

# M&A in the For-Purpose Sector 2025

## 1. Purpose

As we count down 2025, Tribe Executive is reflecting on the emerging trend of Mergers and Acquisitions (M&A) in the For-Purpose sector and what is driving it. This report gives some insight into emerging trends and also draws from the M&A Survey in the sector that Tribe Executive undertook in October 2025, receiving the feedback of 19 Chief Executives and Board Chairs.

From the Survey, these results focused our attention:

- Around 80% of leaders are very or somewhat concerned about their organisation's long-term financial sustainability.
- Only about 30% are open to or actively exploring a merger in the next three years, despite high concern.
- Approximately 60% of respondents identified major capability gaps in negotiation and change leadership.
- Around 30% of leaders identified governance appetite and 30% identified organisational identity as the top barriers to collaboration or merger - the two largest barriers in the entire survey.

## 2. The New Zealand Context: Fragmentation, Financial Pressure and Declining Giving

New Zealand's charity sector is unusually fragmented. With more than 28,000 registered charities, the country has one of the highest densities of charitable organisations per capita in the OECD. While this reflects a culture of initiative, community responsiveness and local identity, it also spreads funding thinly across a wide landscape and creates significant duplication.

The financial environment heightens this challenge. Giving in New Zealand has not kept pace with population growth or inflation. Per-capita giving has been declining over the past decade, and donor concentration has intensified. The most striking statistic is that 91% of total charitable revenue is captured by 9% of organisations. This means that the vast majority of charities are competing for a shrinking portion of the total funding environment. When coupled with rising costs for compliance, workforce development, digital infrastructure and insurance, the financial viability of smaller and mid-sized organisations becomes increasingly tenuous.

Tribe Executive Survey respondents described the resulting environment as one defined by survival pressures. One leader noted that government underfunding forces organisations to focus on immediate viability instead of strategic partnership. Another commented that the proliferation of charities, each with its own story and identity, has outpaced the system's ability to fund and support them sustainably. A respondent captured the paradox succinctly by asking why so many organisations are delivering similar services within the same suburb yet are unable to discuss consolidation.

“Why do we have so many organisations doing the same thing in one suburb, yet nobody is willing to talk about consolidation?” (Survey quote)

This environment stands in contrast to international systems where structural reform has been actively supported or directed. The lack of clear incentives, pathways and support in New Zealand means consolidation is far less likely to be strategic and far more likely to emerge only when organisations are already in distress.

### 3. Survey Findings: Awareness without Structural Readiness

The Tribe Executive survey of New Zealand sector leaders shows a sharp disconnect between the recognition of sustainability challenges and the willingness or ability to act on them. Concern is high, collaboration is favoured, but merger readiness and appetite are low.

“I have long thought consolidation is necessary, but the sector is driven by individuals with specific agendas or personal interests.” (Survey quote)

Almost 80% of respondents expressed concern about their long-term financial position. Yet only about 30% said they would consider a merger in the next three years. Many fell into a conditional space where they would consider structural change only if circumstances demanded it. Multiple respondents stated that their organisation lacked the capability to even begin a merger conversation without external support, and that capacity constraints made it too risky to contemplate structural change while still running services.

Collaboration was viewed far more positively. Strategic partnerships and joint ventures were widely supported, while federated models and shared back-office options received moderate interest. Full amalgamation was chosen far less frequently. Respondents cited emotional attachment to identity, board conservatism and the fear of losing their unique history or community connection. Several leaders referenced ego explicitly. One wrote that the sector is resistant to losing control or the illusion of control.

Funder behaviour contributed to the hesitation. Around 60% of respondents had experienced funder nudging toward collaboration, but more than half said funders remained cautious, inconsistent or ambiguous in their expectations. Leaders expressed the need for clearer signals and support. One respondent wrote that a financial incentive for exploration would be “catalytic”. Another called for a requirement from government that some organisations amalgamate or risk losing contract opportunities.

“The sector is resistant to losing control or the illusion of control.” (Survey quote)

Governance was identified as a major barrier. Around 30% of respondents cited board appetite as the primary obstacle, and another 30% selected organisational identity. Leaders noted that boards often see themselves as protectors of legacy rather than stewards of future community outcomes. A respondent wrote that the focus becomes the brand, not the beneficiaries.

Capability constraints rounded out the picture. Negotiation and change leadership were lacking in about 60% of organisations. Financial modelling and due diligence were missing in about 40%, and legal capability in about 35%. Several leaders said that structured assistance at a sector or regulator level would make engagement with merger opportunities far easier.

The survey findings show a sector that understands the challenges but lacks the structural

support, capability and confidence to respond.

#### 4. International Benchmarking: How Other Nations Have Navigated Consolidation

Comparing New Zealand with the United Kingdom, Australia and Canada highlights both the differences in external pressures and the similarities in internal dynamics.

