LG CONSULTING

NEW OPTIONS FOR A NEW LANDSCAPE:

Navigating Mergers and Consolidations in the Development Sector

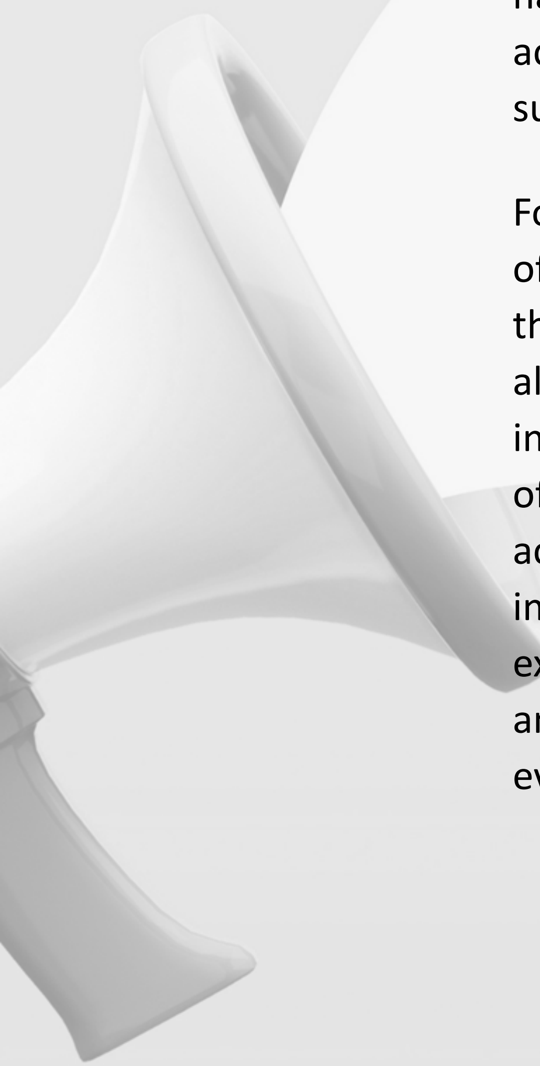
1 EXECUTIVE SUMMARY

US-based International Non-Governmental Organizations (INGOs), development corporations, and nonprofits are confronting a defining moment. Funding uncertainties, geopolitical volatility, and accelerated technological shifts are pushing many toward exploring mergers, acquisitions, and strategic alliances—not necessarily as a strategy of expansion, but as a means of survival and renewal.

These explorations face real pressures: a sector grappling with ongoing financial distress, many organizations still stabilizing following funding shocks, and the reality of limited overall sector merger experience with benchmarks from the private sector indicating that success – the achievement of long-term value - is daunting at best.

This paper draws on in-depth interviews with a selection of international development leaders to surface key insights on the importance of managing the people side and cultural alignment of mergers and consolidations, including the need for boards to embrace bold, uncomfortable conversations; the critical role of momentum and clarity; and how appetite for change and shared ambition can outweigh cultural misalignment. Interviewees emphasized that the time for vague exploration is over—organizations must act now with boldness, urgency, and intention if they are to remain relevant in a rapidly transforming landscape.

2 Introduction



The nonprofit and international development sectors are facing unprecedented disruption. Once-reliable bilateral funding sources—particularly from USAID and other U.S. government (USG) streams—are quickly disappearing, and global trends such as AI, localization, climate crisis, and economic nationalism are accelerating instability, uncertainty, and complexity. For many organizations, this has spurred serious and urgent interest in mergers, acquisitions, and other forms of consolidation in order to survive, strengthen capabilities, and remain relevant.

