Advice to Strengthen Strategic Mergers and Collaborations

A Catalyst Fund Report

Nonprofit Finance Fund®

Catalyst Fund for Nonprofits

Contents

"[Our organization] is implementing its vision of operating as a nonprofit collaborative in the emerging and rapidly changing environment of physical and behavioral healthcare integration…Beyond the early notions of achieving efficiency and lower costs, there is a clear move toward more holistic views of patient care. Understanding and attending to the clear relationship between emotional/behavioral health and physical health is now considered best practice." **CATALYST FUND PARTICIPANT**

FUNDING PARTNERS
The Boston Foundation,
The Hyams Foundation, LISC Boston,
The Kresge Foundation, United Way
of Massachusetts Bay and Merrimack Valley

FUND MANAGER
Nonprofit Finance Fund®

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Introduction

A homeless person in Boston who reaches out to the Pine Street Inn will find not only shelter, but supportive services and opportunities for long-term housing, including substance abuse treatment, and job training and placement. The services that Pine Street Inn provides have increased since its 2012 merger with hopeFound—a merger supported by the Catalyst Fund. These two organizations shared a commitment to ending chronic homelessness, and a willingness to work together strategically and creatively toward that goal. By adding more people, programs, and dollars to the strategy of supportive housing for the chronically homeless, Pine Street is better positioned to advance this goal. And now, people in need of critical services in the Boston area are better poised to progress toward permanent homes.

Conceived during the Great Recession, the Catalyst Fund for Nonprofits was designed as an experiment—a new way to respond to the challenges facing the nonprofit sector and its fragmented collaboration and merger market. The Catalyst Fund grew out of a discussion among Boston-area nonprofit leaders and funders about the benefits and challenges of nonprofit collaborations and mergers. The Fund was established in 2010 to provide a dedicated pool of resources—$1.675 million in aggregate—to support nonprofits' ability to deeply partner in order to advance missions and adapt in a changing environment. Funding partners included The Boston Foundation, LISC Boston, The Hyams Foundation, The Kresge Foundation, and the United Way of Massachusetts Bay and Merrimack Valley. Nonprofit Finance Fund (NFF) managed the initiative.

The Catalyst Fund sought to:

1. **Support nonprofit collaborations and mergers through technical assistance /** The Fund made grants to provide technical assistance to promising collaborative ventures in the phases of feasibility, planning and due diligence, and implementation. The intent was to provide a dedicated source of support and expertise for promising projects that would benefit nonprofits and the communities they serve.

2. **Promote collaborations and mergers as strategic tools that can advance mission /** The dual intention of this goal for nonprofits and funders was to (1) normalize the practice of deep collaborations and mergers as strategies for preserving, improving, or expanding services, and (2) challenge misconceptions of crisis or failure often identified with these partnerships.

During this five-year initiative, the Catalyst Fund supported 42 explorations of partnership among 88 organizations. Grant awards resulted in 20 implemented collaborative ventures, including 13 mergers. In some cases, a nonprofit participated in more than one Catalyst Fund collaborative venture. At the time of publication, 6 additional ventures were still in exploratory phases. Participating organizations were primarily based in the Boston area and represented four sub-sectors: arts and culture, community development, human services, and youth development.

NUMBER OF UNIQUE COLLABORATING PARTNER ORGANIZATIONS	
Arts & Culture	10
Community Development	28
Human Services	38
Youth Development	12
TOTAL	**88**

What We Learned: Four Truths of Nonprofit Mergers and Collaborations

Based on the aggregate experience of dozens of nonprofit leaders and funders who engaged with the Catalyst Fund, we've identified four truths of nonprofit mergers and collaborations:

1. **Mergers and collaborations are a strategic tool, not a last resort.** Without a commonly understood, widespread practice of nonprofit collaborations and mergers across the sector, perceptions have been limited and mixed. Prior to the initiative's launch, the Catalyst funders and NFF were aware that nonprofit leaders often associated organizational restructurings and mergers with crisis and failure. One of the Catalyst Fund's goals was to help shift perceptions of mergers from signifiers of crisis and failure to strategic tools that help advance mission. By directing funds toward thoughtful planning and sharing stories and examples of strategic collaborations, the Catalyst Fund worked to help shift the conversation. Several others across the country have also aided in this conversation shift, including: the New York Merger, Acquisition, and Collaboration Fund, MAP for Nonprofits, The SeaChange-Lodestar Fund for Nonprofit Collaboration, California Restructuring Fund for Community Clinics, Philadelphia Nonprofit Repositioning Fund, The Patterson Foundation, the Los Angeles Nonprofit Sustainability Initiative, Foundation for The Carolinas, the Human Services Strategic Restructuring Pilot Project in Cuyahoga County, Ohio, LaPiana Consulting, and The Bridgespan Group.

