



Mission Plus Strategy Consulting

Putting Mergers in Your Strategy Tool Kit

A Workshop Sponsored by
The Field Foundation
April 18, 2011

Today's Agenda:

1. Introductions and exercise
2. The spectrum of strategic restructuring, including mergers
3. The business drivers for mergers and SR
4. The types of merger strategies
5. The motivators for mergers
6. How do you know a merger is right for you
7. The costs, cons, and pros of mergers
8. Where to go for more information

Mission Plus Strategy Consulting

2

Welcome and Introductions.



An Opening Exercise

Mission Plus Strategy Consulting

Five Minute Exercise

1. Pair up with someone from a different nonprofit organization.
2. Introduce yourselves to each other.
3. Discuss whether or not your respective organizations might be good partners on some basis.
4. Summarize the reasons why or why not, there might be a basis for a partnership between your organizations.

4

CONFIDENTIALITY!



Mission Plus Strategy Consulting

5

What to Call This...

- **Strategic Re-Structuring**
- **Nonprofit Alliances**
- **Full or Partial Consolidations**

A strategy that consolidates corporate or program structure in a variety of ways, all or in part, together with one or more nonprofit organizations, in order to advance mission.

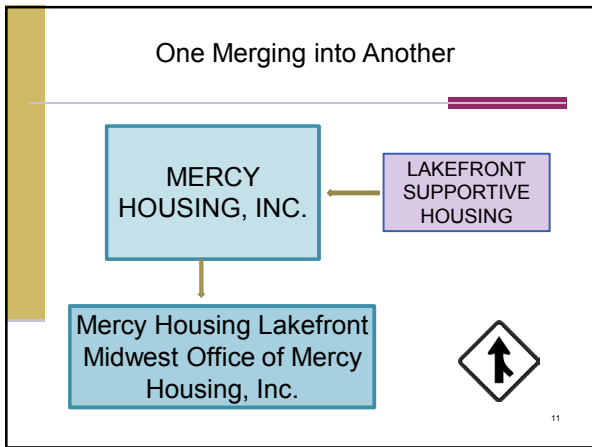
Mission Plus Strategy Consulting

6

Outright Mergers – Three Kinds

One Merging Into the Other
Assets Left to Another
Two Merging into a New Nonprofit

Mission Plus Strategy Consulting 10



- ### General Motivations for Mergers
- Better market positioning
 - Larger market share
 - Higher public profile
 - Greater political influence
 - More strategic fundraising
 - Larger staff, greater specialization of functions and provision of more services
 - Creation of a continuum of services that is coordinated
 - Better economies of scale

ARIZONA CHILDREN'S ASN. Strategic Mergers



Point Connection



new directions institute



Child Haven



Golden Gate




SOUTHERN ARIZONA CENTER AGAINST SEXUAL ASSAULT

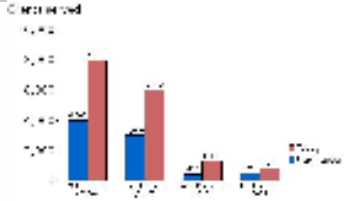


Los Familias

Mission Plus Strategy Consulting 13

Mergers drove growth in clients served at AzCa






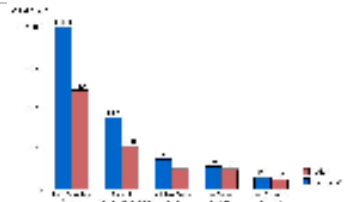
Excluding the two most recent mergers that AzCa has done

M&A: More Than a Tool for Tough Times, February, 2009. Copyright the Bridgespan Group, Inc. All rights reserved.

14

AzCa mergers drove down cost per client





Cost per beneficiary have been reduced from 11 to 40 percent

M&A More than Tool for Tough Times, February, 2009. Copyright © Bridgespan 2009. All rights reserved.

15

When should you consider a merger strategy?