**In the United Kingdom**, the charity sector underwent rapid consolidation due to rising costs, donor contraction and changing government expectations. Mergers increased by 90% in 2024. Key enablers included clear funder expectations that duplication should reduce, regulatory guidance that made merger pathways less complex and governance professionalisation that created boards willing to prioritise long-term outcomes over organisational identity. Larger organisations assumed stewardship of smaller ones and protected service continuity.

**Australia's experience** reflects consolidation driven by commissioning and compliance. The introduction of the National Disability Insurance Scheme and increased accreditation requirements encouraged organisations to scale or integrate. Workforce pressures and contracting models reinforced this trajectory. Consolidation succeeded where boards took a future-focused stance, and where transitions were supported with external facilitation, legal expertise and financial support for integration.

**Canada** presents a picture of consolidation directed through government reforms, particularly in health and social services. Provinces sought integrated systems that created more seamless pathways for clients. Consolidation was often mandated or strongly guided. Public consultation, legal clarity and structured support helped ensure that integration improved outcomes.

The consistent lesson across all three jurisdictions is that consolidation becomes successful and sustainable when capability, legal clarity, governance maturity and funder alignment exist. Where consolidation is forced by crisis or resource collapse, outcomes are weaker and more chaotic.

“Most organisations don’t have the capability or capacity to even approach the question until it becomes a survival need.” (Survey quote)

New Zealand’s lack of clear external drivers, combined with extreme fundraising concentration and declining per-capita giving, means the system is highly vulnerable to organisation failures. The international comparisons suggest that consolidation is inevitable in some form, but that its quality and impact depend on whether the sector prepares itself or waits for external forces to dictate the terms.

#### 5. Strategic Implications for New Zealand

- a. **Incremental collaboration**, while helpful, may not sufficiently address the slow disappearance of organisations, which is detrimental to clients or beneficiaries. Partnerships that leave governance, identity and infrastructure duplicated simply prolong vulnerability. Long-term sustainability in a context where 91% of revenue goes to 9% of charities requires deeper structural change.
- b. **Governance** will be the deciding factor in whether organisations adapt. Boards that focus on legacy over impact will struggle to initiate change until it is too late. Boards that see themselves as stewards of community outcomes rather than guardians of

organisational identity will be better placed to navigate mergers or deeper collaborations.

“Boards often end up protecting the brand, not the beneficiaries.” (Survey quote)

- c. **Funders** hold the key to activating or suppressing consolidation. Clear expectations, transition funding, due diligence support and aligned contracting models can shift organisations from hesitation to readiness. Ambiguous signals, however, reinforce the status quo.
- d. **Capability development** must become a national priority. Without skills in financial modelling, legal pathways, negotiation and change management, merger conversations remain unsafe and inaccessible. Capability-building breaks the stalemate where organisations know change is necessary but do not know how to pursue it.
- e. **An explicit structural pathway** is required in New Zealand. Without clear frameworks, the risk increases that organisations will merge under pressure, not by design, and that communities will experience disruption rather than improved outcomes.

## 6. Conclusion: Moving from Survival to Courage

The for-purpose sector in Aotearoa New Zealand is characterised by deep commitment, substantial innovation and strong community connection. However, it is also defined by fragmentation, inequitable funding distribution and the growing gap between purpose and resource. The fact that 91% of all charitable revenue flows to just 9% of organisations should serve as a catalyst for structural reflection. As financial pressures rise and per-capita giving continues to decline, smaller and mid-sized organisations face increasing vulnerability.

Survey respondents captured the emotional, cultural and practical barriers to change. Comments about ego, identity, boards protecting legacy and the absence of trusted partners point to the human dynamics that make structural reform challenging. Yet the same respondents spoke about the need for openness, trust and evidence-based pathways. Many expressed hope that funders, boards and system stewards could create a safer environment for exploring consolidation.

International experience shows that consolidation undertaken proactively enhances impact and protects services. Consolidation undertaken through crisis brings greater disruption and weaker outcomes. New Zealand now has a window of opportunity to choose the former rather than be forced into the latter.

The challenge before leaders is to move from survival-focused thinking to structural courage. This involves asking difficult questions about identity, sustainability and responsibility to communities. It requires boards and executives to recognise that the organisation is not the mission, that communities deserve coordinated, efficient and resilient services, and that sometimes the most faithful act of leadership is to reshape, combine or release an organisation so that the mission can flourish.

The next several years will determine whether the sector navigates structural change with foresight and collaboration or experiences it through crisis and contraction. The path forward will require capability, clarity, aligned incentives and a willingness to place community need above organisational identity. As one survey respondent asked, if not now, when?