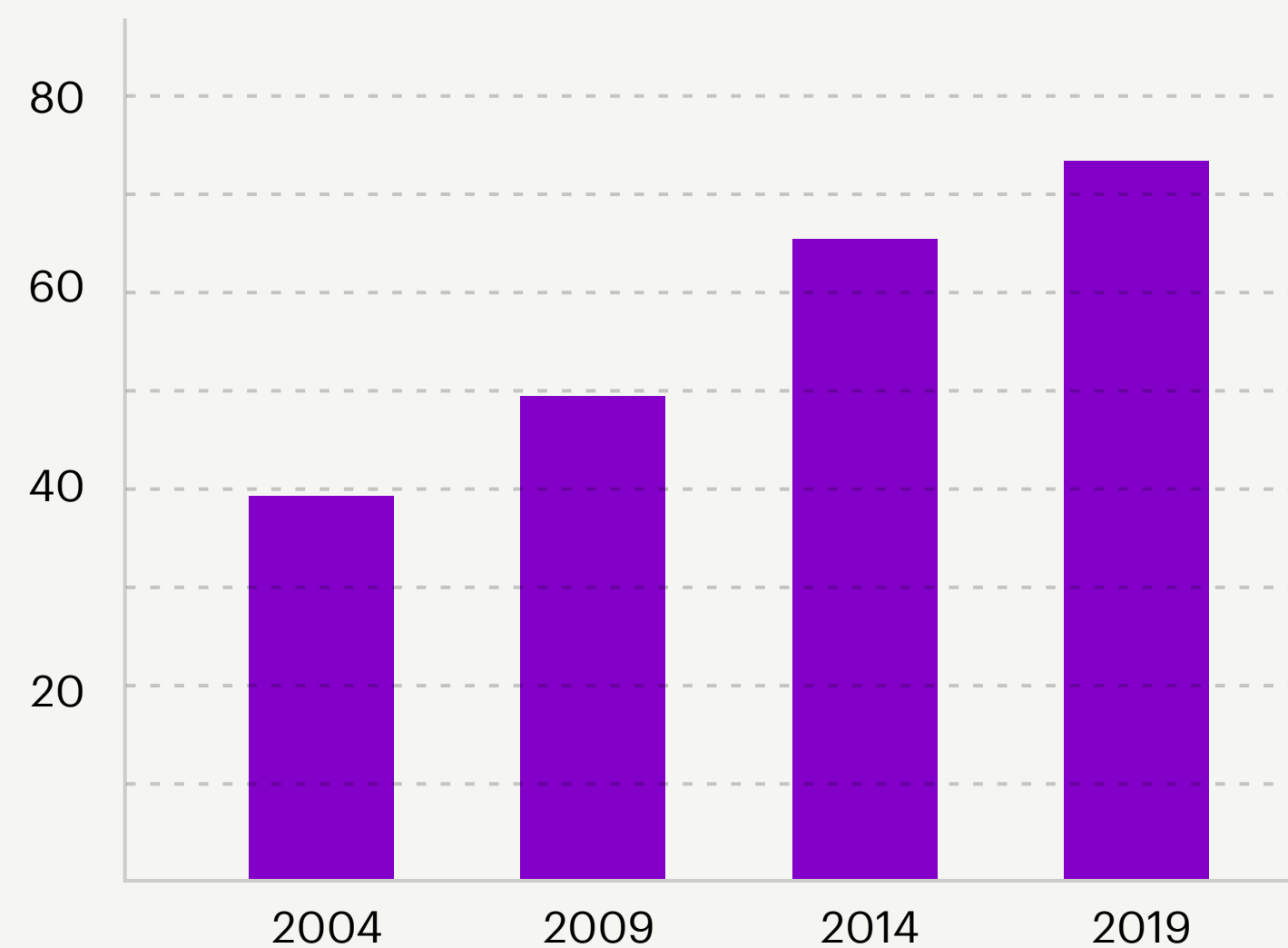


Source: Accenture analysis of data from the Urban Institute and the National Center for Charitable Statistics, 2020. Data filtered on IRS NTEE Code = Q, International, to select international NGOs filing taxes in the United States. We have defined size by total revenue: XS = <US\$500k, S = US\$500k – US\$5M, M = US\$5M – US\$100M, L = >US\$100M.

