NEW CHARITY MERGER: BREAST CANCER NOW

Breast Cancer Now launched as a new charity in June 2015, following the strategic merger of Breakthrough Breast Cancer and the Breast Cancer Campaign. It was a merger of equals with both charities being similar in size, activities and ambitions—a rare occurrence in the charity sector. The year before the merger, Breakthrough Breast Cancer's total income was £16.5m and Breast Cancer Campaign's was £11.9m. Both charities had run small deficits the year before the merger and were experiencing a tricky economic climate for fundraising among the general public, but the organisations were financially stable and did not need to merge for financial reasons. But in the three years since the launch of the new charity, efficiency savings have accompanied the significant impact achieved through merger.

A merger as logical as it was long coming

A unified voice and increased scale were the main drivers for the merger

The merger between Breakthrough Breast Cancer and Breast Cancer Campaign had a long gestation. In NPC's 2009 report on mergers, the two charities were identified as ripe for a merger due to the similar aims and activities. However, in response to the report, both charities at the time dismissed suggestions that a merger was imminent.

In the following years, the similarities between the two charities became increasingly clear—particularly when each charity published its five-year strategy in 2013. In the two strategies, there was a clear synergy between the goals and ideas to achieve a better life for women with breast cancer. Both wanted to prevent breast cancer, improve early diagnosis and develop new treatments and stop women from dying of the disease.

At this point, merger discussions began between the respective CEOs and trustees, with the new charity, Breast Cancer Now, formally launched two years later in June 2015. Delyth Morgan was appointed the CEO of the new charity, after previously holding the top role at both Breakthrough Breast Cancer, and more recently—up until the merger at Breast Cancer Campaign. Announcing the launch of the new charity in the Guardian, she explained that '*it became clear that merging would lead to faster progress in research and a stronger voice for breast cancer patients*.'

Enablers and barriers

There were many factors which made the merger a success. Most of the staff we spoke to felt that the appointment of a CEO who had worked for both charities made it feel like a merger of equals. The appointment of Lynne Berry as a new independent chair was also important, and only made possible through the willingness of both incumbent chairs to step aside, as well as the work of the two sets of brave trustees.

Other enablers were the commitment of staff from both legacy charities to work hard to align internal systems and processes. Due diligence on both sides showed no significant issues of concern, such as pension liabilities. Supportive corporate funders also played a role by maintaining their funding during a period of uncertainty and putting aside the perks of holding exclusive corporate partnerships—without this support, successfully merging the charities would have been much harder to do.

The merger of Breakthrough Breast Cancer and the Breast Cancer Campaign also faced some barriers. Staff knew their jobs were at risk, not least the senior management teams at the legacy charities who were making many of the hard decisions. Another barrier was the huge amount of work that was necessary to merge the legacy charities. Combined with worries about job security, there were clearly pressures and challenges felt by staff. Ultimately the merger was achieved without too much disruption, which staff attribute to the clear desire from everyone involved to make a greater impact. As one staff member we interviewed said '*merging was clearly the right thing to do for tackling breast cancer, so we just all got on and did it'*.

The merger has brought multiple impacts

We looked at the impact of Breast Cancer Now's merger on its purpose and activities; its people and culture; and finance and operations. There were trade-offs and issues in each of these areas, but overall there is clear evidence of significant impact following the merger.

Purpose and activities

The merger gave Breast Cancer Now a renewed sense of purpose, as shown when it launched with its ambitious new goal, that by 2050 everyone who develops breast cancer will live. The new charity works to achieve this by funding research into the disease, Breast Cancer Campaigning and raising awareness. Although the articulation of this vision is new, the merged charity's strategy was very much built on the foundations of what both legacy charities had already been working towards. During the past 15 or so years both Breast Cancer Campaign and Breakthrough Breast Cancer did a lot of research in the sector, leading both to publish similar strategies before the merger. This made combining the strategies and developing new goals for Breast Cancer Now easier than it might otherwise have been.

'Bringing the two types of funding approach together was complementary and strengthened the research strategies.'

Alex Bonner, Head of Research Resources, Breast Cancer Now

Before the merger, both charities ran campaigns and raised money for research—the key difference was in the way in which they supported scientists. Breakthrough Breast Cancer funded longer-term initiatives such as its Research Centre, housing over 100 scientists. This was a very effective way of driving forward scientific innovation into breast cancer, but it required a consistent source of funding each year which put some strain on fundraising. In comparison, Breast Cancer Campaign provided smaller and shorter-term grants for individual breast cancer scientists across the UK and Ireland.

