Collaboration and Strategic Restructuring Toolkit
Introduction

Dear Colleague,

Today, YWCAs across the country are facing a myriad of challenges while seeking to fulfill the YWCA mission. As you well know, the nonprofit landscape has become more complex, and access to funding has become more competitive. When local associations work to build their internal capacity and external community presence, they are better positioned to meet these challenges. Collaboration and strategic restructuring offer ways to creatively build your association’s capacity by strengthening your infrastructure, bringing on new programs, enhancing existing services, increasing your resources, and expanding your geographic reach.

Over the past two years, YWCA USA has worked with La Piana Consulting, national thought leaders in nonprofit collaboration and strategic restructuring, to educate local associations about the options available to them, highlight local associations that have successfully used collaboration and strategic restructuring, and help local associations evaluate their readiness to take advantage of these opportunities.

We are excited to introduce you to the YWCA USA Collaboration and Strategic Restructuring Toolkit. This online Toolkit was developed especially for the YWCA by La Piana and contains information on types of strategies with links to a wealth of additional information. It also includes actual examples and case studies from YWCAs that have used collaboration and strategic restructuring to become vital, stronger, mission driven associations.

Many thanks to La Piana Consulting’s Bob Harrington and Melissa Mendes Campos along with Clare Gravon, Vice President of Member Services, and Becky Hines, Director of Member Services, for working together over many months to bring this finished product together for your use. I am certain you will find its content to be high quality, well-organized, and user friendly.

We hope you will use this Toolkit to build collaboration and strategic restructuring into your association’s strategic plan as well as to assist you in the decision-making process when unanticipated opportunities come your way. Please keep us posted on your work in this area so we can highlight your successes and develop an organizational culture that puts these concepts into practice.

Best,

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Chief Executive Officer
YWCA USA
Purpose of Toolkit

The Collaboration and Strategic Restructuring Toolkit has been developed for YWCA USA by La Piana Consulting to provide YWCAs across the country with information about the many collaborative strategies they can use to strengthen and sustain their mission.¹

Contents

The Toolkit is organized into six sections, plus appendices and a resource/reading list.

1. The Collaborative Map (pp. 4–11) introduces the wide range of partnership options used by organizations, including brief examples of each, and links to more detailed information.

2. Start With the End in Mind (pp. 11–16) identifies the benefits offered by various forms of partnership and anticipates some of the common challenges organizations may encounter.

3. Four Steps to Partnership (pp. 16–31) outlines the process of assessment, negotiation, implementation, and integration that guides successful collaboration and strategic restructuring.

4. Case Examples (pp. 32–39) features mini case studies featuring real partnerships among YWCAs and between YWCAs and other nonprofits.

5. Making Collaboration Strategic (pp. 40–44) includes insights on how your organization can ensure that partnerships are used to strengthen (not distract from) your overall strategy.

6. Support for Partnerships (pp. 44–46) includes tips on next steps, including what to look for in a consultant and how to solicit funding to support collaboration and strategic restructuring.

Resource List (p. 47)

Appendices (pp. 48–72)

As you navigate the Toolkit, you’ll notice several icons, listed below with their meanings.

- ✓ Examples of partnerships
- + More reading (not in appendices)
- ❔ Information in appendices
- ❓ Questions for your consideration

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1. The Collaborative Map

Collaborative strategy is about working better together. The Collaborative Map presents the range of ways that independent organizations can come together in pursuit of a shared goal. We visualize these in three categories: Collaboration, Alliance, and Strategic Restructuring.

The Collaborative Map*

*Note: For an interactive online version of this Collaborative Map, click here.
1.a. Collaboration

There are many ways to collaborate, and collaborations are not mutually exclusive. Organizations can (and do) collaborate with multiple organizations, often from multiple sectors, on a range of initiatives. In fact, today more than ever, organizations must collaborate, both broadly and deeply, because that is what it will take to address the complex problems we face.

At the most basic level, two or more entities may choose to simply coordinate their actions, activities, advocacy, or learning; such options are shown in the outermost circle of the Collaborative Map (Figure 1).

Coordinated Action

Coordinated action is when two or more organizations coordinate their planning or service provision, co-sponsor an event, pool resources to purchase an asset both could use, solicit better pricing on assets they will purchase and use independently.

For example, in 2014, the Nonprofit Quarterly (NPQ) launched a partnership with the Young Nonprofit Professionals Network (YNPN) to ensure that NPQ is serving and including YNPN membership in its information and readership community.

YWCA West Central Michigan has extended free trainings to physicians on domestic violence and sexual assault, in a proactive response to the Affordable Care Act, which has made screenings a covered service. By positioning itself as a resource, the YWCA offers support to health care agencies in meeting new standards for assessing patient health and safety related to intimate partner violence, while facilitating referrals to the YWCA for related behavioral health services.

Joint Advocacy

Joint advocacy can be aimed at changing policies locally, regionally, or nationally.

A notable recent example is the pursuit of marriage equality, in which dozens of nonprofits joined a growing number of individual voices to call for change with respect to the legality of gay marriage, many coordinating their efforts in particular states.

Collaborative Learning

Collaborative and cross-organizational learning can happen in community convenings, through coordination and sharing of training opportunities, or through learning communities. Learning communities in particular can provide a mechanism for individuals to deepen their understanding of
a given topic or issue area by learning together, putting that learning into action, and then deepening the learning by jointly reflecting on those actions.

For example, the Hawai‘i Community Foundation’s $5 million Schools of the Future Initiative (2009-13) included a learning community in which the 18 funded schools could share their experiences in trying out new instructional methods.

Networks are collections of individuals and organizations (often self-organizing) working together to create social change. Some networks do ask members to make a formal commitment to participate or share data; many of the “collective impact” examples that have been highlighted in recent literature do this. (Please see “A Note on Definitions,” page 11.)

The Boston Green and Healthy Building Network has brought together public health and environmental groups advocating for change in building codes in Boston. Supported by network mapping and exploration, the organizations have strengthened their connections and coordination, improved access to influential policymakers, and achieved significant wins.

You do not need a formal agreement to do these things, or a long-term commitment, although you might choose to make your participation official in some way.

1.b. Alliance

When a more formal, structured partnership is called for, you may want to consider some sort of strategic alliance; such options are shown in the second of the three circles on the Collaborative Map (Figure 1).

We see these as falling into two categories:

~ those that involve doing some part of your nuts-and-bolts business together (such as programming, administration, or revenue generation), and
~ those that are really more about working together to have an impact on the field (for example through advancement of a social change agenda or work to strengthen organizations with a particular issue or geographic focus).

The first category (medium-blue in the Map) includes administrative consolidation, fiscal sponsorship, joint programming, and joint earned income ventures. The second category (light purple in the Map) includes affinity groups, associations, consortiums, and coalitions. In either case,
decision-making power is shared or transferred, but the organizations involved are not called upon to make changes to their corporate structure.

**Administrative Consolidation**

Administrative consolidation is a strategic alliance that entails the sharing, exchanging, or contracting of administrative functions to increase the operational efficiency of one or more of the partner organizations.

For example, nine Habitat for Humanity affiliates in the Charlotte, North Carolina area came together to collaborate and consolidate business practices; current focus areas include joint purchasing, joint training, joint ReStore marketing, and mortgage servicing.

**Fiscal Sponsorship**

Fiscal sponsorship refers to the practice of a nonprofit organization offering its legal and tax-exempt status to unincorporated groups engaged in activities related to the organization’s mission. It typically involves a fee-based contractual agreement, and the fiscal sponsor often provides some amount of administrative support to the project.

Citizen Engagement Laboratory works with individuals and organizations that use technology-fueled approaches to create a more just and equal world, providing them with a combination of infrastructure and strategic guidance.

**Joint Programming**

Joint programming is a strategic alliance in which organizations come together to launch and manage one or more programs to further shared goals.

For example, in Buffalo, New York, EPIC and Baker Victory Services joined forces to provide more robust hospital-based parent education programs to help parents foster the social, emotional, and cognitive development of their children — and together dramatically increased the number of new parents served per year.

YWCA Cass Clay has partnered with the Sanford Health nonprofit health care system based in North and South Dakota to provide health services through the YWCA’s Emergency Shelter and Transitional Housing programs. An on-site nurse works with shelter residents and
program participants to promote and enhance health and wellness, with a focus on appropriate usage of health care services, access to care, and advocacy.

YWCA Sonoma County and multi-service agency West County Community Services (WCCS) entered into a Memorandum of Understanding to strengthen the provision of counseling services to domestic violence survivors served by the YWCA. The partnership brought together the YWCA’s depth of knowledge in domestic violence issues with WCCS’s clinical expertise in counseling individuals and families. For more about this partnership, see “The Power of Partnership: Insights from Leaders,” March 2012.)

Joint Earned Income Venture
Joint earned income activity occurs when one or more organizations come together to launch or manage a revenue-generating activity that benefits all partners (e.g., a combined capital campaign or social entrepreneurial venture).

Blind Industries & Services of Maryland chose to expand its manufacturing capacity, not on its own, but through a partnership with Raleigh Lions Clinic for the Blind, another organization that provides employment opportunities for blind individuals.

Affinity Group
Affinity groups bring together professionals in the nonprofit sector for networking, peer support, and professional growth. Often convened by associations or management support organizations, affinity groups may be organized by issue, identity, individual role, organizational function, stage in one's career, geographic focus, or some combination of these. Affinity groups may be less formal, or may be formalized through the creation of a separate organization. (See also “A Note on Definitions,” page 11.)

This is what happened with Grantmakers for Effective Organizations (GEO), which started as a small gathering of philanthropic leaders and is now an independent corporation with 459 member organizations.

Coalition, Consortium, and Association
Coalitions, consortiums, and associations are groups of organizations, individuals, and/or government entities that choose to pool their resources and work toward a common goal. Coalitions typically share a specific political or social change goal, while consortiums and associations typically serve and represent the interests of those involved (though this distinction is not universal). Associations are more likely to hold their members to a common set of standards, but again, that
distinction is not universal; many ask for little more than dues and an annual commitment to participate in advancing shared goals.

The Pennsylvania Coalition Against Rape (PCAR) is an example of a coalition formed as an independent entity. Coalitions may also operate more or less informally, and may be either temporary or long-term, small and local or large and national.

The Guilford Nonprofit Consortium is a collaborative of nonprofit organizations in Guilford County, North Carolina, that fosters mutual assistance and support within the nonprofit community (such as leadership development and training opportunities, etc.) to create a more efficient and effective nonprofit sector.

The California Alliance of Child and Family Services is a statewide association of more than 130 private nonprofit child and family service agencies, and provides legislative and regulatory advocacy on behalf of its member agencies regarding key policy issues.

Any of these alliances can evolve over time, and lead to a more formal, legal connection between organizations or even the formation of a new entity, such as those described below.

1.c. Strategic Restructuring

Sometimes, the best option from the outset might be a structural change or the creation of a new entity. Such options are shown in the centermost circle on the Map (Figure 1).

**Joint Venture Corporation (including MSOs)**

Joint venture corporations consolidate some portion of the administrative, programmatic, or advocacy functions of two or more organizations within a jointly controlled corporation (i.e. the partner organizations share governance of the new organization). A management service organization (MSO) is a specific type of new organization created to integrate administrative functions, and thus increase the operational efficiency of participating organizations.

For example, the Children and Family Services Center (CFSC) 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.
Parent-Subsidiary Structure

Parent-subsidiary structure is an integration of some or all administrative functions and programmatic services of participating organizations, with the goal of efficiency and/or efficacy. Although the visibility and identity of the original organizations often remain intact in a parent-subsidiary relationship, some organizations involved in such restructurings consolidate to the point where they look and function much like a merged organization.

A parent-subsidiary structure is sometimes chosen due to the restrictions on transferability of contracts, licenses, or certifications, restrictions which may be temporary in nature. The creation of a parent-subsidiary structure allows the organizations to achieve the benefits of a merger while maintaining distinct corporations.

Not everyone uses this language; some organizations prefer to use the term “affiliated entities.” Such is the case for AARP Experience Corps. In 2011, Experience Corps, an award-winning program that engages 50-plus adults as tutors for children in grades K-3, joined forces with AARP to become AARP Experience Corps, an affiliated entity of AARP.

Merger or Acquisition

Merger or acquisition is an integration that includes the integration of all programmatic and administrative functions to increase the administrative efficiency and programmatic impact of one or more organizations.

FASB, the Financial Accounting Standards Board, requires an “accounting” determination of either a merger or acquisition as described below.

- **A merger** occurs when two or more organizations are dissolved into a newly created corporation that includes some or all of the resources, administrative infrastructure, and programs of the original organizations.

- **An acquisition** occurs when one corporation is dissolved (acquired corporation) with all activities and resources transferred into the surviving (acquirer) corporation. The selection of an acquisition form of consolidation does not limit the identity/branding, governance, or leadership options of the participating organizations. However, it does impact the booking of assets within the surviving corporation as outlined by FASB Statement No. 164. An acquisition may also involve formation of a new entity where one participating entity has obtained control of the nonprofit activities or businesses of all participating entities (e.g., by appointing significantly more of the governing board of the newly formed entity, retaining its bylaws and policies, etc.).
In 2012, Family and Youth Services (FAYS) merged with the Women’s Center of San Joaquin County in California. Today, the merged organization, Women’s Center – Youth & Family Services, provides shelter and services specifically designed to meet the needs of homeless and runaway youth and victims of violence and sexual assault.

A Note on Definitions

There are many different terms used to describe partnerships between and among nonprofits, and between nonprofits and for-profits, government entities, and unincorporated groups. The terms shown on the Collaborative Map are among the most common, but not everyone uses these (or other) terms in exactly the same way.

