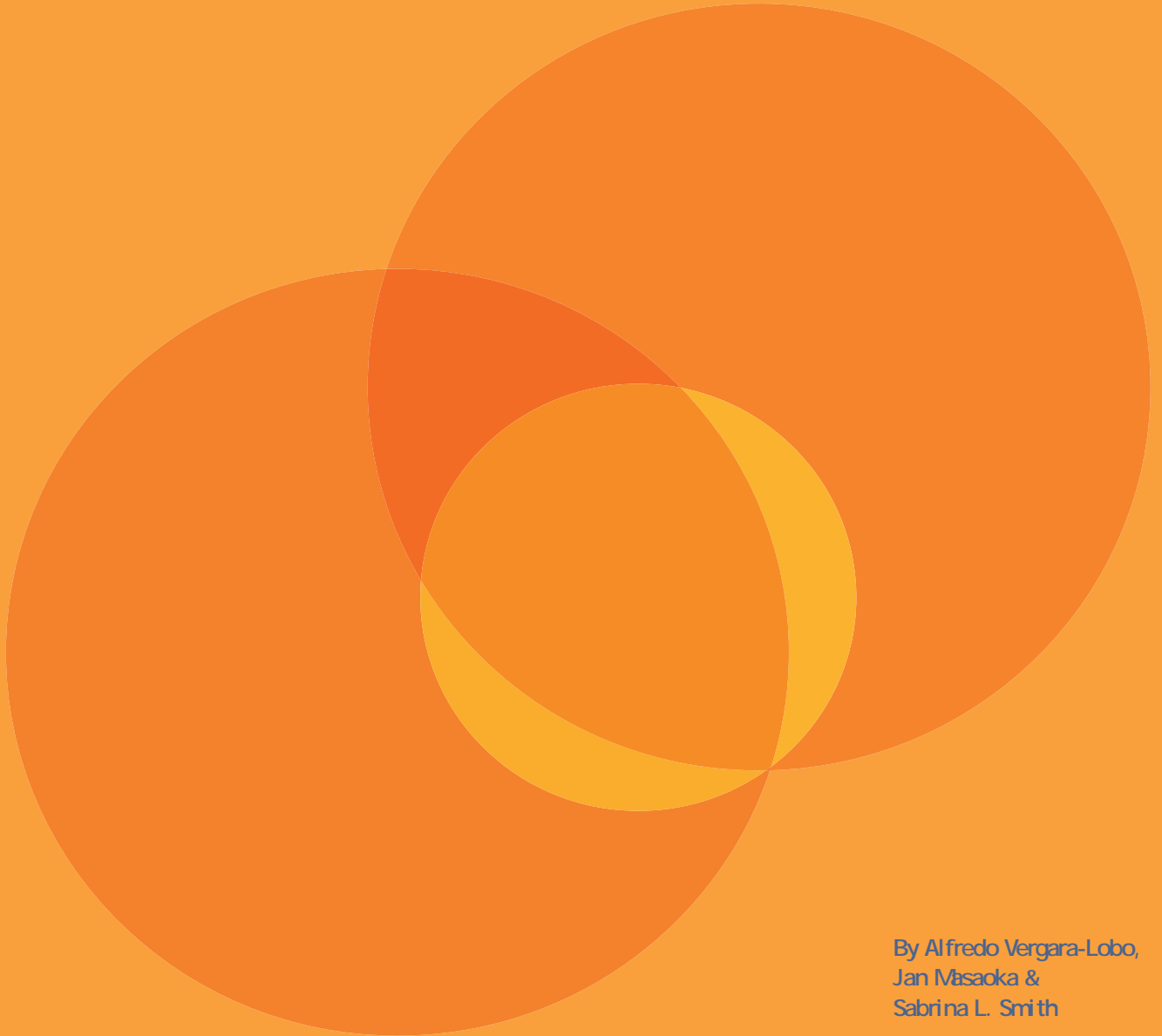


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How, Why & Why Not



By Alfredo Vergara-Lobo,
Jan Masaoka &
Sabrina L. Smith

Made possible by the support of

!ABOUT THIS BOOKLET

MOST LIKELY YOU'VE OPENED THIS BOOKLET AS A LEADER OF A NONPROFIT ORGANIZATION THAT IS OR WILL BE MERGING WITH ANOTHER NONPROFIT. THAT AREA OF THE CHALLENGES AND PITFALLS THAT DOES INVOLVE HOW DOES ONE DETERMINE IF A MERGER IS THE RIGHT IDEA?