Financial Management/Administration
Leadership
Fundraising
Program Services

Mission Plus Strategy Consulting

Financial Management/
Administration

- Cutting funding to back-office areas of the budget
- Annually dipping into reserves to balance the budget
- Borrowing money to help with cash flow
- Less than 90 days of cash available
- Desire to deepen back office skills
- Difficulty spreading administrative expenses due to the small number of clients
- The quality of back office services is lacking

Leadership

- A vacancy in the CEO position, or impending vacancy
- Need for stronger Board Directors
- Trouble recruiting and/or maintaining qualified Board Directors
- A vacancy in one or more management positions
- Trouble recruiting for senior management positions

Mission Plus Strategy Consulting

Fundraising

- Lost a major donor recently
- Ongoing trouble raising the annual budget
- Ongoing trouble meeting inflationary increases in the budget
- Trouble raising unrestricted funding
- Competing for funding and losing to other similar nonprofits
- Donors raise the issue of merger or collaboration with the nonprofit

Program Services

- Services are strong, but it is difficult to fund them
- Clients use multiple agencies to get all their service needs met
- There are new services you need to provide due to changes in donor requirements
- There are multiple organizations in your service area with a similar mission
- Clients or donors confuse you with another nonprofit
- Program budgets have been cut
- Services are not deep enough

How to know if you are ready to merge, or not

- Can you keep a focus on your mission?
- Do you have a unity of strategic purpose?
- Can your leaders speak with one voice?
- How solid are your Board/Management relations?
- Are you currently in a crisis?
- Do you have a history of successful risk-taking?
- Do you have a growth orientation?
- Are you familiar with other successful collaborations?

Identify Your Goals

- Based on your SWOT analysis, determine what your organizational goals are
- These goals can be your strategic goals (as long as they are still relevant)
- These goals can be restricted to an area of the organization like a program or to management
- Write down your goals with clear metrics
- Is there a strategic re-structuring model that the goals suggest that you are ready to discuss? If not, it is fine to leave it open.

Mission Plus Strategy Consulting

22

Partner Criteria

- With the goals in mind, identify the criteria for a potential partner to help you achieve the goals.
- The goals should be the driver in terms of establishing the partner selection criteria.
- Write down the partner criteria on paper; vet the criteria until you are satisfied with the final list.
- Identify the criteria which describe your own agency's strengths.
- Be sure to include trust of the partner, and mission alignment.

23



The Costs, the Cons, and the Pros of Mergers

There are strengths and weaknesses to every strategy.

Mission Plus Strategy Consulting

Sample Merger Costs

<ul style="list-style-type: none">■ Facilitator (negotiated agreement/ integration)■ Accountant (financial due diligence for sponsors/subsidiaries, preparation of collaboration budget)■ Attorney (Review of legal documents; preparation collaboration documents)■ Fundraising Assessment, collaboration, capital	<ul style="list-style-type: none">■ Marketing/Comm. (printing, web site, social networking, mailing, press releases, donor communications, staff communications)■ Operations (technology, communications, space, moving costs, celebration)■ Human Resources Severance, Comparison of Benefits, cultural assessment
--	--

25

The Cons: What are the Costs and Challenges?

1. Time, time, time
2. Financial costs (lack of return)
3. Low Board and Staff morale
4. Leadership problems
5. Organizational Cultural Differences
6. Identity Issues
7. Staff turnover

The Pros: What Did They Get?

- Elimination of excess capacity
- Economies of scale
- Increased influence over consumer choices by reducing competition
- Diversification of sources of revenue while holding down management costs

Pros, continued...

- Sharing of expertise
- Improved staff benefits
- Enhanced profiles and reputations
- Reduce duplication of effort
- Capture multidisciplinary approaches
- Invent organizations that previously were not needed

Mission Plus Strategy Consulting

28



Where to go for More Information?

See the bibliography

Mission Plus Strategy Consulting