For example, YWCA USA uses the term “network” in reference to its national organizational structure, comprised of the Great Lakes, Mid-Atlantic/Southeast, Heartland/Southwest Delta, Northwest/Pacific, and Northeast/New England. YWCA USA may also refer to “affinity groups” in ways that differ from the description above.

Such difficulties in terminology are unavoidable, and simply serve to highlight that what is most important when considering a partnership is to be clear on what you want to achieve. There will be a way to make that happen, no matter what you choose to call it, and whether you are two organizations or 22, looking to partner in one area or all.

2. Start With the End in Mind

Regardless of the form a partnership takes, its real value lies in why it has been formed, how it takes action, and what it achieves. There is little merit in collaboration merely for collaboration’s sake. Partnerships take time and effort to build and sustain. With all the competing demands nonprofits face, there is no sense in spending precious time and energy on collaboration unless there is a compelling purpose for doing so. For this reason, it is imperative that organizations be clear about their goals and desired outcomes in choosing what kinds of partnerships to pursue.

For example, if an organization is seeking a temporary partnership to address a time-limited challenge or opportunity, some form of collaboration will be best. If it is looking for a more formal relationship that is mutually beneficial at an administrative and/or programmatic level but need not involve a change in corporate entity, alliances should be considered. And if a permanent change across the entire organization is desired in service of the mission, strategic restructuring holds the greatest potential.
2.a. Benefits of Different Forms of Partnership

Organizations that engage in various forms of collaboration, alliance, or strategic restructuring often discover many benefits to this activity. However, each form provides different potential benefits. Below is a summary of some of the potential benefits that distinguish one form of partnership from another.

**Collaboration**

Using collaboration, organizations may build relationships in which there is coordinated action, joint advocacy, collaborative learning, or networking. These relationships may range from very informal (e.g., two organizations meeting together to discuss common issues and opportunities) to more formal (e.g., networks designed to organize for advocacy purposes), but there is no change to the corporate structure of the collaborating organizations.

Potential benefits of collaboration include:

- Coordinated action is useful for pooling expertise or resources for a time-limited effort.
- Joint advocacy can provide a stronger collective voice around a shared cause or issue.
- Collaborative learning allows for the sharing of collective wisdom and knowledge and creates opportunities for learning through feedback and reflection.
- Networks can bring diverse strengths, collective power, and shared learning to social issues requiring sustained, coordinated, action.
- All forms of collaboration can build a foundation for deeper relationship development.

**Alliance**

Strategic alliances include: administrative consolidation; fiscal sponsorship; joint programming; joint earned income ventures; affinity groups; and coalitions, consortia, and associations. These forms of partnerships are primarily designed to enhance programmatic or administrative functions of the organizations involved, and may involve some level of formal agreement. There is no change to the corporate structure of any of the organizations involved.

Potential benefits of strategic alliance include:

- Administrative consolidation provides the recipient a more robust level of administrative services than it can muster on its own, and generates contract revenue for the provider of those services.
- Fiscal sponsorship gives the sponsored project or organization access the financial and infrastructural advantages of the sponsoring 501(c)(3), enabling it to focus on program delivery.
- Joint programming leverages the different skill sets of each organization to more effectively provide services or programs than either organization could provide on its own, for the
ultimate benefit of clients/customers/audiences. It can aid in expanding a program into a new geographic area, and reduces needless duplication of services.

- Joint earned income ventures allow organizations to share benefits (and risks) of a revenue-generating social venture.
- Affinity groups foster networking and shared learning among groups and/or individuals with common interests.
- Coalitions, consortia, associations can support collective power in advocacy, purchasing, standard-setting and enforcement, and other areas.

**Strategic Restructuring**
Forms of strategic restructuring include joint venture corporations (or MSOs), parent-subsidiary structures, and mergers or acquisitions. One hallmark of strategic restructuring is the change in corporate relationship and structure between the partnering organizations.

Potential benefits of strategic restructuring include:

- Joint venture corporations allow partners to combine their skills and expertise in a specific program area while keeping their other respective programs separate. For example, it could be used to create a revenue-generating social enterprise that is jointly run. A management services organization (or MSO) is a special kind of joint venture that creates a new entity aimed at reducing duplication of administrative functions. This not only creates efficiencies for the owning partners, but could become a revenue stream if services are also sold to other (non-owner) organizations.
- Parent-subsidiary structures enable partners to consolidate administrative and program areas in a way that is more flexible than a merger or acquisition. The partners may look and function much as if they had merged, but each maintains its own corporate entity. This form of partnership is particularly useful in situations (often temporary) in which the non-transferability of a license, certification, or contract makes merger not feasible.
- Mergers or acquisitions involve the complete consolidation of organizations into a single entity. This allows for the creation of a single administrative infrastructure, eliminating the redundancy of functions, and for the integration of programmatic activities, which can result not only in reduced duplication of services, but also enhanced service offerings that combine the expertise of the merged organizations as well as expanded reach to new geographies and constituencies.

For more information on what distinguishes various strategic restructuring relationships and how they are formed, please see [Appendix A: The Partnership Matrix](#) and [Appendix B: Strategic Restructuring: A Closer Look](#).
2.b. Challenges of Partnership

Organizations that pursue collaboration, alliance, or strategic restructuring may also encounter significant challenges. It is critical for nonprofits considering a potential partnership to be aware of these in order to be able to successfully work through them.

Time

Nonprofit partnerships can take a significant amount of time to develop and come to fruition — both the process of coming to agreement and the actual outcomes sought as a result. This can be a challenge for organizations and their leaders who have many competing demands on their attention. Part of an organization’s readiness for partnership is that it must be willing to spend the time that it takes.

The more highly integrated (or otherwise complex) the form of partnership, the longer it can take to negotiate and execute an agreement. In such cases, maintaining momentum can be a particular challenge. Although strong facilitation and external guidance (from funders or other capacity builders) can be helpful, the onus is on the organizations’ leaders to take active roles in driving their own partnership process and keeping their board/staff teams engaged toward the common goal.

Trust

The degree and quality of trust between organizations is a critical factor in pursuing a potential partnership. Research finds that trust can be broken down into five areas for consideration:

1. **Openness**: open communications, genuine talking and listening, sharing of critical information, shared decision making and power.
2. **Integrity**: truthfulness, the honoring of agreements, acceptance of responsibility and commitment to doing what’s right.
3. **Competence**: demonstrated skill in areas of professional accountability, setting and meeting standards of excellence, flexibility/adaptability, ability and willingness to fulfill responsibilities.
4. **Reliability**: dedication to mission, consistency, dependability, diligence and demonstrated commitment
5. **Benevolence**: positive interactions, commitment to an environment of good will and caring, maintenance of confidences, appreciation expressed, and “well-being” looked after.

The process of partnership exploration can and should be a trust-building process between the organizations. Where there is a high level of these five elements of trust, collaborations have a greater chance of meeting their full potential.

For more on these five elements of trust see Appendix C: The Trust Diagram.
**Autonomy**

Strategic restructuring relationships like merger require a high level of integration, and with it, a loss of autonomy. Autonomy is a critical component of nonprofit identity. Often, nonprofits are founded by (and may continue to operate on) the commitment, energy, and drive of a small group of devoted leaders. In an industry that is known for long hours, low compensation, and the stress and uncertainty of third-party funding, autonomy (or independence) is one of the rewards available to nonprofit leaders. These leaders have invested a great deal of themselves in building the organization, so naturally they feel a powerful sense of ownership for it.

Autonomy concerns can emerge during a variety of discussions over the course of a merger exploration, including when examining the goals and motivations for a partnership, the level of commitment to programs and services provided by each organization, and decisions about the organization name and branding. The key to overcoming this potential roadblock is to counterbalance the loss of autonomy by focusing on the ultimate benefits of the merger.

**Self-Interest**

Self-interest is a normal part of the human experience. It is also a natural part of any discussion that impacts a person’s position, role, and/or affiliation with an organization—such as those that occur in a merger negotiation. Whether it is a long-time board member’s strong attachment to a beloved organization or a staff member’s fear of losing his or her job, each person brings to the organization a set of legitimate psychological needs for affiliation, security, self-esteem, and self-worth, as well as (for staff) the practical need for continued gainful employment.

Self-interest in itself is neither inappropriate nor unethical, but it is important to remember that it is the mission, not the interests of individual board or staff members, that should drive decision making about strategic partnerships.

**Culture**

Ultimately, organizational culture is the most significant potential barrier to successful integrative partnerships between organizations. Organizational culture is the behavior of humans within an organization and the meaning that people attach to those behaviors. It includes the organization’s vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits. Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. It defines expectations for level of formality within an organization as well as openness of the transfer of information and interconnectedness between different functions or departments. It defines the organization in terms of hierarchy and expectations for how individuals are expected to act within that hierarchy. Organizational culture also influences decision-making processes and communications.

When organizations engage in partnerships, it is important to consider differences in culture. In collaborations and alliances, it may be a matter of understanding and mitigating differences in order
to advance shared goals. For mergers, the organizations will need to look at defining and creating a new culture for the new organization.

For more insights into the challenges of forming effective partnerships and ways to overcome them, see La Piana Consulting blog posts on *Making Decisions or Making Nice?*, *Cold Feet: Second Thoughts in the Midst of a Merger*, *Avoiding Groupthink in Nonprofit Partnership Negotiations*, *When a Nonprofit Merger is Deeply Personal*, and *The “New Math” of Non-Merger Partnerships*.

3. Four Steps to Partnership

Every day, organizations are exploring new and creative ways of working together to expand their reach, deliver more effective programs, and advance their missions. Even so, “collaboration” is easily said, much harder to actually do and (more importantly) to do well. For organizations considering a strategic restructuring partnership, we recommend four key steps: assessment, negotiations, implementation, and integration. Although not all collaborations or alliances will require such a rigorous process (e.g., in a non-merger situation there would be no integration phase, as such), consideration these steps can still be beneficial.

3.a. Assessment

Before entering into any effort to form a partnership with another organization, nonprofit leaders are wise to undertake an assessment of their organization’s readiness and suitability as a partner. This assessment should be made in as objective a manner as possible, since readiness factors correlate with success in the actual partnership effort. It is far better to identify and understand your own as well as a potential partners weaknesses ahead of entering into a negotiation than to discover them in the midst of discussions. Conversely, understanding the strengths and specialized skill sets each organization possesses early on can help to determine the unique benefits/outcomes of a potential partnership, lending purpose and momentum to the entire process.

Self-Assessment

An organizational self-assessment is process in which an organization examines its motivations, experiences, strengths, and weaknesses in the context of a potential partnership. It is best done well before entering into a discussion with another organization about a potential partnership and in consideration of this definition of a partnership: A partnership is a mutually beneficial and well defined relationship entered into by two or more organizations to achieve results that they are more likely to achieve together than alone.
Some questions an organization should consider in assessing its readiness include:

1. What partnerships have you been or are currently involved in? What was your experience like? What significant lessons did you learn?
2. What are some of your organization’s key challenges and critical issues that a partnership with the other organization(s) could help you solve that you could not solve on your own?
3. What are some of the opportunities (new audiences, impacts, funding, etc.) you could take advantage of in a partnership with the other organization(s) that you could not on your own?
4. How could it help you better serve your current clients and advance your mission?
5. How could a partnership strengthen your position of being necessary (to funders) and not just nice in your community?
6. What are some of the “red flags” in your organization that could make you less attractive as a potential partner?
7. What is your current financial position? How does it impact you as a potential partner?
8. How could a partnership increase your organization’s capacity to operate more effectively and efficiently?
9. What are some of the key parameters or screens that you would use in determining whether or not to pursue a potential partnership? For example:
   - It advances our mission
   - We would not do it on our own
   - There is available funding
   - It does not duplicate something already provided in the community
   - We would have the staff and time to devote to it

For more insights into partnership readiness, see La Piana Consulting blog post Nonprofit Partnership: Are You Ready?

**Partner Assessment**

Once an organization has completed a self-assessment and determines it is appropriate and beneficial to continue in a potential partnership exploration, it should engage in a partner assessment. This may entail the examination of a variety of potential candidates or, most likely, the assessment of a single candidate. The majority of partnerships occur between organizations that have an existing relationship, have collaborated before, and in which the respective leaders have a positive collegial relationship. As such, some of the elements of a partner assessment may already be “knowns.” However, even in these cases, it is important to deeply consider the partner assessment phase to ensure that you have identified the most appropriate potential partner.
Some areas of inquiry and questions that should be considered include:

**Mission and Vision Compatibility**
How is the partner's mission and vision similar or complementary to yours? How is it different? Is there flexibility in your or the potential partner’s mission/vision such that there is a logical compatibility between the organizations?

How are the constituencies they serve similar to yours? How are they different from those that you serve? Can the services of the potential partnership enhance your work with clients (does it fill gaps in service for either or both of your organizations)?

**Organizational Culture**
What do you know about the potential partner’s culture? How have your obtained the knowledge of their culture (direct working experience, reputation in the community, etc.)? In what ways is their culture similar to or different from yours? (For more on organizational culture, see Appendix H: Cultural Integration in Nonprofit Partnerships.)

**Previous Joint/Collaborative Activities**
What joint activities (programs, shows, campaigns, conferences, etc.) have you done with this potential partner? How successful was each activity? How satisfied were you with the partnership? What potentially negative experiences have you had? Were these isolated experiences related to individual staff members or an indicator of a broader concern?

**Trust Level**
How would you rate the level of trust that you have with the other organization? How do the areas of trust described on page 14 “rate” among your organizations? Are there any roadblocks or key challenges that would need to be overcome to increase your level of trust with this potential partner?

