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FACILITATING NON-PROFIT MERGERS & PARTNERSHIPS SINCE 2006



Embracing Coming Together Nonprofit Mergers in the Age of Covid-19

A webinar by
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Thursday, May 28, 2020, 11:00–12:00 CDT



The six main points of today's webinar

1. The dangers of squeezing too much, and having too little slack in operations.
2. How to analyze if a merger strategy is appropriate for your nonprofit, or not.
3. The pros and cons of becoming "YOU & ME".
4. Three ways to legally relate and merger examples.
5. The basic steps to completing a merger.
6. How to engage the board in the idea of exploring a merger strategy.



1. The dangers of squeezing operations too much

RE-BALANCING
THROUGH A
MERGER STRATEGY



THE ARGUMENT FOR
SLACK IN NONPROFIT
BUDGETS



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2. How do we assess whether a merger makes sense, or not?

[HOME](#) / [MERGERS AS A STRATEGY FOR SUCCESS TOOLKIT](#)

Mergers as a Strategy for Success Toolkit

Developed and provided by Mission + Strategy Consulting

How to Successfully Navigate Your Merger

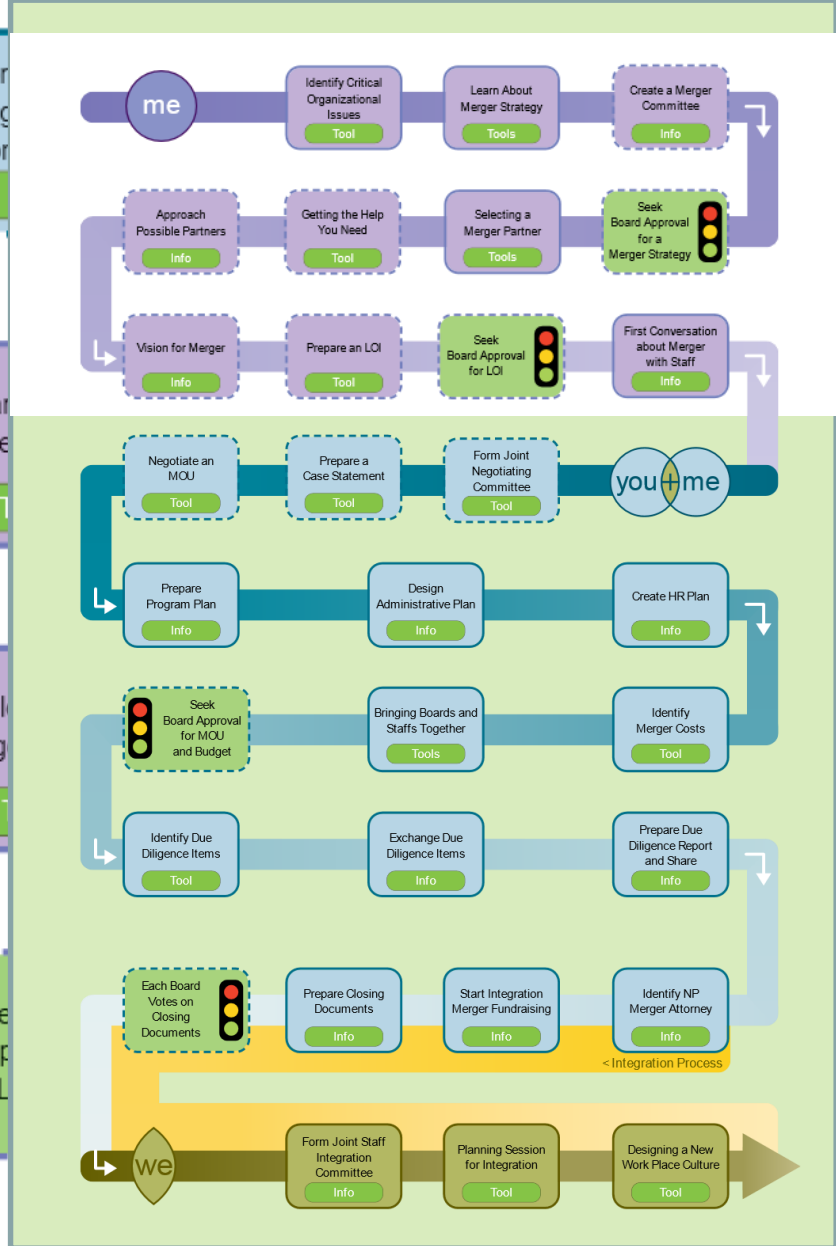
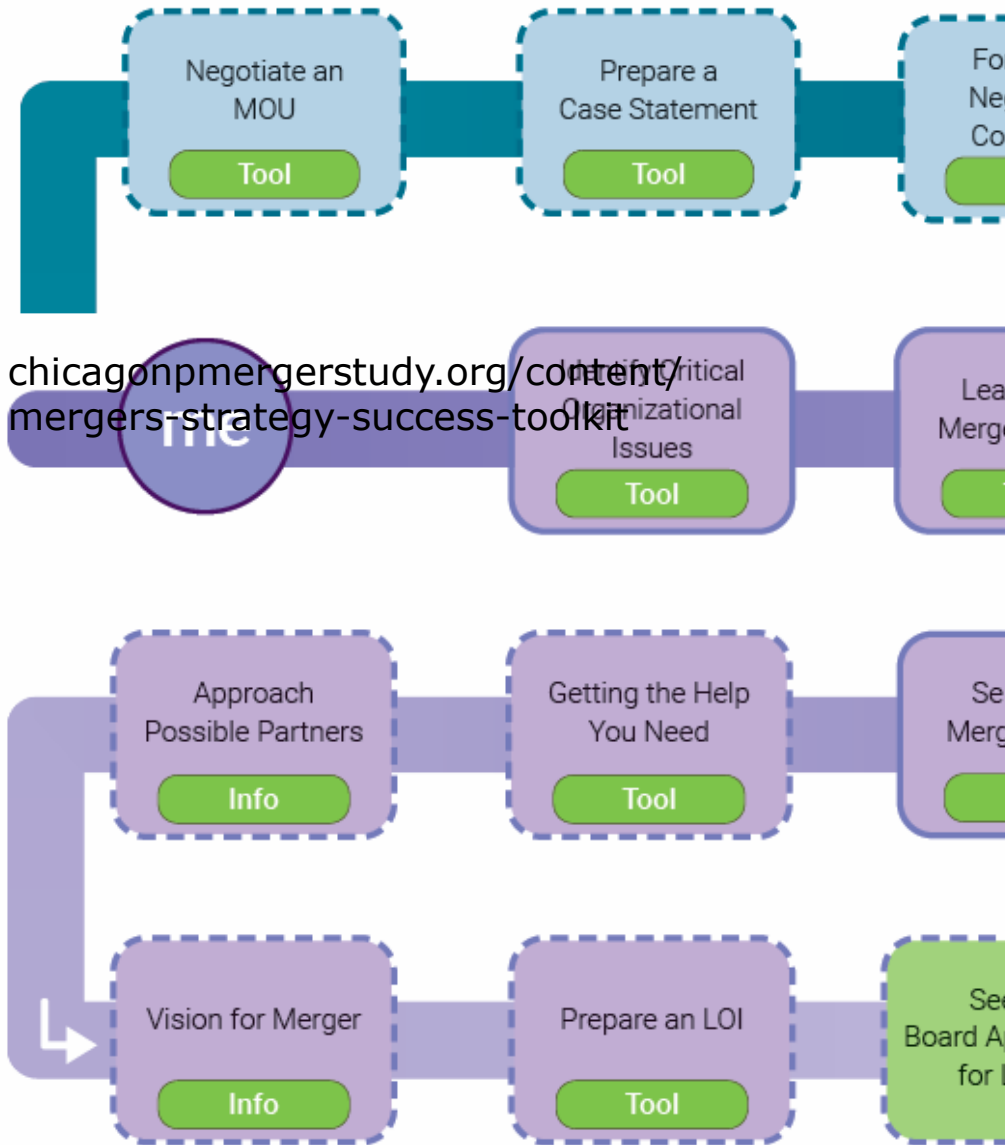
The decision to merge is a big one, and the process of successfully bringing two (or more) organizations together is rarely straightforward. Mergers are a strategy for organizations seeking to strengthen their long-term financial sustainability, increase the blend and depth of coverage of the services they provide, trade complementary skill sets, strengthen board and staff leadership, expand geographic reach and footprint, or stand out in a crowded field.

This toolkit is designed to help users understand the opportunities and challenges of merging and serve as a reference point along each stage of the merger journey. Access the tools provided on the path, and learn new skills to help you on your merger journey. The toolkit is divided into three chronological stages based on the merger strategy process:

Start on the path



chicagonpmergerstudy.org/content/mergers-strategy-success-toolkit



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How do we assess whether a merger makes sense, or not, for a client?

TOOL #4: ANALYZE A MERGER STRATEGY

A merger is a strategy and, as such, should be analyzed against a set of measurable outcomes that you want your organization to attain. The definition of a strategy is *a plan of action or policy designed to achieve a major or overall aim*. A strategy should leverage your assets in order to increase the impact you wish to achieve. The same is true for a merger.

