

To Merge or Not to Merge



What
Questions
Are You
Asking?

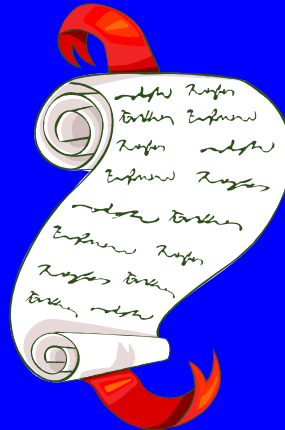


"It's agreed then: dogs, cats, gerbils and parakeets will merge, forming an entity which will be called Unipet."

Our Panelists

Bob Harrington, MSW/LCSW and Senior Manager, La Piana Associates, has worked in the nonprofit social services field for close to 30 years, in organizations ranging from small community based groups to statewide organizations with budgets over \$20 million.

At La Piana, Bob draws on his extensive nonprofit management experience to assist organizations with mergers, organizational assessment and strategic planning, human resource issues, executive/board relations, transition management and more.



Kris Lambright is the Director of Finance & Administration/CFO for the YWCA of Seattle-King County-Snohomish County. The YWCA serves 50,000+ women and families every year over two counties with programs to end homelessness, create jobs, care for children and youth, and prevent violence.

Kris is a CPA with 18 years of accounting experience, including the past seven years at the YWCA. She currently oversees the YWCA's financial and administrative services, the annual planning/budgeting/audit processes, and professional staff support for mergers, acquisitions, and construction projects.

Our Panelists

Kim Cutcher is the Executive Director for North River Development, founded in 1981 by a group of concerned neighborhood residents in partnership with a hospital.

Successes to date:

- Over 230 home loans
- Direct development of 315 units of housing
- TA with business expansions
- \$20 million invested in Toledo's First Neighborhood
- Nonprofit merger with another CDC



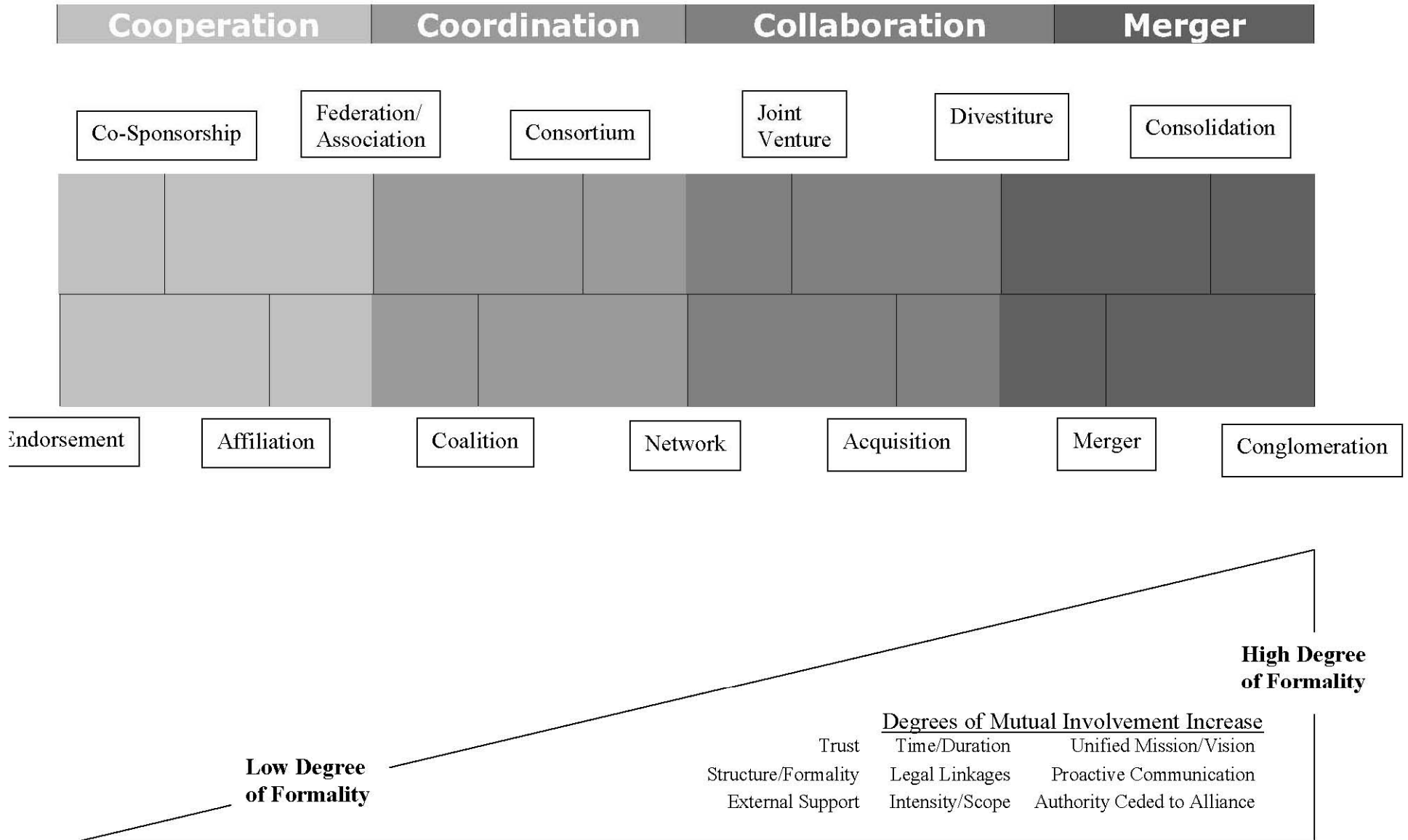
Joanne Montagner, CPA and Consultant, has over 25 years extensive experience improving the profitability and effectiveness of organizations large and small through business process improvement.