THE IDEA OF A NONPROFIT MERGER CAN BE VERY ATTRACTIVE. MOST MERGERS OCCUR WHEN ONE NONPROFIT IS STRUGGLING AND IT'S EASY TO FEEL INACCURATELY SO THAT MERGERS ARE TITLED "THE ONLY OPTION" BECAUSE STAFF AND BOARD MEMBERS ARE OFTEN RELUCTANT TO BRING UP THE SUBJECT OF A MERGER.

THIS BOOKLET IS DESIGNED AS A PRACTICAL GUIDE FOR BOARD MEMBERS, EXECUTIVES AND FUNDERS TO TAKE THE NEXT STEPS. YOU'LL TAKE A QUICK TRIP THROUGH THE NEXT PAGES AND GET A ROUGH GUIDE TO EXPECTATIONS AND CHALLENGES ENCOUNTERED IN A MERGER EXPERIENCE. THIS BOOKLET IS ONE OF THE MERGER JOURNEY THAT WILL GIVE YOU A HEAD START BEFORE YOU ACTUALLY EMBARK ON THE JOURNEY.

THAT THIS GUIDE DOES CONVINCING YOU THAT A MERGER IS THE RIGHT CHOICE FOR YOUR ORGANIZATION. MERGING INTO A SINGLE ENTITY IS A COMPLEX VENTURE THAT CAN INCREASE FINANCIAL STABILITY OR ENHANCE OPERATIONAL EFFICIENCY. ENCOURAGE OR DISCOURAGE A MERGER. THIS BOOKLET WILL HELP YOU MAKE THAT DETERMINATION FOR YOUR ORGANIZATION.

4HE - 70RIDL HELP YOU

- UNDERSTAND HOW AND WHY NONPROFITS TYPICALLY EXPLORE AND UNDERTAKE MERGERS
- CONSIDER THE ALTERNATIVES TO MERGERS INCLUDING CLOSURE
- DIFFERENTIATE BETWEEN THE ROLES OF BOARD MEMBERS, STAFF LEADERS AND FUNDERS
- KNOW WHAT TO EXPECT AND LOOK OUT FOR AS THE MERGER PROCESS GOES FORWARD
- DECIDE WHETHER A MERGER EXPLORATION IS A VIABLE OPTION FOR THE NONPROFIT YOU HAVE IN MIND



WE BEGIN BY LOOKING AT COMMON SCENARIOS THAT
TABLE AND THE KEY BENEFITS SOUGHT THROUGH A NO
CONSIDER SOME ALTERNATIVES TO MERGING INCLUD

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AFEO PROVIDE MORE FOOD FOR THOUGHT ON THE SUBJECT

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IT S VERY HARD TO BREAK THE ICE ON A BOARD AND OPEN A DISCU
OF DIRECTORS IS RESPONSIBLE FOR THE ORGANIZATION S FUTURE
EVOLVE OR CLOSE !ND ALTHOUGH NONPROIT BOARD MEMBERS DO
ORGANIZATION THEY HAVE INVESTED THEIR TIME THEIR ENERGY
!T THE SAME TIME FEW NONPROITS ARE DESTINED TO THRIVE FOR CE
TURNING TO NEW VENTURES