The merger enabled the charity to bring these two complementary approaches together into a broader, diversified portfolio. This mixing of both long-term partnerships and open access, short-term, grants enables the charity to access a wider pool of the breast cancer research community and be more responsive to research gaps. Existing commitments to all the research streams were kept, and the research community received the merger well, seeing potential in new opportunities for funding and a clearer route to access it.

Women with breast cancer—as the beneficiaries of the charities—were consulted during the merger and they were overwhelmingly positive about what the merger could achieve.

'The merger was better for beneficiaries because there was less duplication and less confusion.'

Delyth Morgan, CEO, Breast Cancer Now

The merger also provided the opportunity to create a new brand for the new charity, and to cut through what Deanne Gardner, Assistant Director of Brand and Communications, termed the 'pink fog'. Before the merger both

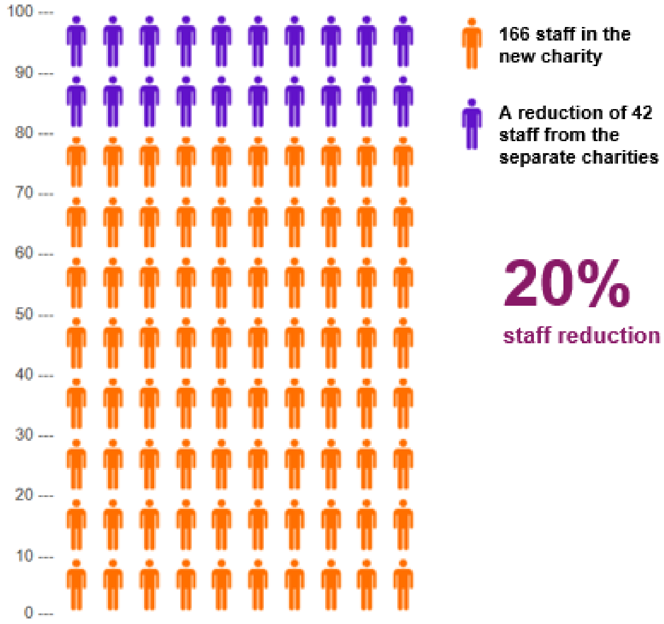
Breakthrough Breast Cancer and Breast Cancer Campaign knowingly competed for the same awareness, audience and money. The outcome of the merger has been less confusing for the public with one brand representing one dedicated breast cancer research charity. Changing the brand was also seen internally as an essential marker of the two legacy charities coming together as equals—but it was not without risk.

Unsurprisingly, on the day the new charity launched there was 0% brand awareness for the organisation among the general public. Following a high-profile multi-channel launch, as well as continued digital engagement, high profile PR and campaigning work and various prominent corporate partnerships over the last three years, this brand awareness has now reached around 40%. In the sector, growth in awareness is unusual to see in such a short time, particularly considering the minimal budget used to achieve it.

People and culture

It was important for both charities to be as transparent as possible with their staff during the merger process, particularly because it meant that some would lose their jobs. Annual reports show that Breakthrough Breast Cancer and Breast Cancer Campaign had a total of 208 staff in the year before the merger, which reduced by 20% to 166 at Breast Cancer Now. Staff were lost at all levels, and the executive team was halved—Breast Cancer Now currently has a senior management team of 5 compared to 11 senior staff at the two legacy charities combined.

The trustee board also changed shape, with chairs from both of the legacy charities stepping aside in favour of appointing a new independent chair. Some of the original trustees were appointed to the new board, with an end result of around a 50:50 split from each charity. By 2017, following a full governance review, the Breast Cancer Now board was roughly constituted by a third of trustees from Breakthrough Breast Cancer, a third from Breast Cancer Campaign, and a third who are new.



A lack of job security and significant levels of operational change during the merger seemed to contribute to increased staff turnover as some people decided to move on. People leaving voluntarily in this way contributed to the reduction in staff numbers foreseen at the time of merger. In addition, the annual report shows redundancy related costs to be almost half a million pounds. Unsurprisingly, morale was negatively affected by so many people leaving, but the latest staff survey shows morale has recovered. Senior management were aware that such significant change would result in challenges being felt by their teams but said that most staff were supportive of the merger because they could see it made sense.

'The speed of the merger was good for staff certainty, but bad for the stress that was caused from the sheer scale of work that people had to do.'

Delyth Morgan, CEO, Breast Cancer Now

In many ways, although it was hard work and losing co-workers was emotionally difficult, the merger gave staff opportunities to upskill and a chance to work together to improve processes and ways of working. One member of Breast Cancer Now's senior management team explained how there were 'no sacred cows' anymore and staff were not precious about legacy systems. The merger allowed the new charity to take the best aspects from the old ones—or look elsewhere if old systems were not fit for the new larger organisation.