Two common ways that nonprofits seek to leverage their assets is by [pooling and trading](#) their assets. When nonprofits *pool* similar types of resources, such as programs, they are adding them together in a way that may have significant impact by claiming a larger geographic region or market share. *Trading* occurs when nonprofits share dissimilar assets in order to access difficult-to-get resources – for example, medical software traded for supportive housing units.

To assess whether a merger strategy is right for your organization, it would be helpful to have recently

- **completed an internal assessment of your organizational assets**
(see [Tool #1](#) in the “Me” section)
- completed an external assessment of your environment
- identified your strengths, weaknesses, opportunities, and threats
- set a vision for what you wish to accomplish in the next three years

For further assistance in assessing a merger strategy for your organization, please see the tool on the following page.



Examples of Pooling and Trading, Tool #4

___ 1. INCREASE SIZE / ACCELERATE GROWTH

Pool	Trade	Method of Growth
P	T	Market share
P	T	Economies of scale
P	T	Ability to scale other places
P	T	Ability to enter new markets

___ 2. INCREASE VISIBILITY

Pool	Trade	Method of Increasing Visibility
P	T	# of people, institutions, government agencies that know about us
P	T	# of potential donors, volunteers, Board Members who know about us
P	T	# of referrals, clients who might become aware of us
P	T	Access to larger and bigger funding opportunities
P	T	Opportunities for recognition, awards





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#3. The Pros and Cons of Becoming “YOU & ME”

Slides #9 - #11

3. Benefits of coming together as “YOU & ME”

- Broaden market position, brand reach
- Improve fundraising skills and unrestricted income
- Create a continuum of quality services
- Strengthen administrative services
- Deepen financial stability, cash position
- Provide more position specialization
- Add to bench strength on staff and board



Potential downsides of becoming “YOU & ME”

- Differences in Culture
- Inefficient communication and lack of transparency
- Miscalculations in the evaluation of assets
- Financial costs of the merger
- Employee layoffs
- Legal Risks



Riskiest Issues

Legacy issues:

- Name/Branding – whose name is kept?
- Governing Board Seats – how many board directors are kept from each nonprofit?
- Board Officers – which board gets which seats?
- Selection of the CEO – if there are two equally qualified CEO/EDs, which one will be chosen to lead?





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#4. Three Ways to Legally Relate

Three Merger Examples,
slides 13-18



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Merger

The combination of two (or more) corporations including their assets and liabilities, creating one brand identity, choosing one executive leader, and forming one governing structure.



Nonprofit Merger

**Vision Forward Association
of the Blind &
Visually Impaired**

**Center for Blind &
Visually Impaired
Children**



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Asset Transfer

Another form of business combination which involves the acquisition or sale of not necessarily all of the assets or liabilities of an entity to another nonprofit organization. An asset purchase reduces or eliminates the risk of assuming unknown liabilities.

North Pointe Resources Corporation

Aspire

Administrative resources

Financial resources

Programs



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Parent/Subsidiary Structure

A **subsidiary** is a nonprofit that belongs to another nonprofit, which is usually referred to as the **parent company** or the Umbrella entity. The **parent** holds a controlling interest in the **subsidiary structure** usually through the board of directors.

Parent/Subsidiary Structure

UNITED CEREBRAL PALSY OF GREATER CHICAGO

Separate Foundation

United Cerebral Palsy of Greater Chicago

Once the programs
contracts could be safely
transferred to UCP Seguin, a
full merger was completed.

UCP SEGUIN ~~SEGUIN~~ SERVICES CHICAGO

Separate Foundation

CEO from Seguin Services
15 Board Members from each
nonprofit

UCP Foundation

Exec. Director,
Former CEO of UCP, blended board

#5. How to get from "Me" to "We"?

Phase I Pre-Exploration:

Answers "Do we want to negotiate with each other and why?"

Phase II Exploration:

Answers whether we want to do something together and the case for why this is better for each nonprofit; "What this will look like and how we propose to do it?"

Phase III Due Diligence:

Answers "If we do something together, is there any negative risk we can't bear?"

Phase IV Closing:

Answers "What are we legally committing to?"

Phase V Implementation:

Answers "What is the plan for making this a reality?"



#6. How to engage the Board

- Review your strategic plan and your strengths, weaknesses, opportunities and threats
- Educate the board on what a merger is and how it might help your nonprofit address your strategic needs
- Suggest the board create a merger (or strategic alliance?) committee to review potential partners
- Include the board in a joint planning or negotiation committee



WRAPPING IT ALL UP

- Nonprofits are too lean, and need to find ways to strengthen their nonprofits. A merger strategy may be the best, and quickest way to create some “slack” in operations and be better prepared for a crisis.
- The first step in considering a merger is to evaluate a merger strategy against your strategic plan goals and objectives.
- It’s important to bring a board of directors along in the evaluation process.





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