From Fortune 500 high-tech firms, Motown Records and Disney to community development corporations, Joanne has established a track record of success in everything from staff and team development to financial management, cost control and process effectiveness.

POLL: Who's in the audience today?

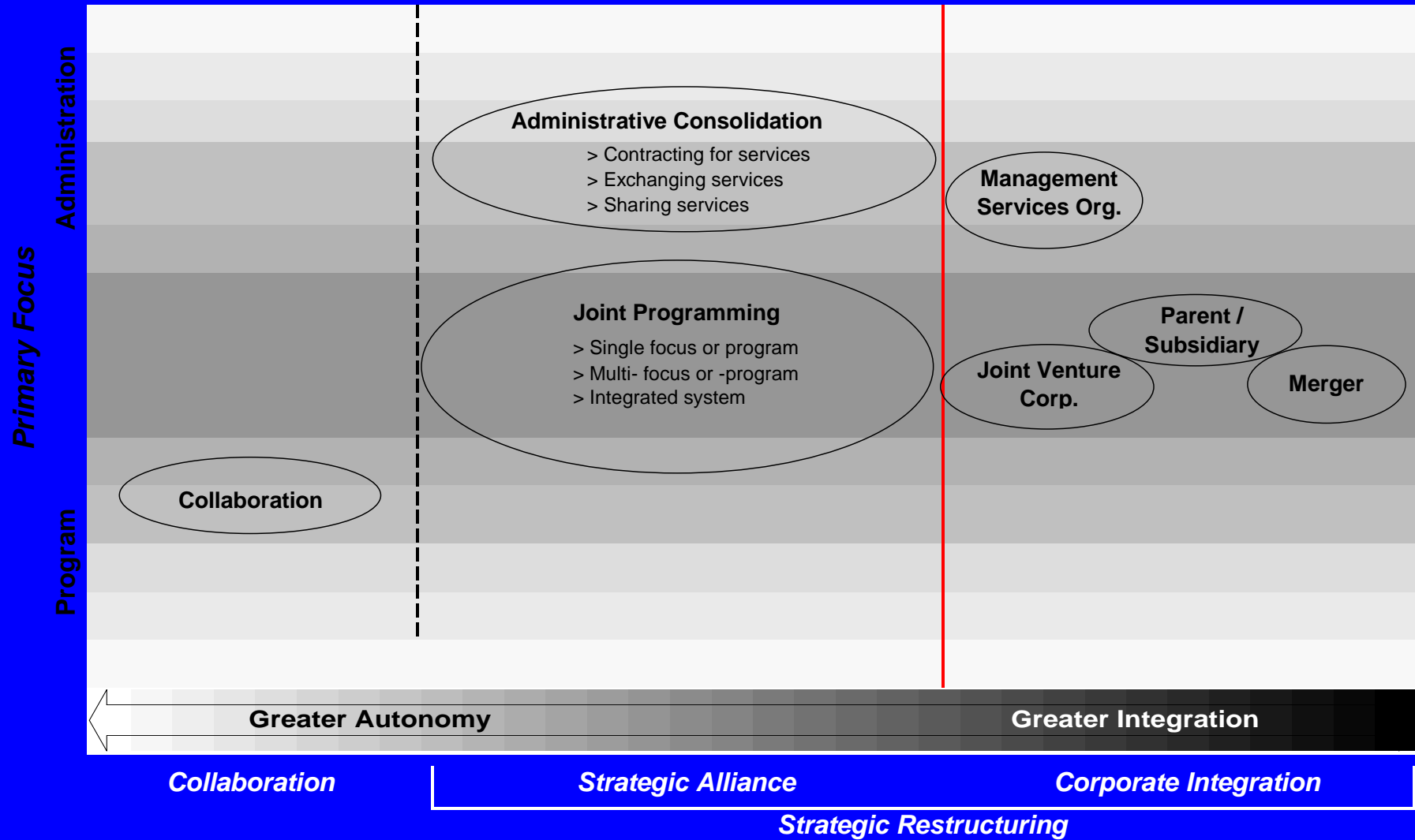
- CDC Executive Directors
- CDC Staff
- Intermediary Organization or Investor
- Industry Supporter (e.g. consultant, vendor)
- Other

