The New Paradigm
How Nonprofits Navigate the Collaboration-to-Merger Continuum

LSA 2015 Annual Meeting – April 22, 2015
“If you want to go fast, go alone. If you want to go far, go together.”

- African Proverb
The World is Changing

- Economic scarcity
- Policy changes
- Demographic shifts
- Generational differences
- Sector blurring and combining
- Technological advances
- Increased competition for resources
“It’s not clear that life was ever so simple that individuals, acting alone, solved most significant problems. Our tendency to create heroes rarely jibes with the reality that most nontrivial problems required collective solutions.”

- Bennis and Biederman – Organizing Genius
Responding to Change

Coordinating
Connecting
Affiliating
Collaborating
Joining
Integrating
Sharing
Partnering
Combining
Learning
Nonprofits can collaborate with

- other nonprofits
- for-profit firms
- unincorporated groups
- government entities

Working Better Together
Hallmarks of Collaboration

- Commitment to a common mission
- Separate organizations form a new structure
- Durable relationship
- Result of comprehensive planning
- Well-defined communication
- Authority determined by collaborative structure
- Each partner contributes resources and reputation
- Partners share results and rewards
The Multiplier Effect

Collaboration enhances the capacity of participating organizations for mutual benefit and to achieve a common purpose.
The Collaborative Map

Strategic Restructuring

Alliance

Collaboration

Coordinated Action

Joint Advocacy

Joint Programming

Joint Earned Income Venture

Fiscal Sponsorship

Administrative Consolidation

Joint Venture Corporation (including MSOs)

Parent-Subsidiary Structure

Merger or Acquisition

Coalition

Affinity Group

Network

Collaborative Learning

Consortium

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Consortium
Strategic Restructuring & Alliance

- Strategic Restructuring entails either a structural change or the creation of a new entity.
- Alliance includes the sharing or transfer of decision-making power, but change in corporate structure is not necessary.
Case Study: Merger

Stream Restoration Alliance of the Middle Rogue, Bear Creek Watershed Council, Upper Rogue Watershed Association, Little Butte Creek Watershed
Case Study: Administrative Consolidation
The Chattanooga Museums
The Strategic Restructuring Process

- Assessment
- Resolution
- Negotiation
- Agreement
- Implementation
  - Legal Resolution
  - Integration
Self-assessment

- Motivators
- Desired outcomes
- Critical issues
- Organizational factors or “red flags”
- Financial assessment
Partner Assessment

- Level of trust
- Past experiences
- “Usable” skills and assets
- Cautions and challenges
- Mission and program compatibility and complementarities
- Financial condition
Negotiation

Corporation A
Board of Directors

Corporation B
Board of Directors

Negotiations Committee
Tasks:
- Negotiation of Issues
- Due Diligence Process

Decision

Implementation
Integration
Issues to be Negotiated in a Merger

- Governance
- Financial
- Human resources
- Capital
- Programmatic
- Communications
Financial Impact and Analysis

- Financial Comparison
- Human Resource Comparison
- Budget Development
- Donor Comparison
Financial Due Diligence

Documents to review:

- Organizational
- Tax
- Insurance
- Personnel
- Financial/Funding
- Capital/Real Estate
- Others?
Legal Implementation

- Vote by boards of directors
- Finalize Agreement and Plan of Merger (or similar guiding plan)
- File documents with government agencies
Areas to Be Integrated

- Board
- Management
- Staff
- Program
- Communic. & Marketing
- Systems

Culture
Cultural Integration

- Be intentional about the process
- Maintain two-way communications
- Celebrate successes
- Resolve disagreements immediately
- Make communication/decision making style explicit
- Monitor internally and externally
Integration Pitfalls

Mergers do not fail because organizational leaders can’t integrate their financial systems or IT…

Merger *can* fail because people tend to hold onto their individual cultures and identity rather than create a new organization.
Lessons Learned
Be Prepared

- The process will take time
- People may leave
- There will be both costs and benefits (intermediate and long-term)
- Outreach to donors, supporters, membership should occur early on
Success Factors

- Staff / board member championed the alliance
- Positive past experiences with collaboration
- Board support / encouragement
- Organization risk-taking / growth orientation
- Positive board-executive relations
Collaboration: A Closer Look
Collaboration

- Collaboration does not require a formal agreement or long-term commitment, though it may entail some level of both documentation and durability
Preconditions for Successful Collaboration

- Trust/Comfort Level
- Communication
- Equality
- Respect

Need
Case Study: Shared Fund Development
AIDS/LifeCycle, San Francisco AIDS Foundation, Los Angeles Gay & Lesbian Center
Sustaining a Collaboration

1. Broaden – cultivate involvement, leadership
2. Deepen – build on your experience
3. Formalize – make it “official,” document it
4. Measure – track progress on key outcomes
5. Lead – plan for inevitable turnover
6. Learn – acknowledge successes & shortfalls, and adjust as needed
Why Consider Partnership?

- Responding to change
- Economics
- Opportunities
- Leadership challenges
- A tired board
- To better serve the community
“This is a very important lesson. You must never confuse faith that you will prevail in the end — which you can never afford to lose — with the discipline to confront the most brutal facts of your current reality, whatever they might be.”

- James Bond Stockdale, U.S. Navy

Quoted by Jim Collins in “Good to Great”
Build Change Management into Culture

- Understand the nature of change
- Change is part of the life of a successful organization
- Change can create both excitement and anxiety
- Openly talk about the potential for change
Some things to expect

- Outcomes can improve
- Programs can become more robust
- Systems can be strengthened
Case Study: Joint Programming
Ready Set Parent!
Case Study: Merger
Crittenton Women’s Union
The Collaborative Map

The Children and Family Services Center

The Children and Family Services Center is a single building in Charlotte, North Carolina where ten agencies offer comprehensive assistance to children and families. The CFSC, a separate 501(c)(3), is governed by a board made up of representatives from each of the participating agencies as well as at-large community leaders.
Examples Among LSAs

- Mergers
- Joint Programming Agreements
Merger

Lutheran Life Villages

Birchwood Partners

- Alzheimer's and dementia care
- Adult day services
Lutheran Medical Center
NYU Langone Medical Center

- Clinically integrated network
- Share best practices
Lutheran Homes of Michigan
Lutheran Child and Family Services of Michigan

- Services to seniors, caregivers, children and families

*to become*

Wellspring Lutheran Services

- Adding intergenerational services
Lutheran Social Services of Central Ohio

CHOICES for Victims of Domestic Violence

- Management agreement — leading to merger
Questions and Comments
Thank you

Harrington@lapiana.org