&OR MANY NONPROIT BOARDS THIS IS THE UNTHINKABLE CLOSING
BE A CRISIS SERIOUS WARNING SIGNS OR SIMPLY A LACK OF ENERGY
MAY HAVE CHANGED AND THE ORGANIZATION IS NO LONGER VIABLE A
TERM CAUSES MAY BE A BOARD MAY IND ITSELF WONDERING WHE THE
WILL BE WHETHER THE ORGANIZATION CAN STILL BE SAVED WHE THE
DISSOLUTION AND IF SO IN WHAT WAYS TO GO ABOUT CLOSING DOWN

)N MOST CASES THE BOARD INDS ITSELF FACING AN OBVIOUS CROS
ITS FUNDING OR A SUBSTANTIAL FUNDING SOURCE PERHAPS KEY STA
LOST A VALUABLE FACILITY OR DONATED SERVICE /THER INDICATORS
UNPAID PAYROLL A SCANDAL OR SERIOUSLY DAMAGED REPUTATION

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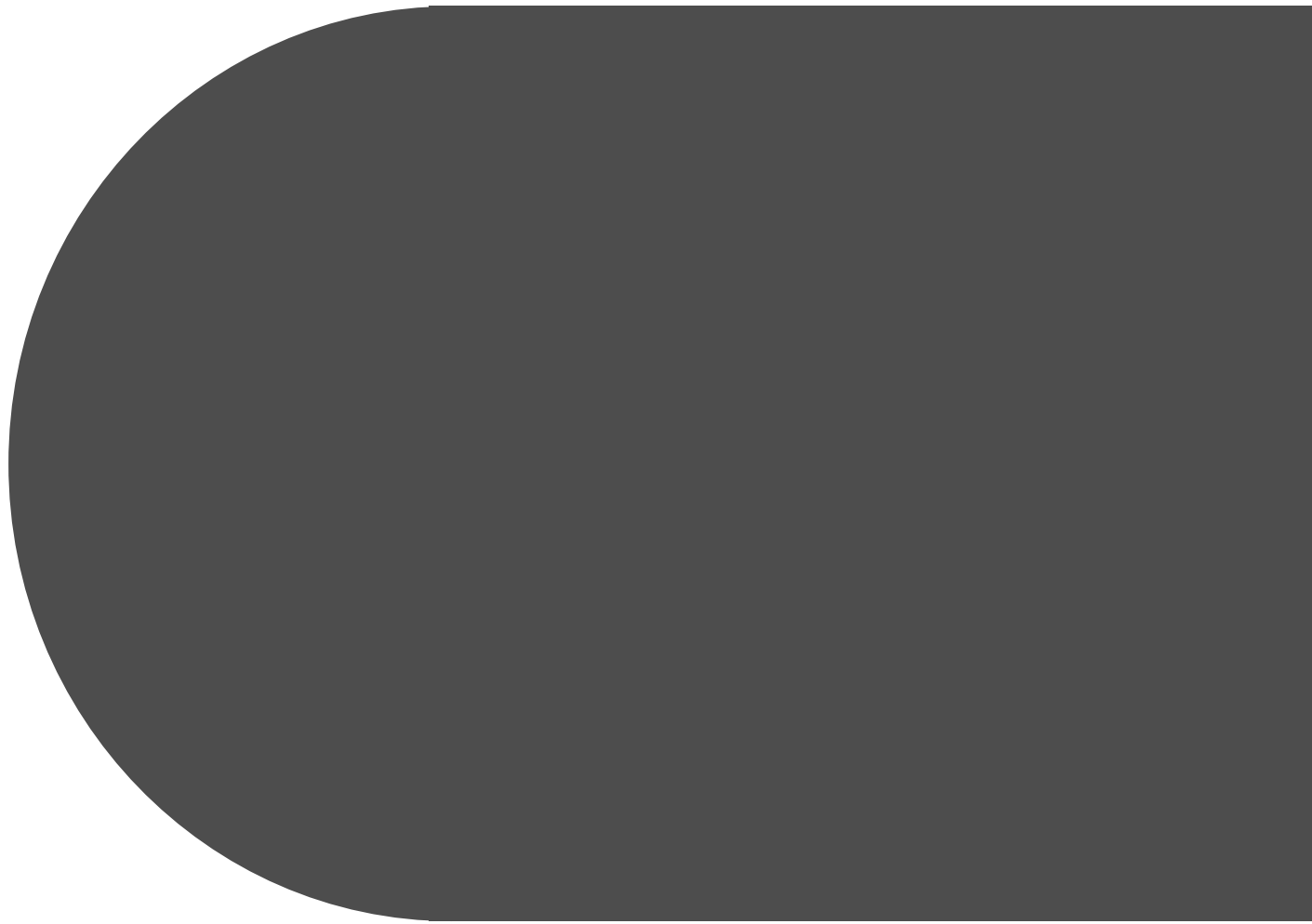
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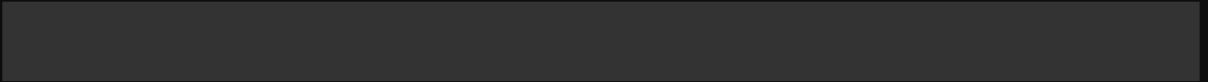
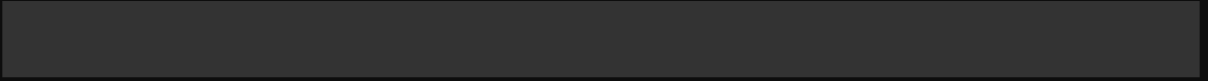
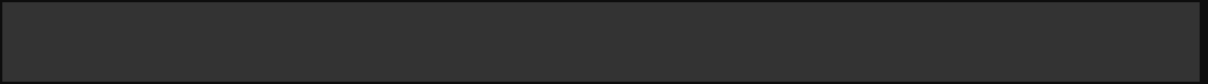
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S PEERS IN THEIR LOCAL NONPROFIT COMMUNITY 'REEN #EN
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But... it's not like we're going to be able to