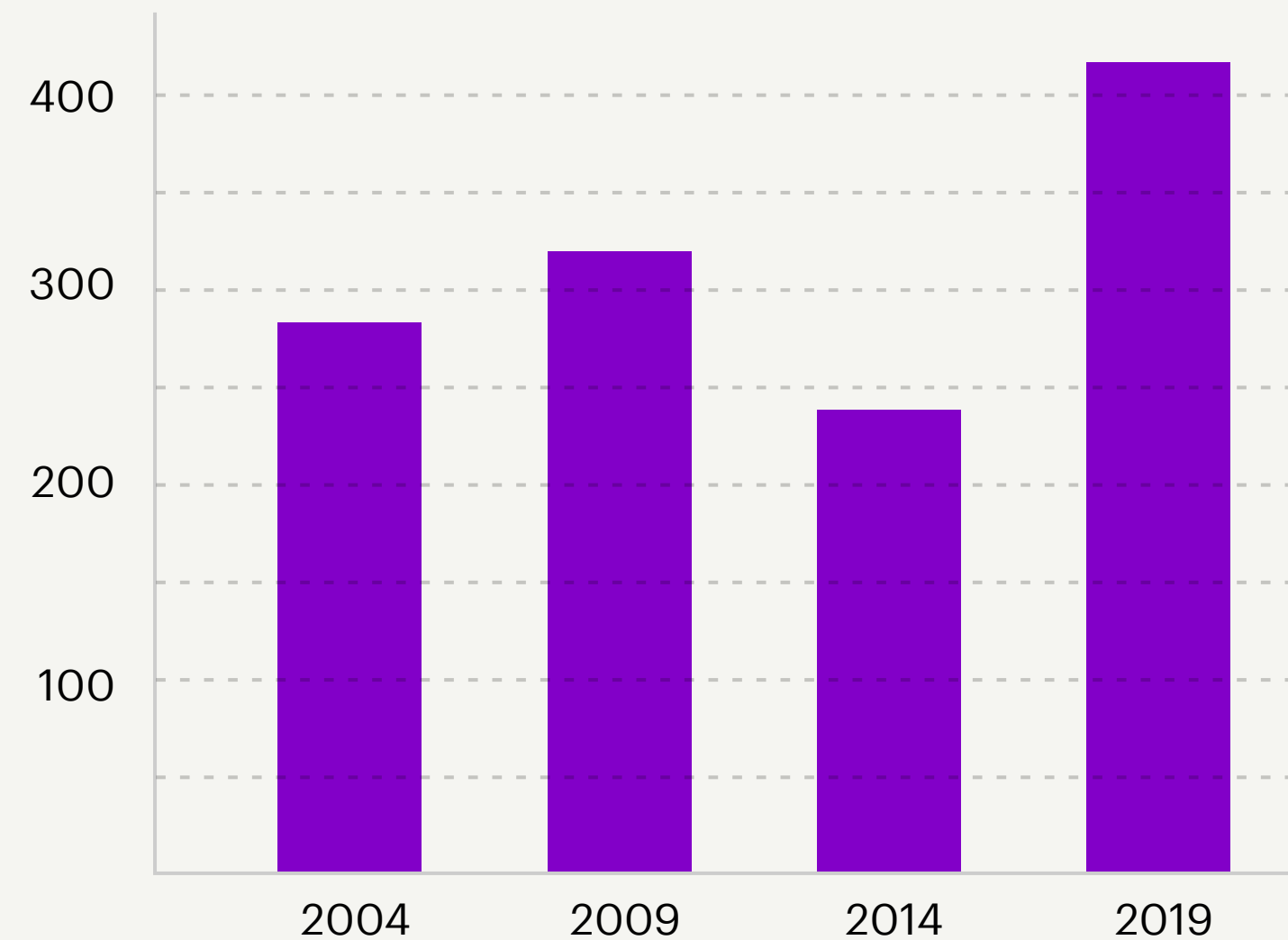


**Figure 4:** The average size and number of large NGOs have grown

### Total number of large NGOs



### Average size of large NGOs (Million US\$)



Source: Accenture analysis of data from the Urban Institute and the National Center for Charitable Statistics, 2020.  
Data filtered on IRS NTEE Code = Q, International, to select international NGOs filing taxes in the United States.  
We have defined size by total revenue: Large = >US\$100M.