The Strategic Alliances Continuum



Adaptation from Forming Alliances by Linda Hoskins & Emil Angelica and "All You Ever Wanted to Know About Mergers... And Then Some" by John Yankey.

The Partnership Matrix



Which best describes the times of partnerships in which you are involved?

- A - Endorsements/Co-sponsorships
- B - Joint Ventures (LLC/LLP)
- C – Merger/Consolidation
- Both A & B
- All of the above
- None of the above

Six Steps to a Successful Merger

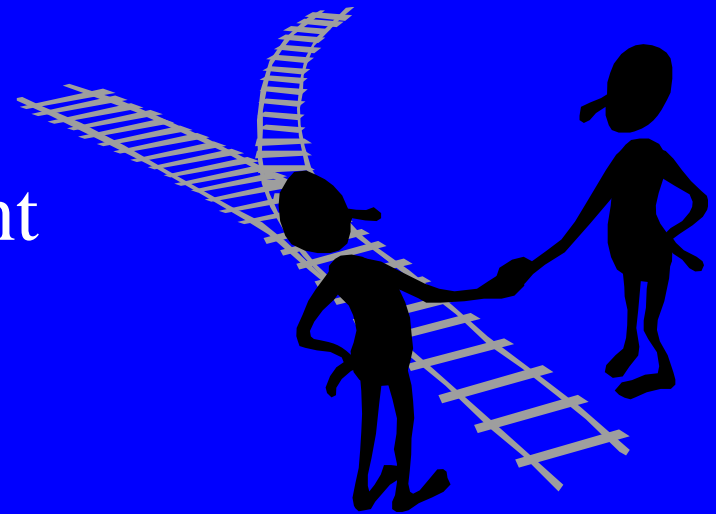
YWCA & “Marriage” Parallel

- Initiation
- Exploration
- Legal agreement
- Legal enactment
- Launch
- Integration
- Dating
- Monogamous Dating
- Engagement
- Pre-Nuptial
- Wedding
- Marriage



Critical Success Factors

- Staff/board member championed the alliance (80%)
- Positive past experiences w/collaboration (74%)
- Board support/encouragement (73%)
- Org. risk-taking/growth orientation (70%)
- Positive board-executive relations (64%)



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POLL: Why do you think most groups merge?