& it's not like we're going to be able to... ANY BOARD MEMBERS FAMILIAR WITH FOR PROFIT MERGERS WILL EXPECT MERGER "BECAUSE MOST NONPROFITS RUN VERY LEAN OFTEN TOO LEAN SAVINGS DUE TO A MERGER .NONPROFITS SELDOM HAVE BLOATED ACCOUNTS TO BE CUT BACK)NSTEAD A MERGED ORGANIZATION MAY REQUIRE HIGH SALARIES OR OTHER ITEMS THAT MAKE ITS ADMINISTRATIVE COSTS HIGHER THAN THE FORMER ORGANIZATIONS

It's not like we're going to be able to

!CTUALLY THERE ARE DIFFERENCES ON THE SURFACE IT MIGHT APPEAR THAT TWO CENTERS ARE DUPLICATING SERVICES "BUT AS MOST PARENTS KNOW THERE ARE PRACTICAL DIFFERENCES THAT MAY MAKE ONE CENTER MUCH BETTER THAN THE OTHER DIFFERENCES n WHICH WE VALUE AS PROVIDING CHOICES TO FAMILIES THAT MAKE THE TWO CENTERS TO CONSIDER MERGING

(It's not like we're going to be able to

)N FACT IT IS RARE THAT MERGER PARTNERS HAVE EQUAL RESOURCES AND MAY NOT BE ABLE TO AGREE ON HOW THAT POWER IMBALANCE IS TILTED IN FAVOR OF THE EXCEPTIONALLY STRONG WHILE THE OTHER MAY REGARD THOSE SAME AS A WEAKNESS MIGHT SECRETLY THREATEN TO REGARD THOSE SAME AS A WEAKNESS

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4 NO DOMESTIC VIOLENCE ORGANIZATIONS IN A SUBURBAN AREA EXCLUSIVELY ON RAPE RELATED SERVICES WHILE THE OTHER ORGANIZATION IN MOST INSTANCES WHEN ONE AGENCY DID NOT HAVE THE CAPABILITY TO REFER TO THE OTHER SINCE THEY WERE THE ONLY TWO PROVIDERS THAT A MERGER WOULD STRENGTHEN THEIR SERVICES GROW THEIR FRAGMENTATION OF SERVICES