Specifically, how would you characterize the level of trust between the CEO and board of each organization? What direct interactions have the two organizations had that impact the degree of trust at the CEO and/or board level? (These individuals will likely play lead roles in a partnership negotiation, so trust at this level of the organizations is particularly important and can set the tone — for good or for ill — for the whole process.)

**Strengths and Weaknesses**
What is the potential partner organization good at and/or what do they possess (skills, programs, assets, staff, etc.) that could benefit your organization through a partnership?
What do you see as their key weaknesses and the major challenges they face internally and externally? What is their reputation in the community? How has their reputation evolved over the years? Are the reputations (positively or negatively) based on old information / incidences that may no longer apply? Have they moved well beyond old reputational issues?

**Financial Condition**
How would you rate the financial condition of the potential partner?

*TIP:* You can begin evaluating an organization’s financial condition well before opening the conversation. Look online to examine recent 990s (at GuideStar, for example). Additionally, nonprofits often post Annual Reports on their websites.

**Usable Skills and Assets**
Think again about the skills and assets the potential partner would bring that you do not have access to. Are these assets *usable* to your organization, or are there (for example) restrictions on reserves/endowments that may prevent their use for your programs/services?

**Attraction**
What excites you about this organization as a potential partner? What makes it unique or desirable as a partner? Is the attraction toward this organization shared among your staff and board?

Even if your organization does not have a specific partner in mind, the questions above can be used to help develop and refine your list of desired qualities in a potential partner.

**The Strategic Restructuring Assessment Tool**
La Piana Consulting has developed an online Strategic Restructuring Assessment Tool (SRAT) to assist organizations as they assess their readiness to enter into a potential partnership exploration process. The purpose of the SRAT is to assist nonprofit organizations in gaining a better understanding of collaborative options, their own motivations for seeking a partnership, and key success factors and challenges. The 25-question survey is designed to stimulate thinking and discussion about the organization’s strengths, assets, and challenges, and how they might leverage, strengthen, and/or address those through both a thoughtful exploration process and — if appropriate — a partnership with another organization.

These goals are best accomplished through candid discussion within the organization, including representatives from the board and senior staff. For this reason, we recommend that members of the board (including members of the Executive Committee) and staff (e.g., ED/CEO, CFO, senior program staff, senior development staff) work through the tool together. Seeking various perspectives from within the organization enriches the discussions, and ultimately provides better input regarding strategic restructuring options. Specifically, the group should walk through the
questions as a group, recording their answers together and then entering them into the online instrument once discussions are concluded.

Areas and questions for exploration within the SRAT include:

**Motivations / Desired Outcomes**
What goals or desired outcomes does the organization seek to achieve through a partnership with another organization? What motivations or driving forces are leading your organization to consider a partnership?

**Financial Position**
Where does the organization generally fall on the continuum of financial strength (i.e. being able to comfortably fund all organizational operations and services with a surplus to fund reserves, or to the other end of the spectrum, being in significant financial trouble with multi-year deficits that make the future very uncertain)? Where does the organization fall in the areas of debt/credit (i.e. from having little or no debt and good access to loans/lines of credit and liquidity, to carrying more debt than can be serviced and poor access to liquidity)? How stable are the current funding streams of the organization?

**Administrative Capacity**
What are the systems and staffing capacity in administrative areas of: finance and accounting, fund development, marketing and communications, information technology, human resource management, purchasing, quality assurance/improvement, contracts management/compliance, and measurement/evaluation?

**Facilities**
What is the current capacity/need with respect to facilities (physical space that is owned or used for program/services delivery and administration)? What is the current capacity with respect to the management of facilities?

**Organizational Influence and Access**
What is the level of organizational influence/access (i.e. from having access to influential organizations, policy makers, the media, and community leaders and often being asked for input when there is a critical issue/debate that involves the work of the organization, to having no access and never being asked for input on critical issues)?

**Experience with Collaboration/Partnerships**
How experienced is the organization with partnerships (e.g., shared administrative services, joint programming, mergers, etc.)? How would the organization characterize (on a continuum from very negative to very positive) its past experiences in collaborations/partnerships?
Concerns and Challenges
What are the primary concerns about a potential partnership in relationship to: loss of identity/brand, loss of autonomy, job loss, compatibility of organizational cultures, lack of trust between the organizations, connection with the local community, managing change, and messaging/communications?

Board Response
How comfortable is the board in entering into partnership discussions?

Staff Response
How comfortable is the staff in entering into partnership discussions?

Organizational Culture (Communications)
What is the culture of communications within the organization (open and transparent vs. closed and protective)?

Organizational Culture (Decision Making)
What is the culture of decision making (consensus driven vs. hierarchical)?

Potential Partners
Has the organization identified potential partners, and (if so) where is it in the process of discussion? How would the organization characterize the opportunity with its identified partner (i.e. from a high need to partner for its very survival to each party benefiting equally)? How would the organization characterize its programmatic fit with the potential partner? How would it characterize any past experiences of working with the potential partner? How would it characterize the level of trust that exists between the organizations?

Community Support
How common are successful nonprofit partnerships in the organizations’ community? What level of financial support exists for partnerships in the community?

After completing the questionnaire, the organization will be presented with a customized report designed to provide feedback, information, and resources (e.g., articles, case studies) specific to its situation. The report itself can be of great value to an organization. Often, however, equal value is found in the discussion that occurs within the organization as the board and staff go through the questions together, gaining insight into others’ perspectives. Such insights are an important part of the assessment process, and the organization will want to understand not just what the group chose for its final answer to each question, but why, and how much consensus there was around the various responses. Because organizations take the SRAT on their own, it is particularly useful for a consultant who is familiar with the tool to debrief with a subset of the board/staff on the conversations that took place, and to ask if and where there was more or less discussion or disagreement about particular topics that might signal a need for more focused attention.
3.b. Negotiations

Upon completion of the assessment phase, the organization may determine that it is appropriate to enter into negotiations. For two or more organizations entering into merger negotiations, we recommend the following process (differences for negotiating a less integrative form of partnership will be noted where applicable):

The Boards of Directors of each of the organizations pass resolutions to enter into good faith negotiations. The resolutions include statements regarding:

- Commitment for a specific period of time (e.g., 6 months) of good faith negotiations toward a potential merger (or other specific form of partnership).
- During the commitment period, neither organization will enter into merger negotiations with any other party, nor will it make any material changes affecting the corporation, its leadership, or significant financial commitments, without fully informing the other organization.
- Naming a delegation of staff/board to a Joint Merger Negotiations Committee. (We recommend that this include 3–5 board members and the CEO. At times other senior leadership staff may serve on the Committee, but usually other staff are brought into the process for specific discussions as relate to their position or expertise (e.g., CFO would be brought into the discussions on financial analysis and planning).
- The negotiations time period may be extended by vote of the boards upon request by the Joint Merger Negotiations Committee.
- The Committee will submit its report and recommendations to the full boards of each of the organizations.

The Joint Merger Negotiations Committee has two primary tasks as outlined below:

1. Identify and negotiate all issues in the form of recommendations that the full boards are going to need to consider in determining whether a merger is in the best interest of their mission, constituents served, and their organization’s programmatic and administrative services (infrastructure).

Issues For Negotiation: Issues needing to be negotiated in a merger fall into six categories: Governance, Program, Financial, Human Resources, Capital, and Communications. Examples of key issues in each area are outlined below:

Governance:
- Mission/vision alignment of the new organization.
- How the organization will be legally structured. Effective date of the merger.
- Organizational identity(ies) — i.e. name, logo, branding.
- Composition and structure of the board of directors for the merged organization.
- Use of any advisory bodies/boards.

Program:
- Consolidation and continuation or discontinuation of existing programs.
- Program staff reporting structure, training needs, etc.
- Opportunities to improve or expand programs as a result of the merger.

Financial:
- Overall financial condition of each of the organizations, including the nature of any debt/liabilities.
- Accounting systems and staffing needs.
- Risk management issues, including insurance, status of any legal actions, etc.
- The nature of any donor/funder overlap, as well as funder opinions of the merger.

Human Resources:
- Executive and other senior leadership of the newly merged organization.
- Staff retention and/or lay-offs, including any severance needs.
- Personnel policies, compensation and benefits, etc.
- How the staff will work together.

Capital:
- Where the organization will be headquartered.
- Facility and any major equipment needs of the merged organization.
- Status of all properties occupied or controlled by each group, including any deferred maintenance issues.

Communications:
- How and what to communicate to employees throughout the process.
- How and what to communicate to the public.
- Marketing opportunities and/or pitfalls that may arise from a merger (or a decision not to merge)

For a more detailed list, see Appendix D: Issues To Be Negotiated In A Merger.

2. Oversee the financial and legal due diligence process. Due diligence is the process by which confidential and legal information is collected, exchanged and appraised by the parties. The essence of the due diligence process is an effort to make everyone on the Joint Merger Negotiations Committee (and by extension everyone on the board) as aware as prudent board members can be of any liabilities or legal issues the other party may bring to the potential merger.
For a useful checklist, see Appendix E: Due Diligence Checklist.

Upon completion of negotiating all of the issues determined to pertain to the potential merger and answering all questions coming out of due diligence to the satisfaction of both of the boards, the Committee makes its recommendation to the respective boards of directors for consideration. Each of the boards independently votes on the Committee’s recommendations for merger.

The negotiations process for less integrated forms of partnership, such as collaborations and alliances, may be more informal. Because there is no legal change in corporate entity, it may not be necessary to engage the board. Even so, it is important to talk through respective roles, expectations around communication (both internal and external), the sharing of any costs as well as credit received for the work, and how decisions will be made. No matter the type of partnership, thorough negotiations creates a sound foundation for a successful partnership.

3.c. Implementation

Upon vote for a merger of the organizations, certain legal processes must be executed before the merger is completed. La Piana Consulting does not conduct legal due diligence or provide legal advice. We recommend that each organization retain its own attorney for legal due diligence, but hire one attorney to handle the legal implementation (i.e. create and file the merger documents with the appropriate regulatory bodies). Legal counsel may work with merging organizations to:

- Review the proposed merger agreement and make recommendations with regard to legality, appropriateness, compliance with all federal and state laws, etc.
- Verify that the chosen legal method of merger is the most appropriate (or recommend the best method, if the negotiations committee and boards have not chosen one)
- Propose and/or review any necessary changes to the bylaws of surviving corporations
- Make recommendations with regard to union negotiations or related issues (an attorney specializing in labor law may be needed in this case)
- Determine the appropriate date of merger implementation
- File for a tax clearance certificate for any dissolving corporations (procedures will vary state by state), and
- File the appropriate paperwork to legally merge the corporations.

Implementation of collaborative relationships or alliances require less formal documentation, and in some cases may be pursued on the strength of a verbal agreement. Typically however, a Memorandum of Understanding or simple contract is used to ensure that mutual commitments and respective responsibilities have been thought through and are clearly documented for future reference. This can also be important for funders who may need to see detailed proof of the type of partnership before granting financial support.

For more information about creating Memoranda of Understanding (MOUs), see The Collaboration Toolkit: Creating an MOU, from the Colorado Nonprofit Association.

3.d. Integration

The seeds of successful integration are planted in the negotiations phase. By completing a thorough and thoughtful negotiations process, the organizations will have developed:

- Agreement on desired outcomes of the merger
- Deeper and more trusting relationships
- Greater understanding of organizational cultures, and
- Agreement on major implementation issues, including high-level guidance for what needs to be done and how.

Integration Team

The organizations should form an integration team and begin developing the integration plan while waiting for the legal papers to be filed and take effect. The Executive integration team is responsible for overall coordination and communication of the integration process, and its membership should include:

- At least one board member from each pre-merger organization’s board
- The executive director or CEO of the merged organization (if selected), and
Key members of the senior management team of the merged organization, as appropriate.

Depending on size and scope of the new organization, it may also form additional integration teams focusing on key areas such as program, Administration and Human Resources, Board/Governance, and Organizational Culture. These teams function under the direction of the Executive integration team on day-to-day activities.

Whether using a single integration team, or multiple teams, it is important that all teams include representatives from both (or all) merging organizations.

Integration Areas
Key areas of integration in a merger include the board, management, staff, programming, communications/marketing, and systems (i.e. financial, fundraising, human resources, technology, and facilities).

Board of Directors
Board integration is the process of creating a new, effective board of directors from the boards of previously separate organizations. It involves the creation of a new cultural identity, as well as new roles and responsibilities. Most importantly, it involves developing a sense of shared ownership for the merged organization. Activities involved include:

- Clarify and agree on the new organization’s mission, vision, programs, character, etc. Arm every board member with the information needed to be an ambassador to the community for the new organization and a supportive leader for the staff.
- Assess the board composition and determine what new skills and characteristics are needed. Develop a recruitment plan that serves the new organization’s needs.
- Review each board’s prior practices, and then create a new job description for board members.
- Plan a board and committee structure that meets the needs of the new organization.
- Determine board committee members based on personal preference and skills needed.
- Design and implement board team building activities to unify the membership.

For more insights into board integration, see La Piana Consulting blog post Organizational Integration After Merger: The Merged Board.

Management
Management integration involves the determination of key leadership positions, creating a new managerial culture, articulating a management philosophy for the new organization, and putting structures in place to ensure that both the post-merger integration process and the mission-related work of the organization are done in the most effective and efficient manner possible. Management
integration is the process of creating an effective management team and setting up the structures to support that team in its work. Activities involved include:

- Identify management positions needed in the merged organization. Identify the necessary skills and competencies for each management position.
- Match current (pre-merger) employees to positions where appropriate.
- Articulate a recruitment plan for any remaining senior management positions.
- Articulate the general and integration-related duties and responsibilities of senior management team.
- Establish shared understanding of the “managerial culture” in each pre-merger organization. Define the desired managerial culture for the new organization.
- Identify the specific work required to achieve the desired managerial culture. Define an overall management philosophy.
- Establish a senior management team meeting and agenda development process.
- Articulate processes, policies, and procedures for conflict resolution.
- Develop management team and individual development and training plan.
- Design and implement management team building activities.