- Want greater efficiency/efficacy
- Increased competition for funding
- Increased overhead expenses
- Pressure from funders

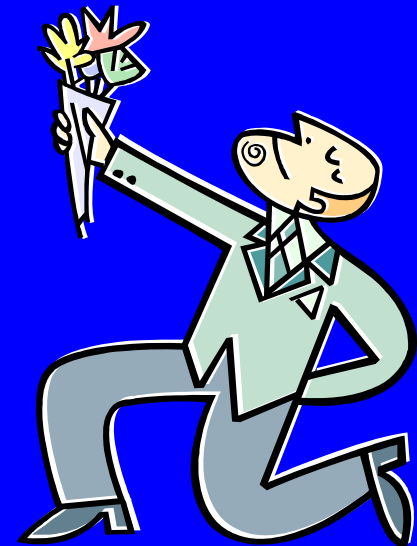
Initiation

- Mission compatibility
- System capacity
 - How does the merger affect the infrastructure of the agency?
 - Will there be economies of scale or other advantages from the merger?



Exploration/Due Diligence

- Financial (audits, tax returns, budgets)
- Financial processes (healthy?)
- Financial position, results
- Liabilities search (recorded, unrecorded, contingent)
- Personnel (positions, pay, benefits, vacation/PTO)



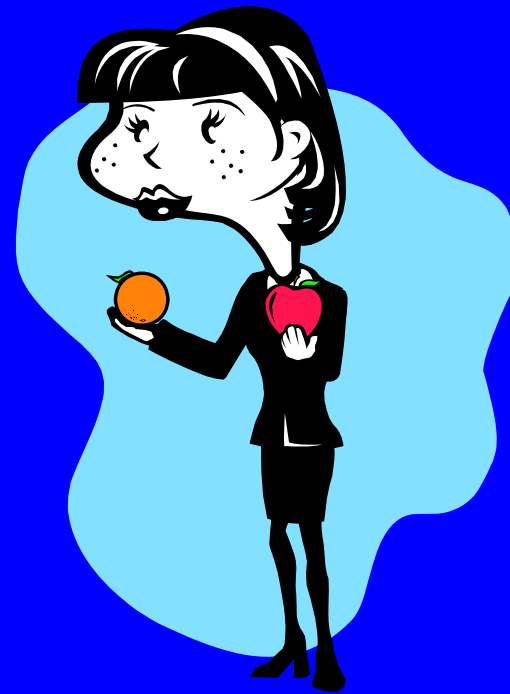
Exploration/Due Diligence (cont)

- Properties (title reports, inspections, capital needs assessments, reserves)
- Development (donors - new or overlap, software used)
- Information systems
- Go/no go decision



Comparisons

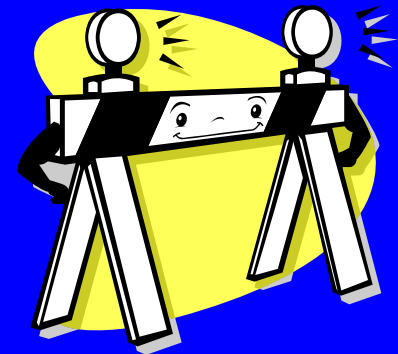
- **Financial Comparison**
 - Statement of Financial Position
 - Analysis of Financial Health - Ratios
- **Donor Comparison**
- **Human Resource Comparison**
- **Budget Development**
- **Projections for combined budget**
- **Cost/savings analysis**



Roadblocks

From *Strategic Restructuring* study, Kohm, et al.

- Autonomy concerns of the participating organizations
- Building trust among the organizations
- Staff adjusting to new roles/positions (self-interest)
- Conflicting organizational culture



POLL: What's the temperature for mergers in your community?