## 02

### Scale matters

Large NGOs tend to attract more attention and more funding. As Figure 4 shows, the international NGO market saw a 75% growth rate in the past two decades, but large international NGOs grew at more than double that rate (156%). NGOs looking to maximize their impact can use M&A to expand their reach.



## 03

### **Beyond grants: Achieving resiliency with more diverse funding**

Grants have been the primary source of funding for NGOs, but generally restrict what NGOs can use that funding to do. By diversifying their sources of funding across governments, foundations, corporations, individual donors and self-generated revenue, NGOs increase their resiliency against shifts in donor priorities. They also open the door to funding innovative new and emerging priorities, as well as to building their organizational capabilities.

## 04

### **Integrated development offers more holistic, systems change**

Myriad inequities in the world require sustained, wholesale effort. NGOs that join forces to create systems change can have more holistic, lasting impact. For example, innovative cross-sector solutions for climate change, agriculture, health and nutrition could help the environment, our food supply, and the wellbeing of global communities. Sustainable development goals have inherent interdependencies. Taking those into account is essential for faster, deeper progress moving forward.



# From transitory partnerships to transformational M&A

Joint ventures and strategic partnerships, a mainstay of NGOs, are transitory by nature. They often do not encompass the full organization. Often, they fail to enable holistic or systems change.





In the past, partnerships in the NGO sector have formed mainly to support a specific project. The partnership ends when the donor funding does. As the NGO sector strives for more holistic change, it makes sense for NGOs to partner long term to expand their capabilities. They can use M&A strategically to build on the collaboration, trust, and joint-program delivery muscle already developed.

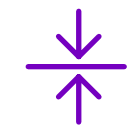
## The benefits of one integrated organization through a merger or acquisition include:



Unified brand, vision and mission



Diversified donor pool



Aligned incentives



Sustained joint program offerings (vs. just co-delivery)



Simplified governance and reporting



Improved efficiency



Programmatic impact driving systems change



**A merger or acquisition does not come without challenges. We see organizations struggle with issues like integration planning and execution, culture and talent retention, and unified governance.**

Experienced advisors can help NGOs overcome those hurdles, using a combination of strategy, intelligent technology and human ingenuity to unleash the value inherent in the right merger or acquisition. The result is no different than what we see in the corporate world—combining the power of two organizations can spur exponential progress. In the case of NGOs, that progress is not just for the new organization, but for goals that are helping to improve our world. There is no worthier cause.



# Post-merger reflections from an NGO CEO



Ambassador  
Daniel V. Speckhard  
President and CEO,  
CORUS International

Lutheran World Relief and IMA World Health had been partners for nearly 60 years when they merged in 2019, aided by Accenture Development Partnerships. “We knew we could do more good and have more holistic impact as one organization than as two,” explained Ambassador Daniel V. Speckhard, who serves as president and CEO of the combined organization, [Corus International](#).

Lutheran World Relief focused on rural livelihoods and emergency response, while IMA tackled public health issues in some of the world’s most challenging environments. The objectives behind the merger included combining complementary fields of work for greater impact—reducing poverty and improving communities’ health.





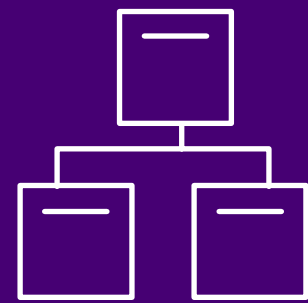
**It's always helpful to hear from a C-suite leader who has walked a path before you. With that in mind, we asked Daniel to share his thoughts on key areas of focus for NGO leaders when strategizing or operationalizing a merger or acquisition. He went beyond areas that immediately spring to mind—donor pools and organization charts—into considerations that are sometimes pushed further down the agenda, emphasizing that they are of equal importance.**



**Culture.** “When we blended two organizations, Accenture helped us to identify beforehand any cultural issues that might arise. We were fortunate in that we didn’t have huge issues. We’re do-gooders, so we had that in common, but the way we went about that varied a bit and we had to find middle ground. I think you need to be realistic because any shift this large has a big people element—you’re not going to keep everyone happy. Some people are resistant to change, but if you can unite people based on the bigger picture—the shared mission of the combined organization—it helps people stay through the rough patches.”