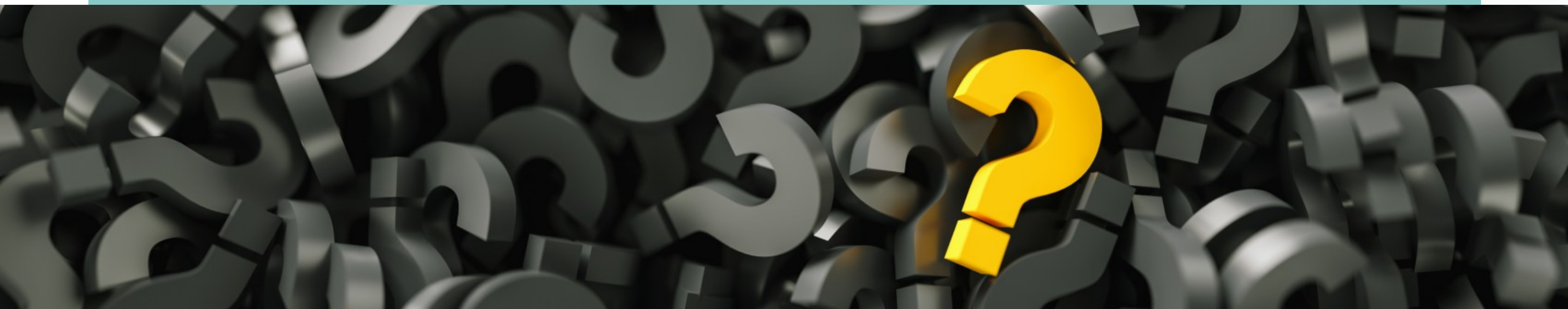
For this paper, “merger” refers to the formal combination of two entities into one; “consolidation” often includes the streamlining of programs or operations; and “strategic alliance” involves collaboration short of full legal integration. Organizational culture is defined as a system of behaviors, values, processes, and practices essential to achieving organizational purpose and strategy. These insights are drawn from in-depth interviews with 12 executives leading or considering such transformations and further tested with sector CEOs in a CEO convening event we hosted in June 2025.

3 Sector Context

Long characterized by fragmentation, financial fragility, and underinvestment in core capabilities (as highlighted in Bridgespan's Starvation Cycle studies) the international development sector is being reshaped by:

- **Massive, rapid funding and revenue losses** across many organizations, particularly those reliant on USG awards leading to reduction of employees and anxiety or uncertainty among the few who remain with the organization
- **Donor expectations** shifting toward localization, leaner structures, prudent investments, and more focused engagement in light of economic uncertainty
- **AI and technology** advancing too rapidly for traditional strategic planning models to keep pace
- **Polarized political climates** and funding unpredictability across traditional international bilateral donors and ongoing restrictions in civil society space
- **Increasing, accelerating, and more complex needs** of marginalized and vulnerable populations across the globe due to rapid unexpected decrease in funding and increased uncertainty

These forces create what one interviewee described as an "extinction event" for legacy models—an urgent call to adapt or dissolve.



4 Key Themes from Interviews

Theme 1:
Consolidation as Survival, Not Strategy

Overview: Many leaders no longer view mergers or consolidations as optional or opportunistic—but existential. Decreased funding, economic, and political uncertainty and unpredictability requires fast yet prudent action to survive, remain relevant, and continue to generate impact aligned with mission.

Insights:

> *“This isn’t about who’s leading. It’s about how we survive. We have to transform the narrative.”*
>
> *“We're living through a Black Swan moment. The old model is under duress, maybe beyond saving.”*

Implications:
Boards and leadership must shift from reactive to proactive exploration, regularly revisiting whether their current model is sustainable—before a crisis makes that decision for them. Urgency requires the ability to move fast to undertake due diligence, mitigate risks, and then to proceed rapidly toward implementing a new organizational structure and culture to enable generation of anticipated benefits. Key to success is embracing the need to lead and engage employees in the change.

Theme 2:
Appetite for Change Trumps Culture Fit

Overview: Traditional focus on cultural alignment is giving way to urgency-driven adaptability. To survive, merging or consolidating entities need to address cultural issues from the outset to enhance speed and reduce costs of implementation. Merging and consolidating entities need to quickly forge a new adaptive organizational structure and culture to perform impactful work in increased uncertainty and not get delayed by long processes of reconciling predecessor cultures.

Insights:

"If survival is at stake, culture becomes a luxury. Appetite for change is what matters."

"You need a core group with a high change appetite—10-20% of your staff—to catalyze transformation."

Implications:

Organizations assessing readiness for merger should focus less on "fit" and more on creating future organizational strategy, structures, and cultures enabling resilience, ambition, values, behaviors, and practices that encourage willingness to take risks and innovate.

Theme 3:
Momentum is Everything

Overview: Loss of momentum—often driven by nonprofit-style indecision or consensus-driven decision making—can kill or derail even the most promising merger. Many promising mergers on paper have never achieved their promised value due to protracted and uncertain post-merger implementation steps that undermine credibility and confidence in the organization's future.

Insights:

"The naysayers don't need to win to derail a deal—they just have to delay it."

"Speed creates clarity. Momentum builds belief. Lose that, and the opportunity evaporates."

Implications:

Clear expectations, tight timelines, empowered change managers, early confrontation of internal resistance, consistent communication, and engagement of employees from the outset in the change process are essential to preserve momentum and reduce risks as well as costs of implementation. Early wins can then accumulate and successes compound.