Staff
A well-integrated will have clear roles, be accountable for goals, and know how their best efforts impact the mission. In a well-functioning merged organization, staff not only will be effective in the accomplishment of tasks, but also will be cohesive and exhibit camaraderie. They will both perform well and hold together well as they exhibit traits and qualities of healthy working teams. Activities involved include:

- Build consensus on the mission, vision, and purposes of the organization. Create mutual understanding of the programs/services of the merged organization.
- Address job losses with remaining staff: clarify extent, timing, and impact. Identify positions still needed within the organization.
- Clearly define individual roles, goals, responsibilities, and authority and reporting relationships.
- Coordinate with human resources and staff to address compensation issues.
- Develop a process for recognizing and resolving conflicts.
- Develop and implement clear channels of information exchange within the organization. Define the culture of decision making.
- Complete a cultural audit to identify elements of previous cultures to bring forward or leave behind.
- Develop supervision and evaluation systems and culture.
- Develop training and development plans for individuals and teams.
- Develop communications strategies to report on integration progress.
- Design and implement staff team building activities. Create and implement methods to recognize staff contributions.
Program

Program integration is the process of bringing together distinct programs from separate organizations within the newly merged structure. It includes the melding of some programs and the development, to a varying degree, of linkages between and among other programs. Program integration may also include closing a program (or finding it another home) because it no longer fits the mission or strategy of the merged organization. Activities involved include:

- Gather and compare information on all pre-merger programs.
- Identify programmatic strengths, weaknesses, assets, and liabilities.
- Identify any obstacles or issues likely to arise in program integration.
- Agree on programs that need to be closed or moved to another organization.
- Agree on necessary skills and competencies for program management. Match current employees to positions where appropriate. Identify program positions needing to be filled and develop a process to fill open positions.
- Adopt statements of purpose, value, and culture for each program.
- Design and assign working groups to address specific integration issues.
- Gather input on proposed program design from the senior management team and other stakeholders.
- Develop an evaluation process to assess the program integration progress.

Communications and Marketing

The communications system in a merged organization facilitates the exchange of ideas and information using a variety of vehicles and media. These are tailored to the needs of the organization and also customized to the needs, interests, and concerns of the organization’s stakeholders. Marketing communications are a subset of communications and primarily target external audiences to position the organization positively with these stakeholders. However, communications are also directed to internal stakeholders, all of whom have a responsibility to “market” the new organization. Activities involved include:

- Identify stakeholders and the information interests and needs of each stakeholder group.
- Determine the guiding principles, format, content, and timing of announcements.
- Draft, secure approval for, and finalize messages. Designate one or more spokesperson(s).
- Establish and publicize stakeholder feedback channels.
- Create talking-points and FAQ documents.
- Design and plan a distribution schedule for an integration newsletter.
- Designate a person or team responsible for regular staff check-ins.
- Convene town hall meetings with staff and others.
- Create or update websites.
- Plan for and implement feedback mechanisms for all marketing/communications efforts.
- Define an overall marketing and branding strategy.
- Identify required and desired marketing materials.
- Train staff and board both on messages and tools/resources.
For more about post-merger communications and branding issues, see *Rebranding Your Merged Nonprofit: Is it Worth It?* and La Piana Consulting blog post *Nonprofit Branding and Identity: What’s in a Name?*

**Systems**

A variety of systems need integration after a merger, including: finance, fundraising, human resources, technology, and facilities. Although the integration of systems is somewhat more straightforward than the other areas listed above, there are still challenges to staying on track in the integration process.

**Financial integration** begins during the due diligence process. After merger, it includes integration of all financial records and systems, including accounting, budgeting, payroll, purchasing, and inventory tracking. Activities involved include:

- Refine the consolidated budget created during negotiations.
- Adopt a unified budgeting process.
- Adopt a unified format for financial statements to be circulated to Board and managers.
- Adopt a unified chart of accounts.
- Clarify limitations on restricted funds.
- Review maintenance schedules for buildings and equipment.
- Examine and compare pre-merger accounting systems. Define features of desired accounting system.
- Adopt unified time-tracking processes and systems.
- Adopt a single investment and cash management policy.
- Develop purchasing, petty cash policies.
- Develop notification procedures for vendors, funders, etc. of transfers to a new organization.
- Define optimal staffing for finance function. Create a plan for necessary hiring or reallocation of staff resources.
- Train staff and Board on new financial systems and procedures.
- Evaluate insurance needs and secure insurance appropriate for the merged organization.

**Fundraising integration** includes combining all sources of contributed income while respecting donor restrictions. It also includes combining all donor databases, management systems, proposal writing processes, and case statements, and the development staff who use them to raise necessary funds. Activities involved include:

- Review and analysis of pre-merger fundraising activities, practices, sources of income, diversification of revenue streams and systems.
- Review of current commitments in planned giving, grants, and contracts.
- Review and analysis of donor management systems and the use of technology for fundraising management.
- Review and evaluation of fundraising staffing.
- Adopt unified policies and procedures regarding fundraising.
- Determine and implement necessary technology and donor management systems. Merge donor management systems.
- Create a plan to communicate with current donors.
- Create an integrated gift acknowledgement and recognition process.
- Create a revised/updated case statement for the new organization.
- Establish a fundraising budget.
- Establish an integrated fundraising plan with a fundraising calendar.
- Determine how fundraising will coordinate with marketing/communications function.
- Coordinate materials needed for marketing/communications function.
- Determine optimal staffing for the fundraising function.
- Plan for the necessary hiring or reallocation of staff resources.
- Train the staff and Board on new fundraising systems and procedures.

**Human resources integration** seeks to promote effectiveness (we do what we do well), cohesiveness (we hold together and relate to each other appropriately), and safety (both physical and emotional well-being) within the organization. Human resources integration includes the merging of separate human resources philosophies, policies, procedures, and programs to best support the new organization’s mission. Activities involved include:

- Complete a human resources audit for each pre-merger organization.
- Review pre-merger human resources staffing.
- Develop and put in place a new compensation and benefits system.
- Create and disseminate new personnel policies.
- Create and disseminate a personnel manual.
- Develop a human resources information system.
- Integrate personnel files.
- Develop performance management and evaluation systems.
- Develop policies and processes for risk management and worker safety.
- Develop policies and processes for addressing grievances.
- Define optimal staffing for the human resources function.
- Plan for the necessary hiring or reallocation of staff resources.
- Review all layoff decisions and policies; ensure smooth transitions.
- Train staff on new human resources systems and procedures.
- Develop systems and resources for ongoing staff training and development.

**Technology integration** includes both the integration of the systems themselves — the hardware, software, and processes that support an organization’s success — and the training of all staff on
how to use and take full advantage of the new organization’s technological resources. Activities involved include:

- Complete a technology audit for each pre-merger organization.
- Review pre-merger information technology staffing.
- Hold focus group meetings to gather input and determine technology needs and potential.
- Review the websites of the pre-merger organizations and create a plan for integration.
- Draft recommendations for the integration of hardware, software, and systems.
- Gather feedback on recommendations.
- Define optimal staffing for the information technology function.
- Plan for the necessary hiring or reallocation of staff resources.
- Develop and implement training on any new hardware, software, and systems.
- Develop and implement technical support options for all staff.
- Ensure feedback mechanisms are in place for ongoing technical support needs.

Facilities integration is the process of analyzing needs and resources, and developing a plan to best use available space and facilities. This may entail: reduction or consolidation of space and facilities; sale of unneeded facilities or renegotiations of leases on unneeded facilities; purchase or lease of new facilities; remodeling or reconfiguration of facilities; and/or relocation of departments, programs, and people. Activities involved include:

- Complete a facilities audit for each pre-merger organization.
- Determine current and intermediate space needs.
- Gather input on projected space needs for the merged organization from staff, clients, and other stakeholders.
- Outline options for addressing space needs.
- Bring recommendations to the CEO, integration team, and board as appropriate.
- Finalize the plan and budget for meeting space needs.
- Ensure that longer-term space considerations are included in strategic planning.

For more integration information, resources, and tools, see Appendix F: The Post-Merger Integration Process, Appendix G: The Sample Post-Merger Integration Plan, and Appendix H: Cultural Integration in Nonprofit Partnerships.
4. Case Examples

YWCA Seattle | King | Snohomish

Sue Sherbrooke, CEO of YWCA Seattle | King | Snohomish has been involved in a dozen or more organizational partnerships over the course of her current tenure and previously as CFO. As one of the community’s largest and long-standing nonprofits, YWCA Seattle | King | Snohomish (the YWCA) has often had opportunities present themselves in the form of another nonprofit or program asking whether the YWCA would take them on (or a funder suggesting a similar arrangement). As a result, the YWCA has engaged in a variety of partnership structures. It has acquired programs that it has kept in-house, and programs that it has spun off as freestanding nonprofits. It has acquired previously independent organizations through merger. And it has entered into a management services agreement as a transition to what ultimately became a merger. Over the course of this experience, the YWCA has developed a strategic approach to partnerships, ensuring that each truly enhances its work and advances its mission.

As noted above, the YWCA has often been approached as a strong partner capable of providing a stable home for valued programs that may be unable to sustain themselves on their own. Through such partnerships, the YWCA has added programs in health care access and prenatal health, legal services for survivors of sexual violence, transitional housing, youth development, and more, in addition to enhancing its existing domestic violence program.

Many of these opportunities have been a good fit for the YWCA’s mission and resulted in a favorable outcome for all. But the YWCA has also explored partnership opportunities that it has declined, and has had some of its own overtures turned down. In fact, when asked to identify success factors for effective partnerships, Sue includes “the willingness to say ‘no’ when it isn’t right.” Her organization has created a tool to help it make strategic decisions about potential partnerships, Joining Forces: Key Considerations (reproduced below). This checklist was started when the YWCA did its first “big” merger, which resulted in its initial expansion into Snohomish County (a major strategic decision in itself). Criteria include those where “you don’t even pass go” in considering a partnership unless they are satisfied (such as mission compatibility), as well as those that require deeper analysis (such as potential impact on organizational systems and infrastructure). Only after all these conditions are considered, Sue says, will the YWCA take the next steps to look at actually implementing a partnership.
**JOINING FORCES: Key Considerations**

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<thead>
<tr>
<th><strong>Mission Compatibility</strong></th>
<th><strong>Impact on Systems</strong></th>
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<tbody>
<tr>
<td>~ Goals</td>
<td>~ Geographic Region</td>
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<tr>
<td>~ Target Population</td>
<td>~ Business Office</td>
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<tr>
<th><strong>Community Needs/Priorities</strong></th>
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<tr>
<td>~ Current</td>
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<td>~ Trends</td>
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<tr>
<th><strong>Strategic Positioning</strong></th>
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<tr>
<td>~ Leadership in Field</td>
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<td>~ Future Funding</td>
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<tr>
<th><strong>Culture Fit</strong></th>
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<td>~ Service Delivery Philosophy</td>
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<td>~ Management Style</td>
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<td>~ Productivity</td>
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<tr>
<td>~ Community Involvement</td>
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<th><strong>Financial Viability</strong></th>
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<td>~ Current Budget/Balance Sheet</td>
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<td>~ Future Prospects</td>
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<th><strong>Program Quality</strong></th>
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<tr>
<td>~ Outcomes</td>
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<td>~ Other Performance Requirements</td>
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<th><strong>Properties</strong></th>
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<td>~ Use Restrictions</td>
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<th><strong>Impact on Systems</strong></th>
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<td>~ Information Systems</td>
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<td>~ Development</td>
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<td>~ Volunteer: Board, Region, Direct Service</td>
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<th><strong>Human Resources</strong></th>
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<td>~ Staff Competency</td>
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<td>~ Staff Support for Acquisition</td>
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<td>~ Staffing Structure</td>
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<td>~ Compensation Package</td>
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<td>~ Personnel Policies</td>
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<tr>
<td>~ Outstanding Issues/Liabilities</td>
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<th><strong>Transition Planning/Costs</strong></th>
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<td>~ Staff Time</td>
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<td>~ Transaction Costs</td>
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<td>~ Office/Property</td>
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<td>Consolidation</td>
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<th><strong>Communication Plan</strong></th>
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<td>~ Staff &amp; Board (both organizations)</td>
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<td>~ Donors</td>
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<td>~ General Public</td>
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Despite (or rather *because of*) its advantage as a large nonprofit, the YWCA takes care to approach partnership conversations with humility and respect. Sue recognizes that the organization is “kind of a big dog” in the community, and that “it takes a lot for these organizations to come to us, and you have to respect their work, their passion, and their expertise.” She says that its success in this area is not that it actively seeks to expand its reach through an acquisition strategy, rather that it is known to its community of peers as being open to talking about partnership opportunities. At the same time, the partnerships that it does pursue align with its overall organizational strategic framework (the strategy document it uses), which acknowledges the value of economies of scale in meeting community needs in a way that is both effective and sustainable.

### A Word to the Wise

We asked Sue to speak specifically to any key challenges, advice, or lessons learned. She shared important insights about financial due diligence and funding implications, opportunity costs, and the importance of strong communication.

- “One needs to be really clear-eyed about the financial implications. It’s almost always true that the more you look into these partnership opportunities the more financial issues crop up. For example, if the organization seeking you as a partner has a lot of private funding (i.e. from foundations and individuals) and there’s any overlap with your own funders, you can just expect that you’ll receive less money from those sources. You should do your best to negotiate with your funders, but many individuals and foundations seem to have the mistaken notion that you don’t need the money once you’ve merged.”