THE TWO EXECUTIVES ENGAGED IN INFORMAL CONVERSATION ABOUT IT ONE POINT THEY DECIDED TO BRING THIS CONVERSATION TO THEIR RESPECTIVE BOARDS EACH BOARD DISCUSSED THE POSSIBILITY BOTH UNANIMOUSLY EXpressed INTEREST TO PURSUE FUNDING TO RETAIN AN EXPERIENCED MERGER CONSULTANT LATER THESE NONPROFITS THROUGH THEIR MERGER COMMITTEES BEGAN AN EXPLORATION AND NEGOTIATION

AT THE FIRST JOINT MEETING OF THE MERGER COMMITTEES THE TEAM DISCUSSED THE POTENTIAL BENEFITS OF A MERGER THIS PRODUCED A LIST OF TWENTY-SEVEN WALL DURING EVERY SUBSEQUENT MEETING TO REFERENCE THE BENEFITS OF THE MEETING THE TEAM BRAINSTORMED ON ALL THE POTENTIAL ISSUES TO MOVE FORWARD THIS EXERCISE GENERATED FORTY THREE POTENTIAL ISSUES AND SEVEN DEAL BREAKERS IN THE ISSUES THAT WOULD HAVE TO BE RESOLVED

DURING THE SECOND MEETING THE TEAM DISCUSSED AND NEGOTIATED SEVEN POTENTIAL NINE DEAL BREAKERS THESE INCLUDED

THE EXECUTIVE OF THE MERGED ORGANIZATION

THE NEW ENTITY'S NAME

COMPENSATION PACKAGES FOR SIMILAR JOB DESCRIPTIONS

THE ALIGNMENT OF EACH NONPROFIT'S CURRENT STRATEGIC PLAN

ONE ISSUE UNEARTHED IN THE DISCUSSION OF EACH ORGANIZATION'S RESPECTIVE MISSION STATEMENTS ONE GROUP USED THE TERM "HUMAN RIGHTS" BOTH ORGANIZATIONS HAD APPROACHES TO SERVICE THAT WERE VERY DIFFERENT (HOWEVER THERE WAS MORE TO THIS ISSUE THAN MET THE EYE)

AT THE THIRD JOINT MEETING OF THE MERGER COMMITTEES AND IN DISCUSSING THE LANGUAGE OF THEIR RESPECTIVE MISSION STATEMENTS THE TEAM DISCUSSED THE TERM FEMINISM FELT THAT THE MERGED ENTITY WOULD EXCLUDE THE TERM FROM ITS MISSION STATEMENT THE TEAM ESTIMATED THAT SEVERAL OF THEIR MAJOR DONORS WOULD BE CONCERNED WITH THE MERGED ENTITY'S MISSION STATEMENT LANGUAGE INCLUDED THE WORD "FEMINISM"

AT THE CONCLUSION OF THIS MEETING AND AFTER SIGNIFICANT DISCUSSION A DECISION TO END THE MERGER EXPLORATION PROCESS WAS MADE THE TEAM CRAFTED A POSITIVE PUBLIC RELATIONS MESSAGE TO EXPRESS THAT THEY HAD BEEN OPEN, POSITIVE AND COLLABORATIVE BUT THAT THEY WOULD NOT PROCEED WITH THE MERGER

TODAY THE ORGANIZATIONS CONTINUE TO REFER CLIENTS TO EACH OTHER AND OTHER COMMUNITY AWARENESS AND EDUCATION OPPORTUNITIES

AT FIRST GLANCE SAME SERVICE AREA ORGANIZATIONS MIGHT APPEAR TO BE UNDER SCRUTINY THEIR INTERNAL CULTURES AND THAT OF THEIR SUPPORTERS BUT IN HEAVEN