- Not a lot of pressure
- Some pressure – e.g. funding cutbacks, multiple orgs serving similar purpose in our community, etc.
- Yes – funders actively encouraging or requiring it

Legal Agreement

- Which form will the 'merger' take?
(Merger, management agreement, partnership, etc.)
- Draft agreement



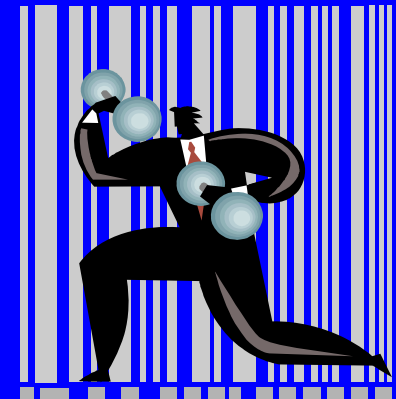
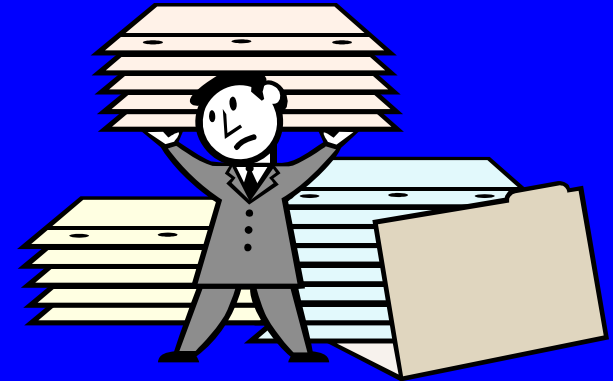
Enactment

- Set a date that works well for both entities
- Board approval (by both sides)
- Signing and recording of documents
- Communication to stakeholders



Launch

- Systems in place
- Import of records if needed
- Welcome events for staff and donors



Integration

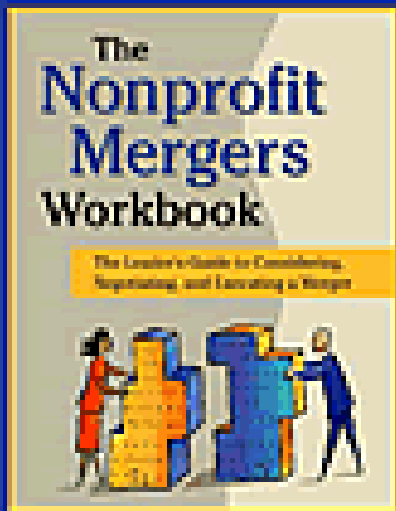
- Set check-in dates
- Celebrate successes!





Use alliances to
create a bigger
"resource pie"!

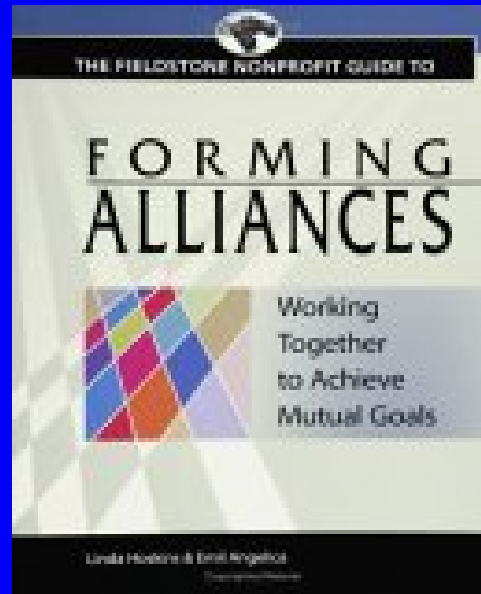
Resources



David La Piana

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www.lisc.org

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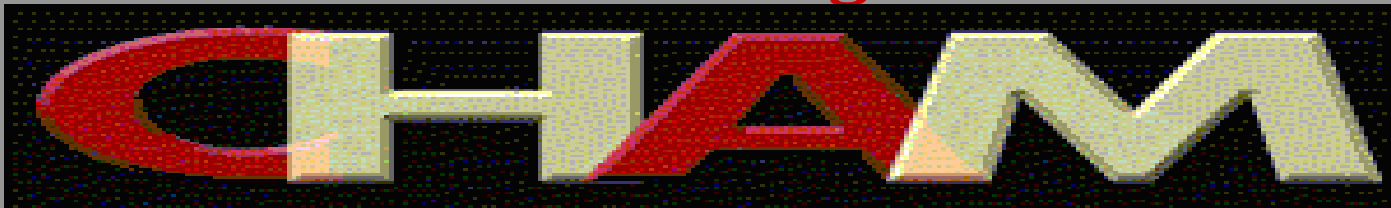
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