- “Another thing is the whole distraction factor…basically the opportunity cost. It takes time to make these partnerships and acquisitions work! It’s like having a baby. And your other programs are the “siblings” that, no matter how hard you try, aren’t going to get your full attention. You need to keep thinking: With your focus on this new partnership, what else could go wrong?”

- “You’ve heard it before, but *over-communicate!* These situations are rife with the possibility for misunderstanding. Invest time in what and how you communicate. Plan it out.”

For the YWCA, successful partnerships are those that “further our strategic positioning as an organization,” says Sue. And these acquisitions have certainly filled gaps and enhanced key service areas, making the organization’s programming more complete and holistic. Its use of clearly stated criteria for considering the pros and cons of each potential partnership has become an important part of the YWCA’s decision-making process for what it takes on and what it doesn’t. At the same time, Sue says there is a complementary element at work in that “Once we’re in, we’re all in.” This means that after the decision is made, there is strong commitment and “we all do our best to make it work.”
YWCA North Central Indiana

Linda Baechle, CEO of YWCA North Central Indiana tells us that her organization has gone through several transformations, and that strategic partnerships have played a key role in this ongoing evolution. Prior to engaging in two notable acquisitions, YWCA North Central Indiana (the YWCA) had weathered a difficult centennial marked by a period of executive turnover, financial crises, and a dilapidated physical facility. But having mounted a turnaround effort that included fresh leadership, rebuilding donor confidence, and a successful capital campaign, the YWCA emerged on the other side of these troubled times with a new building and renewed standing in the community. It even went on to win an award from its local community foundation in recognition of nonprofit excellence. On the strength of this improved positioning, the YWCA was approached by two organizations about taking on their programs, and has since added those to its operations. In so doing, it has expanded its impact to a new geographic service area and succeeded in keeping critical community services alive.

In 2009, YWCA of Central Indiana was still known as YWCA St. Joseph’s County when was approached by the board of a YWCA in adjoining Elkhart County, which had shut down its operations some five years before, about a potential merger. The Elkhart board had kept its organization alive because it had assets from the sale of properties and endowed funds that would not have remained in the community had it legally dissolved. The opportunity presented to YWCA St. Joseph’s County was to acquire the assets of its defunct neighbor and reestablish services in that county. Linda reports that without much fanfare a merger was completed the following year, and a modest set of programs was put in place. However, due to a localized economic crisis brought on by the failure of a key industry and the lukewarm reception of a wary community, it took longer than anticipated to build strong referral and funding streams to support the new programs. The YWCA (now rebranded as YWCA of Central Indiana to reflect its commitment to its expanded service area) addressed this challenge by providing services on-site at other nonprofits in Elkhart. Over time, Linda reports, this strategy has paid off for the YWCA in building relationships, establishing its credibility, learning more about community needs, and making its case to funders and supporters.

Also in Elkhart County there was a domestic violence shelter that the YWCA had for some time considered as a potential partner. The shelter was run by a parent agency that had been foundering, and Linda says that her organization was not only eager to ensure the continuation of these key services but also to further build out its community presence and shed its “outsider” identity. (“Even after the merger, we were still viewed as ‘St. Joseph’s,’ not as being ‘of’ Elkhart.”) The YWCA was also interested in entering into a partnership before the other organization’s financial situation reached a point of real crisis. However, after having made a couple approaches to the shelter in recent years, the YWCA had never been met with interest. Then came the call. One of the parent organization’s board members approached a YWCA board member with a request that the YWCA acquire the organization…immediately.
The challenge was that by this time, the organization really was in financial disarray. It was unable to meet payroll and had gotten itself into an untenable debt situation. The YWCA board was set to meet that afternoon and determined that it would not make any short-term financial commitments, but that it would work with the parent organization’s board to develop a plan for the shelter’s survival. The YWCA initiated a financial and legal due diligence process. It became readily apparent that the organization’s situation was indeed grim (it owned five properties, three of which had been cross-collateralized), but the YWCA forged ahead with care and deliberation. Linda recounts: “Our executive committee created a list of criteria that would need to be met in order for us to step in, and we asked our board for authorization allowing our executive committee to make a go/no-go decision on a program acquisition depending on whether those criteria were met.” One criterion was that the YWCA would not assume any debt.

The YWCA and the parent organization for the shelter met with the bank to negotiate a process by which the YWCA could run the shelter organization’s properties without incurring the debt. The two most recently acquired properties were deeded back to the City, leaving the three cross-collateralized properties. The bank agreed to foreclose on one of these (an office building) and grant the YWCA an occupancy agreement for a limited period, during which time appraisals would be conducted to determine fair market value. In the meantime, the other organization continued to decline, with the sudden firing of both board and staff leadership. The timeline accelerated. Linda was asked to meet with the organization’s staff the same day to explain the situation. She did this, and the YWCA effectively took over operations the following day. This kicked off numerous meetings with state and local funders to ensure that key contracts could be transferred. The YWCA board met at the end of the week to ratify the decision to move forward, and the acquisition was completed.

### A Word to the Wise

We asked Linda to speak specifically to any key challenges, success factors, or advice she’d share with others considering strategic restructuring. She offered insights about the role of board leadership, expecting the unexpected, and having clear strategic criteria to guide decision-making.

- “For the first merger, my board president at the time had been through a number of mergers herself. It was really very helpful to have her leadership because we had to assuage some board members’ concerns about losing our identity in a merger. It was slow going, but luckily the board president was able to bridge the gap by balancing a bit of handholding with helping the others make the tough decisions and take action.”

- “I communicated with a capacity-building consultant a bit during that first merger, which was helpful. What I learned is that a consultant can outline the process of what a merger would look like, but in reality it never conforms completely to that process. I had to mold the process for my own board to be comfortable. In the end, the merger we thought would be easy took forever and the very tricky one went faster than we’d ever anticipated! But by
“The biggest lesson may be the strategic analysis of the conditions that should be in place for us to take on a merger. Everything I’d learned from the first merger was so helpful the second time around. I knew enough to be distrustful of my own desire to ‘save’ the other organization and their programs. It couldn’t just be an emotional decision; it had to be financially sound. Being strategic in setting the criteria for how it would have to work — with mission always being at the top of the list — helped give us and our board the confidence to make the big decisions.”

Fortunately, the shelter in Elkhart has strong support in the community, as described below. The YWCA has engaged local funders and individuals in raising funds to continue its operations, and these efforts have met with mounting (and in some ways, unanticipated) success. Nearly $275,000 has been raised from individuals alone, and there are confirmed grants or pending requests to foundations totaling more than $320,000. In April 2015, a local restauranteur will be holding a benefit to support the shelter program which is expected to raise an additional $200,000. In all, the acquisition of the shelter and transitional housing program has completely repositioned the YWCA in Elkhart County.

**In Memory of Lisa Bianco**

The domestic violence shelter in Elkhart County was originally housed in an old house. In 1989, Lisa Bianco, a shelter staff member was brutally murdered by her convicted abuser when he was granted an eight-hour pass from prison. The case received national attention and became a flashpoint for reforming the criminal justice system’s response to domestic violence. Ms. Bianco’s family raised money to build onto the shelter, giving it added significance in the Elkhart community as an enduring memorial.
YWCA Greater Atlanta

Emily Ellison, CEO of YWCA Greater Atlanta, talked to us about a merger completed this past summer with Georgia Women for Change. Often, early conversations about a potential partnership are initiated among executive leaders when one of them plans to retire, and such was the case here. In December 2013, Emily was approached by the longtime executive director and founder of Georgia Women for Change (GWA), who had started her own career at a YWCA and was seeking a partner to entrust with her women’s advocacy organization. Although the timing of the opportunity posed some challenges — Emily was still in her first six months of leading YWCA Greater Atlanta (the YWCA) and had plenty of other priorities to attend to — the alignment of their missions made a strong enough case to warrant further exploration. The merger, which was made official in July 2014, has enabled the YWCA to launch an advocacy program that it had previously been lacking, and all without having to build it from the ground up.

At the time the two leaders began talking about a merger, GWA was being run with one part-time paid staff, a contractor, and limited resources. Although both leaders saw merger as a viable strategy to ensure the continuation of GWA programs, their boards needed to examine the issue themselves. The YWCA’s board was mostly enthusiastic about the opportunity to build the organization’s capacity and credibility in advocacy, but the GWA board was more wary — both boards had some members who wanted to remain independent organizations. A consultant was engaged to facilitate two meetings with both boards, from which was developed an agreement on overall objectives and a joint transition team to work through specific issues.

Each organization accessed its own legal expertise during this process, the YWCA receiving pro bono support from an agency it had worked with before. Emily tells us that “instead of an acquisition, which may have been easier, the attorney advised us to do it more as a true merger,” which made the process more complex, but ultimately worth it. “We started with a 2- to 3-page document and ended up needing about a 40-page document, but we ended up with something we could not only live with, but be happy with,” she says.

The greatest benefit to the YWCA has been its inheritance of the Georgia Women’s Policy Institute, a program created by GWA that engages women in a year-long learning experience on state-level advocacy. Programs that will continue due to the merger also include a Women’s Capital Briefing and Breakfast, which in January 2015 brought together more than 100 participants to talk about the YWCA’s new legislative agenda. Emily couldn’t be happier, explaining: “We’re mandated by YWCA USA to have an advocacy arm, and we didn’t really have that before now (or what we had always felt pretty tangential). But now we have a program. This has allowed us to walk our talk.”
A Word to the Wise

We asked Emily to speak to any key challenges, advice, or lessons learned. She was joined by her newly hired Director of Advocacy, Helen Robinson. The two shared insights about the importance of building trust, of communicating “early, often, and ongoing,” and the opportunity mergers offer to think bigger.

- “The process of integration was about as simple as a merger could be, short of an acquisition,” Emily tells us. “Because there was no staff integration it was pretty easy, just a matter of making sure we had the documentation needed. Still, building the level of trust needed for this to work took time. It means a lot to us that their board gave us the vote of confidence that we would build on their work and that we were doing this for the right reasons. What helped was our shared belief that we’d all emerge stronger as a result, and be able to address important issues facing women, girls, and families.”

- Emily reports that the community response has been positive, in part because of strong communications: “We got out in front of it quickly. We both (i.e. both executives) wrote letters, making it clear how pleased we were with the merger and why we did it.” Helen adds, “It has also been important to maintain ongoing communications because some people may still not know about the merger and wonder why GWA ‘went away.’ So to help everyone understand we keep reiterating what happened and why.”

- Emily ends with a note on the big picture: “Being able to bring these programs into the fold gave us a jump start. Rather than having to build an advocacy department from the ground up, we had a workable template for how this work has been successful previously. The merger has also meant that we are not two organizations competing with each other to take on women’s issues. Instead, it makes us the one largest women’s organization in the state doing this advocacy work, which puts us in a good position to partner with others — and it really is all about partnerships — to help move the needle.”

Now the YWCA is beginning to put its own stamp on these advocacy programs, and it has started to build its capacity by hiring a Director of Advocacy (Helen, quoted above). Emily acknowledges that they are still in a transition phase where they are conscious of honoring the history of what GWA built, but she also looks to the future of the program as the YWCA takes full ownership of the effort and what it will be. “The Institute, in particular, is such a great piece to build on,” Emily says. “I’d never dreamed of it!”

See the Nonprofit Collaboration Database for profiles of various partnerships in which YWCAs are named as a partner.
5. Making Collaboration Strategic

Collaboration must be considered within the context of a broader organizational strategy. Partnership needs to be approached thoughtfully, whether a collaboration, alliance, or formal restructuring. Wherever you are in the process — assessment, negotiation, implementation, or integration — incorporating strategic thinking and conversations can help you determine if (and how) the partnership supports your organization’s strategy and advances its mission.

5.a. Strategic Restructuring and RTSP

Many nonprofits lack the time, resources, and data to undertake strategic planning by itself, let alone while simultaneously pursuing a new partnership. But the Real-Time Strategic Planning (RTSP) process was created with those challenges in mind. This approach to nonprofit strategy development enables organizations to consider their strategic focus in less time (and often more affordably) than traditional strategic planning. The RTSP process is efficient, usually taking one or two days of facilitated discussion, making it ideal to use in conjunction with a partnership development process.

RTSP can precede a strategic restructuring process, can be done during the negotiations phase, or can immediately follow a decision to restructure, as a way to plan for implementation.

1. RTSP as Catalyst
   - RTSP / Strategic Planning
   - A decision to consider or pursue strategic restructuring as one element of strategy

2. RTSP during negotiations
   - Strategic Restructuring
   - RTSP to inform the decision to restructure
   - Affirmative decision to restructure, followed by implementation

3. RTSP to Launch Implementation
   - Strategic Restructuring
   - RTSP to inform and guide implementation
RTSP as Catalyst – Using RTSP can help an organization come to a decision to pursue strategic restructuring as one element of its overall strategy. RTSP asks organizations to consider their business model, the market in which they work, their competition, key trends, and their competitive advantage. Answering these questions can help nonprofit leaders better understand how a partnership can strengthen their organization and better fulfill its mission.

RTSP During Negotiations – Using the RTSP approach in conjunction with partnership negotiations can help lead to a more fully-informed decision to restructure (or not to do so). RTSP can be used to develop a desired business model for a merged organization, or even just to explore how one or more partners can complement and strengthen one another’s work. This kind of modeling is often helpful in addressing concerns, answering lingering questions, and leading to a decision on whether to partner.