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EIGHT YEARS AGO \$IAN (ARRISON SERVED AS THE EXECUTIVE DIRECTOR OF PLANETARY HEALTH CARE A MULTI MILLION DOLLAR NONPROFIT CENTER FOR REPRODUCTIVE HEALTH CARE AND THE PROTECTION OF A WOMAN'S RIGHTS AND WHEN TO HAVE CHILDREN

\$IAN RECALLS SHE GOT A CALL FROM #INDY 2AMBO WHO WAS RECALLED SHE SAID SHE WAS THINKING OF LEAVING AND WANTED TO EXPLORE OPTIONS TO TALK ABOUT A MERGER

\$IAN #INDY AND THEIR RESPECTIVE BOARD CHAIRS BEGAN DISCUSSING THE MERGER WHICH INCLUDED ANOTHER AFFILIATE PLANNED PARENTHOOD OF -ARIN AND A LARGER AFFILIATE IN THE NATIONAL PLANNED PARENTHOOD NETWORK. SHE MADE A CALL TO \$IAN THE PLANETARY PLAN & RANCSICO AND -ARIN COOPERATION MERGED TO FORM PLANNED PARENTHOOD 'OLDEN 'ATE A MULTITUDE OF \$IAN THE PRESIDENT AND #%/

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#%/ DEPARTURE #%/ LEAVING AND ANOTHER -ARIN SEEING THE MERGER AS AN UNPLANNED PARENTHOOD AFFILIATE THE PROSPECTIVE MERGER WAS A CHALLENGE TO COMPETE FOR THE #%/ SPOT IN THE MERGED ORGANIZATION. (ARRISON WAS WELL REGARDED BY THE STAFF IN ALL THREE ORGANIZATIONS) SHE BOARD CHAMPIONED HER AND AS THE OTHER BOARDS GOT MORE CONFIDENT ABOUT THE POTENTIAL OF A MERGED ORGANIZATION

#LOSE ALIGNMENT OF MISSION AND PROGRAMS DIFFERENCES IN APPROACHES TO RACIAL AND ECONOMIC DISPARITIES IN MANAGEMENT STYLE BUT AS AFFILIATES OF THE SAME NATIONAL PLANNED PARENTHOOD AFFILIATES BEGAN THEIR MERGER DISCUSSIONS TO ALIGN MISSION AND SERVICES

GENERAL FINANCIAL HEALTH OF THE THREE MERGER PARTNERS WAS GOOD BUT WITH DIFFICULTY THERE WAS NEITHER DEBT NOR INTRACTABLE ISSUES THAT WERE DEAL BREAKERS FOR THE OTHER TWO AFFILIATES

STRONG AND FOCUSED BOARD MEMBERS CONSISTED OF EXPERIENCED LEADERS WHO KEPT THEIR EYES ON THE RIGHT PRIZE AND WANTED TO BE MORE ABLE TO COMPETE IN THE INCREASINGLY DIFFICULT ENVIRONMENT IN THE HOSTILE POLITICAL CLIMATE BOARD MEMBERS TOOK THE LEAD OTHER BOARDS WERE FORTHRIGHT ABOUT TERMS AND STRATEGIES THROUGH EXPLORATION AND NEGOTIATION MEETINGS

%XPERIENCED FACILITATION FROM A NEIGHBORHOOD CENTER PROVIDED A FACILITATOR TO THE THREE GROUPS WHILE SATISFYING THE DESIRE OF THE REGIONAL OFFICE FOR A MERGER OTHERS WERE WILLING TO HELP BRIDGE THE AWKWARDNESS OVER SENSITIVE ISSUES

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TODAY PLANNED PARENTHOOD 'OLDEN 'ATE OPERATES EIGHT CENTERS WITH AN ANNUAL BUDGET OF \$10 MILLION EACH YEAR MORE THAN 50% OF THESE CENTERS AND ANOTHER 1000 STUDENTS BENEFIT FROM THESE SCHOOLS IN LATE 2018 \$IAN (ARRISON WAS RECOGNIZED BY 4 OF SIX EXEMPLARY HEALTHCARE LEADERS IN THE STATE OF #%





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