**Leadership and boards.** “If you’re merging or acquiring, you need to assess if your leadership team is able to get you there. Nonprofit professionals are loyal to a fault, so this is sometimes hard for us, but you’ll need a leadership team that’s up to the challenge of enhanced complexity in the organization and who can drive more innovation while dealing with that complexity. Evaluate carefully and be sure the right people are at the helm. Additionally, involve your board. Keep them apprised of the big issues without miring them in the details. Their support will be crucial to speedier integration of both organizations.”



**Mission.** “Your mission is your secret sauce. It’s what kept us on track when we started to get sidetracked. Remember the people and cause you serve. The other element of secret sauce is what’s going to keep the international development sector relevant in the future: We need to bring the outside in so we can be more effective. There’s a lot of knowledge, expertise, experience and best practices outside of nonprofits—in technology, the corporate sector, and many other areas. That’s part of what a merger or acquisition is about and we need to run toward it, not away from it.”





# Starting in your own backyard

In looking to create more formal arrangements through M&A, NGOs can take advantage of their current partner network.



## **Current partners will be a good fit for shared purpose, while providing complementary capabilities and donors. However, before beginning to identify good potential partners to merge with or acquire, NGO leaders need to clearly define the intent of the deal.**

We see three major deal types in the NGO space:

**Funding play.** The key driver in this type of deal is the advantage of a complementary funding model. For example, an organization that is heavily funded by restricted grants can benefit from combining forces with an NGO that emphasizes individual, unrestricted donations. Funding not tied to specific programs allows innovation to blossom.

**Geography play.** Scale is becoming increasingly important not only for holistic change but for NGO survival. When scale is combined with speed, meeting SDGs within the next decade is within reach.

**Domain play.** Many NGOs have focused on a specific sector or domain but combining complementary ones boosts speed, scale, and holistic change. A health NGO and an agriculture NGO, for example, can be far more effective together in creating healthy farming and nutritional habits, which creates a synergistic cycle of good for populations in need of both.

In addition to clearly identifying the intent of a deal, NGO leaders should look at the type of partnership that would best fit their needs. For instance, for a geography play, is acquisition the only option?

Or could they instead build a network of organizations under one umbrella while better preserving the existing social capital and trust that has been built by each entity? For instance, airlines have consolidated regionally because they needed to, but they've built network plays globally to maximize value.<sup>5</sup>

Beyond the strategic considerations, the good news is that technology now makes integration—regardless of deal type—faster and less expensive. For example, we have helped enterprises design new combined organizations in half the time it used to take, leveraging a suite of analytics techniques.<sup>6</sup>



# The next level of NGO value

M&A has been underutilized in the NGO sector. Given the changing environment NGOs are operating in, we believe M&A should be used for greater impact and the systems changes needed to meet the SDGs.





**As NGO leaders investigate M&A as an option for growth, a few key considerations can help:**

**01**

**Envision the impact you want to make—that dictates your strategy**

Leaders should review their organization holistically with an objective eye, consider the impact they desire, and assess that impact against their organization’s capabilities, strengths and weaknesses.

**02**

**Consider your existing network first**

NGOs should look to their current network of partners first, beginning conversations to determine if deepening the relationship via M&A can benefit all involved parties. Merging or acquiring an organization where a foundation of collaboration and trust already exists helps smooth the inevitable culture, operations and talent issues that can arise.

**03**

**Determine the right partnership model**

There is no one-size-fits-all solution. NGO leaders should consider the “fit-for-purpose” partnership model and integration strategy that best meets both organizations’ gaps and strategic vision.



# **NGOs are evolving to deliver the next generation of value, which means building speed, scale and innovation into their everyday operations.**

From social impact to a greater return on investment, there's so much room to add value. There has never been a more important time to do so.



**Reach out to our authors if you'd like to explore how M&A can help your organization make a greater impact.**

**Get in touch**



## References

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Accenture Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise.

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Accenture Development Partnerships works with leading international development organizations to address the world’s social, economic and environmental issues. By delivering the power of Accenture’s global capabilities and experience, we help our clients develop sustainable, innovative and market-based solutions to maximize value while driving measurable impact.

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