RTSP to Launch Implementation – RTSP can also be used at the outset of a new partnership to inform and guide implementation. Organizations entering the implementation phase have a lot to do and little appetite for a daunting strategic planning process. But RTSP is an ideal way to help partners make the most of their combined strengths and set shared strategic priorities moving forward.

Nonprofits face many pressures and opportunities that may lead them to seek a partnership in some haste, without fully considering how it may advance or derail their organizational strategy. But making RTSP part of the partnership development process gives organizations a practical way of ensuring that their strategic restructuring is, in fact, strategic.

Incorporating Elements of RTSP Into a Partnership Process

When incorporating RTSP into a partnership process, some of the questions you will consider include:

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Negotiations</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consider trends. How might working in partnership help you respond and/or prepare?</td>
<td>• What “big questions” would a partnership help you address?</td>
<td>• Ensure that board and staff leadership are aligned around a common identity statement, strategy screen, and set of strategies.</td>
</tr>
<tr>
<td>• Consider your “big questions.” Would a partnership help you address them?</td>
<td>• If considering a merger... how will you articulate the mission, vision, and competitive advantage of the merged organization?</td>
<td>• What does a successful implementation look like to us?</td>
</tr>
<tr>
<td>• Evaluate competitors and your place in the market. Might one of your competitors be a good partner?</td>
<td>• What programmatic or operational strategy will you pursue together?</td>
<td></td>
</tr>
<tr>
<td>• Prepare a potential partner screen.</td>
<td>• What operational strategies must you put in place to implement this partnership successfully?</td>
<td></td>
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</tbody>
</table>
5.b. Business Planning and Strategic Restructuring

Where strategic planning is a process of considering and making strategic decisions, business planning is the process of determining the parameters of an economically and operationally successful undertaking. Among organizations considering a partnership, business planning can precede a strategic restructuring process, can be done during the negotiations phase, or can immediately follow a decision to restructure, as a way to plan for implementation.

1. Business Planning as Catalyst
   - Business Planning
   - A decision to consider or pursue strategic restructuring as one element of strategy

2. Business Planning to Inform Negotiations
   - Strategic Restructuring
   - Business planning to inform the decision to restructure
   - Affirmative decision to restructure, followed by implementation

3. Business Planning to Launch Implementation
   - Strategic Restructuring
   - Business planning to inform and guide implementation

**Business Planning as Catalyst** – Business planning tests the proposition that a particular undertaking — program, partnership, new venture, growth strategy, or the entity as a whole — is economically and operationally viable, and describes the parameters of a successful effort. In the course of a business planning process an organization will examine and assess its current business model, research and review market factors, and identify and test assumptions related to a range of financial, operational, and mission-related factors. At any point in the process an organization may uncover a new or timely opportunity for partnership.

**Business Planning to Inform Negotiations** – Not all potential partnerships are sufficiently complex as to require a full business planning process during the negotiations phase prior to a decision to move forward. Some are, however — either because of the number of parties involved, the complexity of the proposed business model, or the nature of the questions posed by key stakeholders such as board members or funders.
Business Planning to Launch Implementation – Often two or more potential partners will conclude a negotiations process having done enough planning to secure agreement from all parties to move forward, but not enough to proceed confidently with full implementation. Business planning as part of the implementation phase can be an effective tool for focusing everyone on the important work ahead: building on the best of what each partner brings to the table to establish and run a successful, sustainable venture.

6. Support for Partnerships

The aim of this Toolkit is not to suggest a “Do-It-Yourself” approach to strategic restructuring, but to give YWCAs the information they need to make wise decisions about what next steps to take in exploring potential partnerships. YWCAs interested in pursuing a formal collaboration, alliance, or strategic restructuring are encouraged to contact Becky Hines, Director of Member Services at YWCA USA (bhines@ywca.org) for further guidance. In addition, two key issues for organizations considering a partnership include: engaging third-party assistance, and finding funding to support exploration, negotiation, implementation, and/or integration activities.

6.a. What to Look For In a Consultant

Collaboration is a powerful strategy. It is also easily said, but much harder to actually do and (more importantly) to do well. Because different organizations entering into any kind of partnership must balance their own interests with the shared interests of the collaboration, it can be very helpful – at times, essential – to have the guidance of a neutral third-party. Consultants who have expertise in nonprofit collaborations, alliances, and strategic restructuring can also provide valuable perspective from their wide experience. Having been there before, they can help advise and assure organizations on what to expect and how to get over the inevitable bumps along the way toward effective partnerships.

As collaborative strategies have become more mainstream across the nonprofit sector, as well as in cross-sector partnerships, there are many consulting options to choose from. In making this decision, many nonprofits look at three key criteria: skills, style, and results.

- **Skills**: First, the consultant must have relevant knowledge and expertise. Partnerships can not only involve a great deal of technical detail, but also demand skilled handling of interpersonal and emotional issues that often come along with sharing (or even ceding) organizational control to make a partnership work. It is also important to understand that mergers or alliances among nonprofits are not the same as for-profit acquisitions and should not be treated as such. Seek out a consultant or advisor who has significant experience supporting nonprofit partnerships, and who brings a combination of analytical and process skills to the table.
- **Style:** Of equal importance is the consultant’s “fit” with your organization(s), which has a lot to do with their individual style — e.g., their level of formality, how they communicate, how collaboratively they work with clients, the way they manage conflict, etc. Their style can be more difficult to assess than a consultant’s skills, but it is essential to the success of the process that the consultant’s style be complementary to that of the organizations. This does not mean their styles need to be the same. The project may well require that the consultant bring a different way of thinking about a problem or engaging a group, thus challenging organizational leaders to expand their comfort zones, but the consultant’s style needs to be compatible enough with that of the individuals and organizations involved so that it does not become a barrier, and so that a sound level of trust can be established to carry forward the work.

- **Results:** Related to experience, above, a sound track record is an important criterion in selecting a consultant to work with. In the context of nonprofit partnerships, especially in the case of mergers or other strategic restructuring, a successful result is not only one in which a merger occurred. Rather, the best outcome is always one in which the organizations have made a thoroughly-informed decision that is right for them at the time.

For more information and resources on selecting and working with consultants, visit [ImpactRising.org](http://ImpactRising.org).

### 6.b. Soliciting Funder Support

Foundations and donors typically say they like collaboration, but do they *fund* it? Recent data from [Grantmakers for Effective Organizations (GEO)](http://GrantmakersforEffectiveOrganizations.org) and others suggest that funder support of various kinds of nonprofit collaboration is inconsistent, at best. However, we also know that several foundations have stepped up to support collaboration, alliances, and/or strategic restructuring in numerous ways, from direct funding to prizes to dedicated initiatives, as described in this blog post.

For community-based nonprofits such as YWCAs seeking support in exploring or forming a partnership, consider starting closest to home with community foundations and/or other local/regional funders. These are the funders who may be most likely to observe the direct community benefit of your partnership. They are also the most likely to know you best, which is another consideration. It is best to begin with the funders with whom you already have a relationship. Even if they have not expressly identified nonprofit collaborations as a funding priority, they may well be open to considering it as a strategy to build your mission-centered capacity. There may also be regional or national programs to explore, such as: the [Sea Change-Lodestar Fund for Nonprofit Collaboration](http://SeaChange-LodestarFund.org), the [New York Merger, Acquisition, and Collaboration Fund](http://NewYorkMergerFund.org), the [California Catalyst Fund](http://CaliforniaCatalystFund.org), and the [Catalyst Fund for Nonprofits (Boston area)](http://CatalystFund-Boston.org).
Finally, be prepared to set aside some of your own resources to support the effort. This will not only show funders that you have “skin in the game” and are serious about the potential collaboration — it is also wise to plan ahead for costs related to implementation of a successful partnership.
Resource List

As nonprofit collaboration is embraced across the sector, the variety of resources continues to expand. The following list is not an exhaustive bibliography, but a recommended starting point.

Collaboration and Strategic Restructuring (La Piana Consulting)

A collection of tools, podcasts, articles, reports, and case studies on nonprofit collaboration and strategic restructuring, including:

- **Collaboration and Strategic Restructuring Podcast Series** ([a series](#) of brief discussions answering common questions about nonprofit partnerships)
- **The Power of Partnership** ([case studies, reports, and webinars](#) about collaboration and strategic restructuring among domestic violence organizations)

Client profiles and case studies featuring nonprofit partnerships (in addition to those already cited in this Toolkit) include:

- **Colorado AIDS Project** ([a merger](#) of four AIDS services organizations)
- **BELL and Y-USA** ([business planning](#) for a joint program expansion)
- **SAGE/Task Force** ([shared leadership for joint advocacy](#))

Mergers and Collaborations (The Bridgespan Group)

A compendium of research reports, case studies, blog posts, and other articles about nonprofit mergers, including:

- **Making Sense of Nonprofit Collaborations** ([results of a survey](#) of both funders and nonprofits)
- **Why Nonprofit Mergers Continue to Lag** ([an analysis](#) of the frequency of nonprofit mergers and the obstacles that can get in the way)

Nonprofit Collaboration Resources (The Foundation Center)

A library of resources, reports, video clips, and more about nonprofit collaboration, including:

- **The Nonprofit Collaboration Database** ([a directory](#) of real-world examples of nonprofits working together)
- **Nonprofit Strategic Restructuring Infographic** ([a visual](#) of collaboration best practices for funders and nonprofits)
Appendices
Appendix A: The Partnership Matrix

La Piana Consulting’s Partnership Matrix has long been the go-to tool for helping sector leaders to consider the continuum of options for nonprofit partnerships. A precursor to the Collaborative Map, it focuses primarily on strategic restructuring.
Appendix B: Strategic Restructuring: A Closer Look

Forms of strategic restructuring include joint venture corporations (or MSOs), parent-subsidiary structures, and mergers or acquisitions. One hallmark of strategic restructuring is the change in corporate relationship and structure between the partnering organizations.

Joint venture corporations involve the creation of a new organization to further a specific administrative or programmatic end of the partner organizations. In a joint venture corporation, the partner organizations share governance of the new organization. This form of partnership allows the organizations to combine their skills and expertise in a specific administrative or program area while keeping their other systems or programs separate. It can also be used to create a revenue-generating social enterprise that is shared among multiple nonprofits.

A management service organization (MSO) is a special kind of joint venture corporation that focuses on integrating the administrative functions of partner organizations. An MSO can be created as a jointly owned nonprofit or a for-profit subsidiary corporation. The partners then consolidate all administrative services into this single subsidiary, which in turn contracts back to its owner organizations to provide said services. This model reduces duplication and creates obvious efficiencies for the owning partners. In addition, a well-running MSO may contract with other (non-owner) organizations to provide services on a fee basis, creating a revenue stream for the MSO that can bring down the costs of services to the original owners. Creating an MSO is a complex undertaking, and works best when the owner organizations have similar systems needs and can be flexible in their openness and ability to adjust to new, common systems.

Parent-subsidiary structures involve the integration of some or all administrative functions and programmatic services of one or more organizations, through either the creation of a new organization or the designation of an existing organization to play this role for the other partner organization(s). A parent-subsidiary relationship is generally utilized in a situation in which two organizations want to obtain the benefits of a merger (or to be able to act as if merged), but discover that they cannot merge because of a license, certification, or contract that is not transferable. This is often a temporary arrangement until the contracting or licensing issue is dealt with, at which point the organizations proceed to a full merger. However, at times the organizations may wish to retain some level of separation between their operations or programs and choose to use a parent-subsidiary relationship to this purpose.

A parent-subsidiary relationship is accomplished most often by making one organization a membership organization (pursuant to the law in your state) and stipulating in the bylaws that it has only one member: the other organization. As the sole member of a membership corporation, that organization becomes the parent and has the authority to name and remove the board of the subsidiary corporation. In most cases, the board of the subsidiary is either the same as or a subset...
of the parent’s board. In essence, the parent board/organization controls the subsidiary board/organization. This arrangement avoids the potential challenge of a subsidiary board becoming adversarial to the parent board.

**A merger or acquisition** involves the integration of all programmatic and administrative functions through the dissolution of one or more organizations or the creation of a new merged organization. This allows for the creation of a single administrative infrastructure, bringing together financial management, IT, human resources, and other administrative services within one entity and the elimination of redundancy of functions. This consolidation can create greater efficiency of operations with a lower percentage of administrative overhead. It can also create the benefit of improved administrative services for a relatively small organization that is involved in a merger. On the program side, a merger can result in enhanced or expanded programs, strengthening service delivery. Together, these benefits contribute to more effective mission achievement.

### Asset Liquidation/Transfer

Asset liquidation occurs when an organization is no longer able to sustain its services. The liquidating organization settles all of its liabilities, closes its nonprofit corporation, and then transfers its remaining assets to another nonprofit organization of similar mission. Organizations in this situation need to obtain legal services to help determine the appropriate path to asset liquidation and debt resolution.