'We looked at the systems and processes in both charities and chose the best option for the new charity.'

Delyth Morgan, CEO, Breast Cancer Now

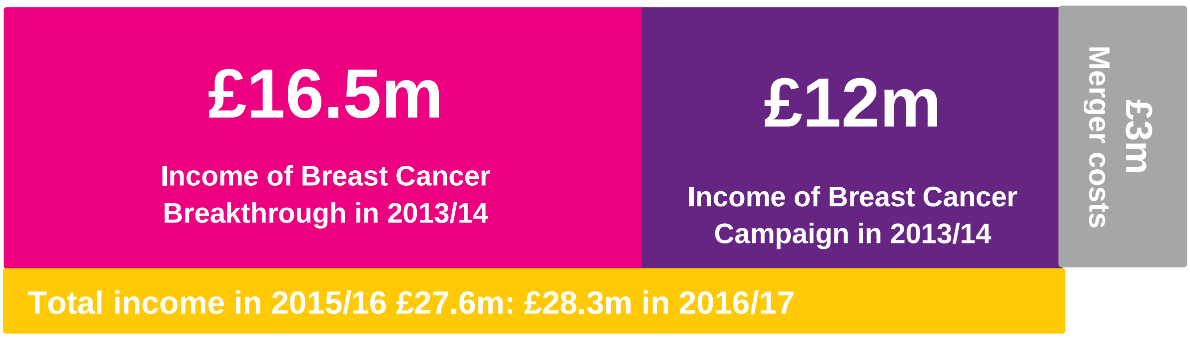
The two legacy charities had different cultures, and bringing them together was tricky at first, not least because the two organisations had historically been in competition with each other. The transition was helped by the fact the new charity moved into a brand-new office, and on the first day everyone had a place to sit, a computer that worked and a welcome pack with a teabag inviting them to make a 'cuppa' for their new work neighbours.

Delyth Morgan, the new CEO, has praised how dedicated the staff were in making the merger work and explained that, two years after the merger, people have stopped identifying with the legacy charities they used to work for. This was also helped by new staff joining the new charity who identify solely with Breast Cancer Now and do not have any connection to the previous organisations.

Finance and operations

The cost of the merger was just over £3m, half of which was spent on communications and marketing, followed by redundancy related costs, legal and professional fees, property costs and systems integration. This is much more than the average merger costs as it included a full rebrand—something considered necessary in creating a new charity. It was also essential in terms of satisfying a key objective of the merger, which was to reduce the 'pink fog'. In addition to this there were uncounted costs in the form of staff time required to prepare and implement the merger. Although there was an intentional use of existing expertise and resource, which was deemed necessary to move at pace, Chief Executive Delyth Morgan says she would have got more external help if the merger was to happen again.

By merging the two charities, the new charity has an income level 67% higher than that of the largest of the individual charities. The addition of the £12m organisation of Breast Cancer Campaign at the cost of £3m was a significant increase on top of the £16.5m sized Breakthrough Breast Cancer. This is a much higher level of value created than in a typical private sector deal where shareholders and founders tend to receive a pay-out which can be very costly.



During the merger, staff worked extremely hard while every department faced restructuring and every system and process was up for review. The effort of the staff is demonstrated by the fact fundraised income was maintained while the merger process took place, alongside all sorts of other merger related activity. Donor overlap—whereby the same donor might give two separate donations to one charity risking the loss of some of the value of both—was minimal, with few individual supporters having supported both charities and major corporate partners who had worked with both positively supporting the merger.

The merger also resulted in cost savings of at least £3m at present, making the merger more-or-less cost-neutral. Money has been saved in various ways: the new charity is housed in one office not two, the number of senior staff has halved, and there is now one set of new fit-for-purpose IT and finance systems instead of the old ones that Breakthrough Breast Cancer and Breast Cancer Campaign were using. There have also been some economies of scale, for example in fundraising campaigns where the same amount of work is required to engage double the number of supporters.