Theme 4:
Boards Must Be Braver, Sooner

Overview: Strategic mergers start with boards with mindsets willing to confront discomfort. Starting with too much focus on preserving brands, programs, financial forecasts, their own interests, and even governance structures can delay the longer-term value that a strategic merger may bring. Timely balancing of fiduciary concerns with new and different strategic and generative opportunities will be essential.

Insights:

"Too often boards are clinging to past identities or legacy programs instead of asking: what's our bigger ambition?"

"You need boards willing to live in uncomfortable strategy spaces."

Implications:

Leadership teams should work with boards to frame merger and consolidation discussions around mission advancement and clear value propositions, not institutional or personal ego, and be willing to forgo attachment to traditional organizational brands and identity that may limit possibilities offered by the new organizational strategy, structure, and culture.

Theme 5:

The Sector Needs More Honesty—and Less Dancing

Overview: “Let’s explore” culture is holding the sector back. Leaders must say what they mean and mean what they say. Setting clear goals, deadlines, and resources to focus on high-priority opportunities is essential, especially in a sector continuing to face financial distress that will impact future sources of value.

Insights:

“We need to stop dancing around it. If you want to be acquired, say so. If you don’t, say that.”

“Clarity at the outset is a gift—it tells you whether there’s really a ‘there’ there.”

Implications:

The sector must professionalize its approach to consolidation: clear goals and value propositions, honest dialogue, openness to change, and faster decision cycles. Too often, a focus on decision quality at the expense of decision velocity results in fewer and less attractive options.

Theme 6:

Toward a New Model—Global, Adaptive, Decentralized

Overview: Beyond consolidation, leaders are envisioning new operating models centered on global hubs, new forms of engaging with partners in countries, shared services, and partnerships with private sector actors for new sources of shared value, funding, and impact.

Insights:

"Maybe the safe revenue streams are now in Kenya, not DC."

"Older INGOs could become knowledge hubs or technical platforms for a distributed network."

Implications:

Mergers and consolidation should be seen not just as cost-saving but as a chance to reimagine structure, identity, and value proposition in a more globalized and networked form. Bold(er) moves that can create new value in a very different future development landscape will be essential. Being able to answer the key question of "in the future, what is the unique role, value, and capabilities that we bring?" will be critical for leaders, their boards, and teams.

Theme 7:
The Emotional Toll on CEOs – Leading Through Uncertainty

Overview: While much attention is paid to organizational strategy, structure, and culture during mergers and consolidations, the emotional impact on CEOs is often overlooked. CEOs bear the unique burden of steering their organizations through turbulence, making high-stakes decisions, and supporting staff through layoffs, grief, and uncertainty—all while managing their own emotional responses. The constant pressure to project strength and clarity, coupled with the reality that few ask CEOs, "How are you?" can lead to isolation, burnout, and diminished capacity for creative, strategic leadership essential to identify, negotiate, and successfully implement a merger or consolidation.

Insights:

"Leading through chaos means carrying everyone else's anxieties, but rarely having space for your own."

"Burnout isn't just exhaustion—it's when you stop caring, and that's a risk for any leader in this environment."

Implications:
The sustainability of any transformation effort depends on the well-being and resilience of its leaders. CEOs must recognize the emotional demands of their role and proactively seek support, both for themselves and their teams. By normalizing conversations about leader well-being, organizations can foster a healthier, more adaptive leadership culture. In addition, boards have a responsibility to better understand needs and support leaders throughout these times of great opportunity - and also great risk.

5 Recommendations & Considerations

For CEOs:

- Prioritize CEO self-care and resilience
- CEOs should intentionally build practices for self-care, reflection, and peer support into their routines
- Make time for regular check-ins with trusted advisors, participation in CEO peer groups, or working with a coach
- Regularly review and prioritize your "only yous" - the actions that only you as CEO can take
- Board Chairs maintain high alert for CEO burnout and prioritize CEO emotional and mental well being

For Leadership Teams:

- Ask: What would it take to thrive, not just survive, in this environment?
- Test for change appetite across levels—not just the executive team
- Do not focus solely on financial benefits - resilient organizational strategy and culture are ultimately keys to success
- Name and empower internal momentum-builders early
- Be clear in expectations on future expected values, behaviors, and practices
- Listen to and act on employee feedback on concerns and opportunities
- Communicate, communicate, communicate

Recommendations & Considerations

For Boards:

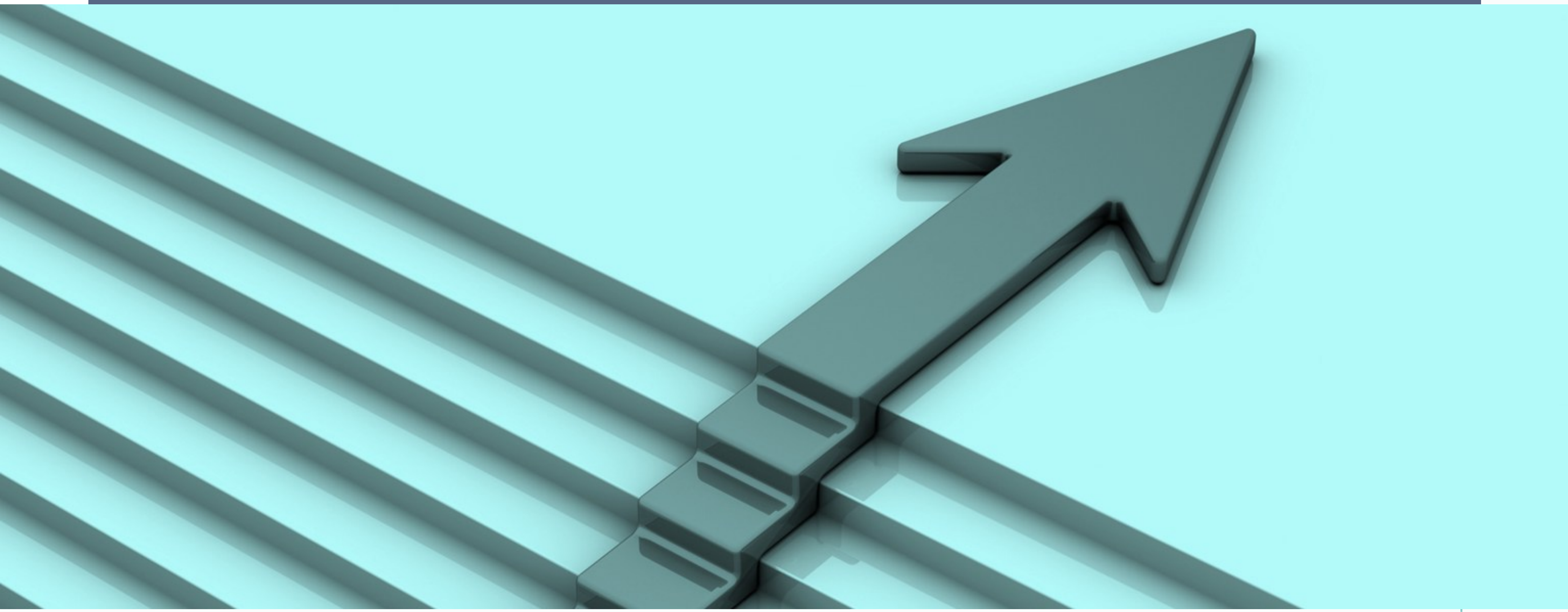
- Treat mergers as a strategic opportunity, not a last resort
- Focus on future mission impact, not legacy preservation
- Embrace timelines and decision points; avoid open-ended "exploration"
- Revisit board effectiveness regularly. Ask "given the changing external environment, how can the board in its roles, composition, structures, and ways of working better advance the mission?"

For Senior Leaders:

- Provide clear immediate feedback to leadership on concerns, issues, and opportunities
- Engage in the change process and design of new organization
- Embrace change as opportunity for personal and professional development
- Help leadership identify the change agents and actively support their impact and involvement

6 Resources/ Next Steps:

- **Prioritize CEO Strategic Options:** Laser-focused, highly-targeted session to identify the direction, risks, and requirements with the CEO and other leaders that flows into action and decisions. A speciality of LGC advisors.
- **Focus assistance on areas of most value:** Use external advisors such as LGC to support due diligence and board facilitation to provide objective insights on organizational change readiness ("pre-diligence") early as well as design and implementation of new organizational structure and culture to realize consolidation value
- **Know clearly your starting point:** Utilize our "Merger Readiness Checklist" (e.g., purpose clarity, value proposition, leadership alignment, cultural alignment, change readiness, stakeholder trust) to assess and take actions
- **Use adaptive planning given uncertain environment:** Consider adaptive planning as a first step in identifying fit and urgency and continue to clarify, test, and update assumptions as more is known and emerges. Pressure test with outside experts such as our LGC advisors.



7 Conclusion

For INGOs and development corporations navigating tectonic change, consolidation is not merely a financial lever—it's a strategic imperative. But success demands more than paperwork or planning models; it requires courage, creativity, clarity, and a willingness to embrace discomfort in service of mission. With the right mindset and disciplined process, organizations can emerge from this moment not just intact—but transformed.

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