Asset transfer occurs when an organization determines it cannot or chooses not to continue with a program/service or capital asset. The goal is to transfer these programs/services and/or capital to another organization. Assets and liabilities related to the specific program/services need to be assessed for appropriate disposition, along with appropriate compensation.
Appendix C: The Trust Diagram

### Openness
- Open communications
- Genuine talking and listening
- Sharing important information
- Important information not hidden
- Sharing decision making
- Shared power

### Competence
- Perform to expectations
- Demonstrated skill in areas of professional accountability
- Setting standards of excellence
- Results oriented
- Flexibility/adaptability
- Willingness to fulfill responsibilities

### Integrity
- Walking the talk
- Truthfulness
- Agreements honored
- Authenticity
- Responsibilities accepted
- Manipulation avoided
- Committed to doing what is right

### Reliability
- Consistency
- Dependability
- Demonstrated commitment
- Dedicated to mission
- Diligent

### Benevolence
- Environment of good will and caring
- Positive interactions
- Appreciation expressed
- Fair
- Confidences maintained
- "Well-being" is looked after
- People willing to go the extra mile
- Perform to expectations
- Demonstrated skill in areas of professional accountability
- Setting standards of excellence
- Results oriented
- Flexibility/adaptability
- Willingness to fulfill responsibilities

Source: Mishra, 1996; Tschannen-Moran & Hoy.
Appendix D: Issues to Be Negotiated In a Merger

Governance

1. What is the mission of the new organization?
2. What is our vision for the future? (How will things be better together?)
3. Who will be on the merged board of directors?
4. How many board members will there be?
5. Who will be the officers in the first year?
6. What committees will we have?
7. How will we legally structure the merger?
8. What will be the name and logo of the merged organization?
9. What will be the role of our advisory board?
10. What will be the effective date of the merger?

Program

1. Will all of our programs still be offered?
2. Will we consolidate or close any program service sites?
3. Do we tend to agree in our approach to programming?
4. Can we do staff training jointly?
5. Will programs be improved or expanded as a result of the merger?

Financial

1. Which accounting system will we use?
2. Is the other group in debt?
3. Will we need as many finance office staff?
4. Will we need new software or hardware?
5. How will our information system needs be met?
6. What do the audits tell us about the organizations’ financial health?
7. Is anyone suing the other group?
8. Do both groups have adequate insurance, especially Directors & Officers coverage?
9. What do our donors/funders think of the merger?
10. Is there overlap in our donors or funders?
11. What are the terms of our endowments relative to a merger or dissolution?

Human Resources

1. Who will be the executive director?
2. What will happen to the other senior staff?
3. How do our pay and benefits stack up against the other group’s?
4. What personnel policies will we use?
5. How will we maintain staff morale throughout the process?
6. How will the presence of a union in one organization impact the other?
7. What roles will each manager play in the new structure?
8. Will anyone lose a job as a result of the merger; how will we handle severance?
9. Will the two staffs work together well?
10. For purposes of retirement vesting, will time worked in the other organization count?
11. Will our carefully protected “at-will” status be weakened by merging with them?
12. Will our staff still get a pay differential for being bilingual?

Capital

1. What will happen to our current office space when the lease is up?
2. Do we need additional space? Where will we put all these people?
3. What is the status of all properties occupied or controlled by each group?
4. Do we have too many copiers? If we merge, can we get out of some copier leases?
5. Which office will be headquarters?
6. How will we address the other organization’s deferred maintenance needs?

Communications

1. What should we tell our employees during the process?
2. Should we issue a press release to inform the public?
3. What opportunities for marketing will the merger create?
4. If we don’t merge, how will we end the discussions without a PR disaster?
Appendix E: Due Diligence Checklist

Financial Due Diligence

It is recommended that the following documents be compiled and submitted for financial due diligence review:

Organizational

A. List of subsidiaries, joint ventures, partnerships with other organizations

Tax

A. IRS tax exemption letter
B. State tax exemption letter
C. Last three years’ federal information returns (e.g., forms 990, 990-T, etc.)
D. Most recent year’s state information return (i.e., the state equivalent of the above)
E. Other federal and/or state tax records agreed upon
F. Information related to sources of unrelated business income
G. Tax-exempt bond financing
H. Property tax exemptions

Finance/Funding

A. Last three years’ audited financial statements, or year-end statements if no audit available
B. Accountant’s Management Letter
C. Most current financial statements
D. Operating and capital budgets for the current year
E. The names and addresses of the organization’s financial institutions
F. A listing of all liabilities
G. A schedule of all assets
H. Copies of any loans or liens against any assets
I. Copies of other debt financing arrangements including purchase agreements, sale and leaseback agreements
J. A statement confirming whether any interested party (board member, employee, their spouse or close relative) has an interest in any asset owned by the corporation
K. A description of the terms, conditions and status of all current grants and contracts
L. A description of the terms, restrictions, and agreements for all restricted funds, including any endowment
M. Fundraising program summary and any fundraising agreements
N. A description of all obligations relating to gift agreements
O. Aging schedule for organization’s accounts receivable and accounts payable (most recent)
P. A breakdown of revenues and expenses for each of the organization’s programs.
Q. Copies of any guarantees by the organization of obligations or by other parties of obligations of the organization

Capital/Real Estate

A. Deeds
B. Leases (for all buildings and equipment)
C. Mortgages
D. List of significant equipment and vehicles
E. Zoning and use permits
F. Other real estate records agreed upon (i.e., preliminary title report of each property)

Identify any other documents or information which, in your judgment, are significant with respect to any portion of the organization or its programs which should be considered and reviewed for financial due diligence
Appendix F: The Post-Merger Integration Process

The seeds of successful integration are planted in the negotiations phase. By completing a thorough and thoughtful negotiations process, the organizations will have developed

- Agreement on desired outcomes of the merger
- Deeper and more trusting relationships
- Greater understanding of organizational cultures, and
- Agreement on major implementation issues, including high-level guidance for what needs to be done and how.

Legal processes must be executed before the merger is completed and integration begun. La Piana Consulting does not conduct legal due diligence or provide legal advice. We recommend that each organization retain its own attorney for legal due diligence, but hire one attorney to handle the legal implementation (i.e. create and file the merger documents with the appropriate regulatory bodies). Legal counsel may work with merging organizations to

- Review the proposed merger agreement and make recommendations with regard to legality, appropriateness, compliance with all federal and state laws, etc.
- Verify that the chosen legal method of merger is the most appropriate (or recommend the best method, if the negotiations committee and boards have not chosen one)
- Propose and/or review any necessary changes to the bylaws of surviving corporations
- Make recommendations with regard to union negotiations or related issues (an attorney specializing in labor law may be needed in this case)
- File for a tax clearance certificate for any dissolving corporations (procedures will vary state by state), and
- File the appropriate paperwork to legally merge the corporations.

The organizations should form an integration team and begin developing the integration plan while waiting for the legal papers to be filed and take effect. The Executive integration team is responsible for overall coordination and communication of the integration process, and its membership should include

- at least one board member from each pre-merger organization’s board
- the executive director or CEO of the merged organization (if selected), and
- key members of the senior management team of the merged organization, as appropriate.

Depending on size and scope of the new organization, it may also form additional integration teams focusing on key areas such as Program, Administration and Human Resources, Board/Governance, and Organizational Culture. These teams function under the direction of the Executive integration team on day-to-day activities.
Whether using a single integration team, or multiple teams, it is important that all teams include representatives from both (or all) merging organizations.

Integration Checklist

There are ten principal areas to address in the integration process:

1. **Board:** Board integration is the process of developing a new, effective board of directors from the boards of the pre-merger organizations. It involves not only the identification of new roles and responsibilities, but the creation of a new cultural identity and a sense of shared ownership for the newly merged organization.

2. **Management:** Management integration involves the determination of key leadership positions as well as the creation and articulation of a new managerial culture and philosophy for the new organization. This includes setting up an effective management team and the structures to support that team in its work.

3. **Staff:** Staff integration involves the determination of the appropriate staff roles, size, and structure for the new organization as well as the creation of clear goals and a shared culture. A well-integrated staff will perform well as a healthy working team in support of the organization’s mission.

4. **Program:** Program integration may include the melding of some programs and the development of linkages between and among other programs. It may also entail closing a program or finding it another home if it no longer fits the mission or strategy of the merged organization.

5. **Communications:** Communications integration includes alignment of all systems that facilitate the exchange of ideas and information, both internally and with external stakeholders. This includes marketing communications and may entail branding the organization’s new, merged identity.

6. **Financial:** Financial integration includes the consolidation of all financial records and systems including accounting, budgeting, payroll, purchasing, and inventory tracking. This may require assessing and choosing from systems already in use or exploring and adopting new ones.

7. **Fundraising:** Fundraising integration entails combining all sources of contributed income while respecting donor restrictions. It also includes merging of all donor databases, management systems, proposal writing processes, case statements, campaigns, etc.

8. **Human Resources** (including Volunteer Management): Human resources integration includes the merging of philosophies, policies, procedures, and programs to best support the new organization’s mission. The primary goal is to promote effectiveness, cohesiveness, and safety.

9. **Information Technology:** Technology integration includes both the integration of the systems themselves (hardware, software, and processes) and the training of all staff on how to use and take full advantage of the organization’s technological resources.
10. **Facilities:** Facilities integration may entail reduction or consolidation of space and facilities, purchase or lease of new facilities, remodeling or reconfiguration of facilities, and/or relocation of departments, programs, and people. The focus is to ensure best and most effective use of available space and facilities.

**Integration Timeline**

The first 100 days following the date of legal merger is critical to a successful integration process. Planning around board and management integration — as well as financial systems, human resources, and communications — may well have begun before this, if the boards’ vote to merge occurred well in advance the official effective date. However, the first 1–2 months after the execution of the merger is when work in all areas must get underway in earnest. Some integration activities may extend into the third month or beyond, and most will require some level of ongoing attention for the duration of the first year as a merged organization.

(Organizations are encouraged to consider strategic planning for the new organization within the first six months, which would be a key responsibility of the board, together with management staff. If attempted, strategic planning should use an efficient methodology, such as La Piana Consulting’s Real-Time Strategic Planning or a similar approach that can quickly address strategic questions without taking too much time away from other critical integration activities.)

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<th>Immediately–Mo. 1</th>
<th>Mos. 1–2</th>
<th>Mos. 3–4</th>
<th>Ongoing</th>
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<tr>
<td>Legal Execution</td>
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<td>(strategic planning)</td>
<td>Board</td>
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<td>Board</td>
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<td>Board</td>
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<tr>
<td>Management</td>
<td>Management</td>
<td>(strategic planning)</td>
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<td>Financial</td>
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<td>Human Resources</td>
<td>Program</td>
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Appendix G: The Sample Post-Merger Integration Plan (Chart)

This plan assumes that both boards have passed resolutions committing to a merger of the two organizations at the earliest possible date.

Note: The values given in the “Lead/Team” and “Time Frame” columns are meant to provide recommendations and guidance only. Each merger situation is different, and will present unique challenges and demands. The time frame for each step, for example, will vary according to the number and size of the organizations involved, the presence of lack of an ED/CEO for the merged entity at the beginning of the integration process, the cultural differences between the merging organizations, and the degree to which the board and staff are able to devote sufficient time to the integration process in the crucial early months.

**Legal Execution**

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engage legal counsel</td>
<td>CEO and New Board Chair</td>
<td>11/15</td>
</tr>
</tbody>
</table>
| Reviews the proposed merger agreement and make any recommendations with regard to legality, appropriateness, compliance with all federal and state laws, etc. | Negotiations Team | 12/15

**Staff and Volunteer Integration (HR)**

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
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<tbody>
<tr>
<td>Decide what staffing changes need to be made and when</td>
<td>CEO</td>
<td>11/15</td>
</tr>
</tbody>
</table>
| Determine any severance packages for departing staff                 | Negotiations Team | 12/15


### Program Integration

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
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<tbody>
<tr>
<td><strong>Task</strong></td>
<td><strong>Lead/Team</strong></td>
<td><strong>11/15</strong></td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
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<td><strong>12/15</strong></td>
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<tr>
<td><strong>1/16</strong></td>
<td><strong>2/16</strong></td>
<td><strong>3/16</strong></td>
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<td><strong>4/16</strong></td>
<td><strong>5/16</strong></td>
<td><strong>6/16</strong></td>
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<td><strong>7/16</strong></td>
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<td><strong>9/16</strong></td>
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<tr>
<td><strong>10/16</strong></td>
<td></td>
<td><strong>11/15</strong></td>
</tr>
<tr>
<td>Develop combined list of services offered</td>
<td>CEO</td>
<td>12/15</td>
</tr>
<tr>
<td>Determine program departments</td>
<td>CEO</td>
<td>12/15</td>
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### Marketing and Communications Integration

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<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
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<tbody>
<tr>
<td><strong>Task</strong></td>
<td><strong>Lead/Team</strong></td>
<td><strong>11/15</strong></td>
</tr>
<tr>
<td><strong>Time Frame</strong></td>
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<td><strong>12/15</strong></td>
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<tr>
<td><strong>1/16</strong></td>
<td><strong>2/16</strong></td>
<td><strong>3/16</strong></td>
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<tr>
<td><strong>4/16</strong></td>
<td><strong>5/16</strong></td>
<td><strong>6/16</strong></td>
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<td><strong>7/16</strong></td>
<td><strong>8/16</strong></td>
<td><strong>9/16</strong></td>
</tr>
<tr>
<td><strong>10/16</strong></td>
<td></td>
<td><strong>11/15</strong></td>
</tr>
<tr>
<td>Make a public announcement of the merger. This can be done at any point after the boards involved have voted to move forward with the merger, depending on the goals and wishes of the organizations.</td>
<td>CEO and New Board Chair</td>
<td>12/15</td>
</tr>
<tr>
<td>Plan for and hold a public event celebrating the merger. Use it to introduce the merged organization to donors, funders, clients, and the greater community</td>
<td>Development Director</td>
<td>12/15</td>
</tr>
</tbody>
</table>
### Systems Integration