Before the merger, both Breakthrough Breast Cancer and Breast Cancer Campaign were financially stable but net income was decreasing and both charities ran deficits the year before the merger took place. The impact of the merger was positive in this regard, with net income first stabilising and now increasing. Similarly, the impact of the merger on the fundraising ratio has been positive. Before the merger both legacy charities were seeing decreasing returns from their fundraising activities, at its nadir pre-merger the combined fundraising ratio had dipped below 2x—i.e. for every pound donated, over half went to fundraising costs (including some money spent on communications and other resources to support this). This ratio is back above 2x post-merger and will improve over time as net income grows. Ultimately, by merging, the charity is having a much broader and greater impact in research, policy and campaigning with the same spend. To get a flavour of how £3m could be spent, NPC found an example of a chair in medical research being endowed for £3.3m.[1]

Lessons from the merger

Communication

The charity knew at an early stage that their approach to communications would be fundamental to successfully delivering the merger. Senior management agreed and committed to sharing information about decisions and progress with the charities 'nearest and dearest' first. This meant that detailed plans were developed to keep staff, key stakeholders, funders and warm supporters informed with regular updates. There was a conscious decision to communicate with the media and public only after those priority contacts had all the information first. This sustained level of engagement helped to build trust and buy-in from priority audiences throughout the process.

Breast Cancer Now recommends using patient insight to inform and communicate merger decisions. Understanding the needs of their beneficiaries was fundamental to bringing about, and following through with, the merger. Having people affected by breast cancer front of mind, and on board with the decision to merge, helped motivate staff even when there was day to day challenges in bringing the two charities together.

Operations are entwined with mission

Other lessons are highly practical, for example, it would have been much easier for the finance team if the new charity was launched at the beginning of the financial year. Significant resource was required to complete the accounts, effort which could have been saved if the date of the merger had been different. Staff from across the

[1] https://www.campaign.ox.ac.uk/news/developmental-medicine

organisation also recognised the value of external support and a few said they wished they had bought in more external experts to help steer the merger transition.

The establishment of a dedicated ‘Project Management Office’ (PMO) which coordinated the merger workstreams were also cited as critical success factors. The PMO supported teams with merger projects and facilitated clear reporting between staff, the senior management team and the trustees.

Reflecting on lessons from the merger the new CEO, Delyth Morgan, identified the commitment of the trustees many of whom had to voluntarily leave their roles. Delyth felt that unlike the private sector where mergers often result in handsome financial payments, there are no monetary incentives for trustees, and yet their buy-in is vital.

She reflected that charities should spend less time thinking about what differentiates them as individual organisations and more time thinking about what they have in common with other charities and how together they can deliver greater impact for beneficiaries. Despite the costs of the Breast Cancer Now merger there have been significant cost savings and economies of scale, and the charity is in a stronger position to help create a future where women with breast cancer can live and live well.

Looking forward

Nearly three years after the merger, Breast Cancer Now is in a stronger position to achieve its mission by 2050. The financial risk of the charity has decreased, net income has increased, and its fundraising ratio has improved so it is set up to raise even more money for scientific research. Breast Cancer Now also has a fresh brand and a less confusing proposition for the general public who wish to donate.

In addition, Breast Cancer Now is attracting more corporate funding and is undertaking bold projects which it would not have been able to do before the merger. Recently, a large multi-year collaboration with Pfizer began allowing Breast Cancer Now researchers unprecedented access to Pfizer’s drugs under development to speed up the discovery of treatments. All research results—positive and negative—will be published so that knowledge is shared with the research community, and the project is overseen by an independent committee of experts.

This year, Breast Cancer Now was able to support the first UK Interdisciplinary Breast Cancer Symposium bringing together the whole breast cancer scientific and clinical research community.

Some of this is new ground for Breast Cancer Now, and the charity thinks such high-profile collaborations, influence and activity would not have been possible before the merger.

NPC’s 2018 research into mergers

Mergers as a means of stretching scarce charitable resources are an attractive prospect. Mergers offer strategic potential—reaching more beneficiaries; increasing the range of services offered to beneficiaries; greater heft in policy influencing and contract negotiations. Logic suggests cost savings would be achieved. Despite this, mergers are not as common as might be expected. So why are charities not liking them, or doing them? Much has been published on how to merge, ranging from the legal to the practical, and many sources list expected benefits of merger. However, there is a gap: objective analysis of the benefits and costs of mergers, and a balanced assessment of in which situations a merger (or similar) may be beneficial or otherwise.

To help fill this gap, NPC has been commissioned by a group of philanthropists to research and write an independent report on mergers and other efficiency savings. This builds upon NPC’s well-read report on mergers in 2009.

NPC’s research included a literature review, 30+ interviews with sector experts, charities and funders, sector analysis and five in-depth and themed case studies on mergers. NPC will publish a series of publications in various formats, including a report, webpages outlining case studies and blogs to share key findings from the research.

We hope to follow this research with further work to tackle the barriers to more mergers taking place.