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each area to be integrated, form a team to review current systems and develop recommendations including costs for any modifications. The teams should be made up of staff from each of the merging organizations whenever possible.</td>
<td>CFO</td>
<td>11/15, 12/15, 1/16, 2/16, 3/16, 4/16, 5/16, 6/16, 7/16, 8/16, 9/16, 10/16</td>
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<tr>
<td>- Accounting systems</td>
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<tr>
<td>- Budgeting processes</td>
<td></td>
<td></td>
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<tr>
<td>- Payroll systems</td>
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<td></td>
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<tr>
<td>- Human resource management systems</td>
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<td></td>
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<tr>
<td>- Information systems</td>
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<td></td>
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<tr>
<td>- Donor software</td>
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<td></td>
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<tr>
<td>Hire any consultants or experts necessary to assist with the review and recommendation process</td>
<td>CFO</td>
<td>11/15, 12/15, 1/16, 2/16, 3/16, 4/16, 5/16, 6/16, 7/16, 8/16, 9/16, 10/16</td>
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</table>

### Board Integration

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each organization selects their board members</td>
<td>Board Chair of Merging Organizations New Board</td>
<td>11/15, 12/15, 1/16, 2/16, 3/16, 4/16, 5/16, 6/16, 7/16, 8/16, 9/16, 10/16</td>
</tr>
<tr>
<td>Select initial board officers</td>
<td>New Board</td>
<td>11/15, 12/15, 1/16, 2/16, 3/16, 4/16, 5/16, 6/16, 7/16, 8/16, 9/16, 10/16</td>
</tr>
</tbody>
</table>
### Management Integration

<table>
<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine the role of the current ED’s and any departure packages</td>
<td>Negotiations Team</td>
<td>11/15 12/15 1/16 2/16 3/16 4/16 5/16 6/16 7/16 8/16 9/16 10/16</td>
</tr>
<tr>
<td>Decide which of the current employees (of the pre-merger organizations) can best fill the management team positions</td>
<td>CEO</td>
<td></td>
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</table>

### Fund Development Integration

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<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
</tr>
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<tbody>
<tr>
<td>Meet with current major funders</td>
<td>CEO and Development Director</td>
<td>11/15 12/15 1/16 2/16 3/16 4/16 5/16 6/16 7/16 8/16 9/16 10/16</td>
</tr>
<tr>
<td>Develop combined development plan</td>
<td>Development Director</td>
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</table>
## Accounting and Financial Integration

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<thead>
<tr>
<th>Task</th>
<th>Lead/Team</th>
<th>Time Frame</th>
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<tbody>
<tr>
<td>Create and revise over time a budget for the merged organization,</td>
<td>CFO</td>
<td>11/15</td>
</tr>
<tr>
<td>based on the work of the negotiations committee, the implementation</td>
<td></td>
<td>12/15</td>
</tr>
<tr>
<td>steering committee, any strategic planning done by the new board,</td>
<td></td>
<td>1/16</td>
</tr>
<tr>
<td>and the results of management team and systems integration planning</td>
<td></td>
<td>2/16</td>
</tr>
<tr>
<td>Prepare a stub audits to close out the merging organizations’</td>
<td>CFO</td>
<td>3/16</td>
</tr>
<tr>
<td>previous fiscal years, if necessary</td>
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<td>4/16</td>
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Appendix H: Cultural Integration in Nonprofit Partnerships

Introduction

Nonprofit partnerships do not fail because organizations cannot integrate their financial systems or HR policies. Partnerships fail because the organizations involved tend to want to hold onto their own individual cultures and fail to create a new culture.

Organizational culture is a pervasive force in any nonprofit. It is a shared set of customs, beliefs, and practices, sometimes stated as “the way we do things.” Although organizational culture can come into play in non-merger partnerships, such as when two or more nonprofits jointly operate a program and must define a common way of working, cultural integration — the fusion or adaptation of two or more old cultures into a new culture moving forward — is most critical in a nonprofit merger. In short, the greater the level of integration of the partner organizations, the greater the need to identify and assess the cultural elements and work through those issues.

For domestic violence agencies, organizational culture is a potent element influencing how services and operations are run on a day-to-day basis, as well as how long-term strategy is developed and implemented. Each organization has a unique culture, or personality, shaped by its history, its politics and philosophy of service, its relationship to the community, etc. Because of the movement-based origins of these organizations and the gravity of the work they do, these elements of culture are often deep-seated and well-protected, making it particularly important that partnerships address cultural integration thoughtfully.

This guide provides an overview of organizational culture and cultural integration as it impacts nonprofit partnerships, particularly mergers. It includes definitions, key concepts, and thought frameworks for understanding organizational culture as well as resource lists for further exploration.

What is Organizational Culture?

Organizational culture is revealed in the little things, such as where staff sit at the conference table for meetings or whether they wear business suits or jeans to work. It is also evident in more meaningful things such as the ethnic makeup of the board, staff’s shared political beliefs, or the staff and board’s respective views of one another’s roles and competencies.
Organizational culture is multi-layered (Fig. 1). It is expressed in an organization’s core values, mission, strategic objectives, and policies and procedures.

Layers of Organizational Culture (Fig. 1)

An organization’s core values and mission lie at the center of its culture. These in turn influence the direction of the organization’s strategic objectives and the policies and procedures it puts in place to support them.

In the context of a nonprofit merger, cultural integration requires the creation of a new culture that draws from the best aspects of each constituent organization’s culture. This means starting at the center, with a shared mission and core values, and working outward.

Even when partner organizations share similar missions and/or core values (as in a merger of one domestic violence organization with another), their cultures may still be quite different, from their preferred level of formality or informality to the way that they partner with other agencies and systems in the community, such as law enforcement. Cultural differences are more obvious in cross-disciplinary partnerships like the 2010 merger of STAND! Against Domestic Violence and the Family Stress Center in Contra Costa County. In that case, cultural integration for the newly merged organization required a thoughtful analysis of the terminology and philosophies each organization brought to their complementary work, as described below.

“The integration of services challenged us on both sides of the house to rethink our terminologies and how we present ourselves to the families we serve. When you’re involved in the domestic violence movement, it’s fairly easy to identify who is the perpetrator and who is the victim [typically along gender lines]. But when you look at child
abuse, the most frequent perpetrators of emotional abuse and neglect are women. This challenges us to think of “perpetrator” and “victim” differently. Rather than labeling people, we’re now looking at labeling the behavior; there are people who have been abused and people who abuse — and these are learned behaviors that can be unlearned and, ultimately, changed.”

- Gloria Sandoval, Executive Director, STAND for Families Free of Violence (from “The Power of Partnership: Strategic Restructuring Among Domestic Violence Organizations,” January 2012)

One of the reasons cultural integration (or any kind of organizational culture change, for that matter) is so challenging is that organizational culture is comprised of elements that can be easily “seen” or grasped — as well as those that are less obvious. Many have used the “iceberg” metaphor (Fig. 2) to illustrate that the explicit elements of organizational culture are often just the tip of the iceberg, and that there are many more elements that may be implicit, or hidden from view.

Organizational Culture Iceberg (Fig. 2)

Content Issues
- Mission, goals
- Structures, systems
- Technology
- Policy, procedures, work processes
- Programs, performances
- Resources (financial and human)

Formal Issues

Process Issues
- Managerial styles
- Decision-making modes
- Trust level
- Values, perceptions, attitudes
- Feelings
- Intra-personal styles
- Conflict management
- Linkages, friendship, power dynamics

Informal/Covert Issues
The iceberg model reminds us that mergers are not just business deals, but have emotional implications for the individuals involved. The “people issues” tend to be overlooked as less important than other integration activities, but are the most critical.

Partnerships are relational, not merely transactional. The process of bringing two or more organizations together has numerous technical elements that must be attended to, but it is even more important to develop a common understanding of how the people in those organizations will relate to one another, communicate, and work together to achieve shared goals.

Creating a New Culture

Every merger brings together two or more cultures, or sets of world experiences. The key to successfully integrating these cultures is to recognize them as distinct ways of seeing, and of being, which need to first be made explicit, and ultimately brought into harmony as something new. It can be difficult for an organization to recognize its own culture, simply because it is so ingrained it becomes taken for granted. Asking questions like those below can help nonprofits begin to bring their current culture into focus.

Identifying the Characteristics of Your Current Organizational Culture

- Who is involved in decision making?
- How is authority expressed?
- What is the role of the board?
- How formal or informal is your organization?
- What is the prevailing communication style?
- How are staff trained and supported? (Look at what happens when a new person is hired. Those first 30 to 60 days tell a lot about culture. For example, is it a sink-or-swim situation, or are supports in place?)
- How are achievements celebrated (or not)? Are individuals acknowledged, or are only team successes noted?

Organizational culture is composed of beliefs, practices, traditions, and stories. As soon as possible after effecting the merger, the organization’s board, leadership, and staff must begin to consciously create new traditions and tell new stories. For example, when the Ohio-based Domestic Violence Center merged with the Bellflower Center for Prevention of Child Abuse to become the Domestic Violence & Child Advocacy Center, cultural integration included a brand-aware reframing of the organization’s “story” (or, as characterized below, “mantra”).

“Even though both agencies had credible reputations in the community, our focus was on abuse, because everyone wants to help an abused woman or child. After the merger, we decided to focus on safety, hope, and healing. Board and staff leadership began meeting with individual donors to educate and ask them for investment in our new vision and
model. We sang our mantra — "safety, hope, and healing" — wherever we went: at community education presentations, collaborative meetings, councils, task forces, fundraising events, etc.”

- Linda Johanek, CEO, Domestic Violence & Child Advocacy Center (from “Rebranding Your Merged Nonprofit: Is It Worth It?”)

Cultural integration must engage the staff and the board. Staff integration can be supported by forming cross-functional teams to advise on systems integration, cross-training and professional development opportunities, site visits bringing staff together from different locations, formal meetings or retreats, and/or less formal mixers and socializing opportunities. Board integration can also be supported through educational and training opportunities, formal meetings or retreats, and social events.

For example, when YWCA Sonoma County and West County Community Services formed a partnership to strengthen counseling services for survivors of domestic violence, both staffs were brought together for informal “get to know you sessions.” The leaders of each nonprofit also shared details of the agreement at their respective staff meetings to create a shared understanding of how the work would flow from a practical, day-to-day perspective. With this commitment to communication, and the strong cultural fit between the two organizations, both staffs easily embraced the new partnership. (For more about this integration, see “The Power of Partnership: Insights from Leaders,” March 2012.)

Although staff integration is important, the board will play a critical role in setting the direction for the new organization. An organizational assessment process involving board members can both facilitate board integration and inform other integration needs and next steps.

Creating a new culture is an intentional process. Leaders of the merged organization must resist the tendency to view organizational culture as a natural phenomenon that will simply “develop in its own time.” The strength of the old cultures will make this difficult. Leaders must be diligent in seeding the new culture, tending it, and helping it to take root. To do this, it needs to be a key component of the overall integration plan.

Organizations can think about creating a new culture as comprising three steps: 1) Assess, 2) Define, and 3) Create. (Fig. 3)
Assess, Define, Create (Fig. 3)

Assess

Assess the cultures of the merging organizations. It may be particularly helpful to work with a consultant in this phase, as he or she can bring a neutral third-party perspective to surfacing the characteristics of the partner organizations’ “old” cultures. The assessment should identify any differences and similarities. Assessment activities may include:

- Individual interviews
- Facilitated group discussions
- Survey tools, such as the OCAI (see below)

The Organizational Culture Assessment Instrument (OCAI)

The OCAI is an assessment tool that can help organizations better understand their current culture, as well as to gauge what their desired organizational culture would look like. It lends itself well to the Assess, Define, Create framework for shaping a new organizational culture post-merger.

The OCAI methodology is detailed in the books *Organizational Culture Change*, by Marcella Bremer and *Diagnosing and Changing Organizational Culture*, by Kim S. Cameron and Robert E. Quinn, as well as at [www.ocai-online.com](http://www.ocai-online.com). La Piana Consulting has facilitated use of the OCAI with a number of clients.
Define

After examining the existing cultures comes the task of defining the desired elements of the new culture of the merged organization or program. This may include incorporating elements of the old cultures, deliberately leaving some behind, and/or identifying new characteristics to carry forward. Activities may include:

- Survey tools, such as the OCAI (see previous page)
- Staff/board retreats, visioning sessions, etc.
- Client conversations and/or focus groups
- Suggested readings (see below)

Create

Create the desired future. The third step is to actually implement and put the new culture into practice, which may include ongoing monitoring, continual reinforcement, and/or small course corrections, etc. It is important that creating the new culture be made explicit through open and ongoing communications and transparency. Activities may include:

- Communicating the new culture consistently, telling the organization’s new stories
- Supporting the new culture with deliberate traditions, systems, rewards, processes, etc.
- Defining indicators that will gauge whether the new culture is in effect
- Developing interventions to help get the desired culture “back on track”

Resources

**Organizational Culture**

- **Blog:** *Focus on Culture*, by Simone N. Sneed, SSIR blog post 12/20/13 – “Why strong organizational culture matters — and four practical ways organizations can achieve it.”

- **Book:** *The Advantage*, by Patrick Lencioni (2012) – “An organization is healthy when its management, operations and culture are unified.” Also see *The Five Dysfunctions of a Team*, Lencioni (2002).
In Closing

The process of creating a new culture should build cohesion within the merged organization. The most important way to support cultural integration is to maintain open, frequent, two-way communications. This should include:

- Identifying preferred communication and decision-making styles
- Building in specific opportunities to reflect on and create the new culture
- Celebrating milestones and successes, both large and small
- Resolving disagreements or problems swiftly and sensitively.

Overall, organization leaders must be patient and respect the time needed to move through the cultural integration process. The old organizational cultures were not formed in a day (or even weeks or months) — the new culture will also take time.

Resources

Book: *The Nonprofit Mergers Workbook (Parts 1 and 2)*

Created by La Piana Consulting, Part 1 is a guide to considering, negotiating, and executing a merger and includes material on organizational culture fit among prospective partners. Part 2 focuses on unifying the organization after a merger, including cultural integration.