   The Catalyst Fund initiative revealed that when motivated by a shared vision and commitment from leadership, mergers and collaborations can be a powerful mechanism to help organizations combine forces for better results in the communities they serve.

> "Collectively we can have a broader impact and can benefit from the resources and knowledge that the individual organizations bring to the table." **CATALYST FUND PARTICIPANT**

2. **Nonprofits need dedicated resources for mergers and collaborations.** Partnerships are resource-intensive, yet most nonprofits operate in a resource-constrained reality. This work has many costs, from the opportunity costs of senior staff dedicating time and attention to a partnership, to the cash expenditures of consulting fees, systems integration, benefits and compensation reconciliations, and work or program space changes. Nonprofits need resources from funders, donors, and government agencies to support these transitions. In some Catalyst-supported ventures, funders or donors pledged support to help cover costs, but often the collaborating partners shouldered the burden of additional costs themselves.

   The Catalyst Fund's resources were specifically focused on technical assistance, which is a crucial component of the overall funding needs associated with a collaboration or merger. Even so, some promising collaboration opportunities failed to implement simply for a lack of additional resources needed to allow the partners to move forward. In a survey, Catalyst Fund participants reported that some of the top barriers to collaboration implementation were the lack of financial resources to invest in change or for operations. In some cases, Catalyst Fund participants reported that their funding was reduced by a funder as a result of a merger. During times of transition, nonprofits need more resources to navigate change, not fewer. Everyone shares a stake in the preservation, improvement, and/or expansion of programs and services, and nonprofits need access to the right kinds of capital for growth or change.

3. **Technical assistance is critical when exploring change or opportunity.** Exploring and planning a collaboration or merger is a significant undertaking for an organization's leadership over and above day-to-day operations. Engaging an experienced consultant can improve the process by: (1) providing expertise in collaboration best practices, (2) adding capacity to organize the process and move conversations forward, and (3) offering an objective perspective to the partnering parties.

> "Even if you have been working closely with partners for a long time, a new project or joint venture can benefit greatly from third-party technical assistance…collaborators are forced to clearly articulate goals, externalize the process, and generally bring a higher level of organization to their work." **CATALYST FUND PARTICIPANT**

Catalyst Fund participants reported that working with a technical-assistance consultant delivered value to their organizations by:

- Fostering potential for preservation, improvement, or expansion of programs and services
- Providing structure to plan for the future
- Building organizational capacity for future collaborations or mergers
- Changing the way organizations do business for the long term
- Generating new conversations in the organization

4. **Social Sector leaders should accept "failure" as an appropriate outcome.** One possible outcome in collaboration or merger conversations is that a partnership is not ultimately in the best interest of the parties. Early on, the Catalyst funders agreed that while they desired to see collaborations and mergers implemented as a result of their investments, unfulfilled partnerships were an acceptable outcome. This funder perspective recognized the complex nature of partnerships and reflected a willingness to take on some "risk" that not all of their dollars would result in implemented collaborative ventures.

   Even when a merger or collaboration was not ultimately realized, the process of exploring the possibility afforded leaders the opportunity to deeply reflect and reassess their organizations' missions in the broader context of their communities and the sector at large. The nonprofit leaders who chose not to implement a collaboration nonetheless noted the value of the exploration process in helping foster more productive conversations about effectiveness, goals, non-negotiables, mission, and impact.

> "The process that was made possible by resources from the Catalyst Fund was extremely helpful. We were able to secure legal technical assistance to negotiate between all parties. During that process, operational and leadership challenges were identified. While the collaborative project was ultimately unsuccessful, this would not have been identified had the process not gone forward. Thus, the process was a success." **CATALYST FUND PARTICIPANT**

Step-by-Step Advice for Nonprofits

Based on the experiences of Catalyst Fund participants, NFF has distilled advice for nonprofits and their supporters as they explore mergers and collaborations.

Pursuing strategic mergers and collaborations can have four general phases: preparation, exploration, planning and implementation. While these phases do not always have clear boundaries, they provide a framework for understanding the stages of development that involve various stakeholders. Below is an overview of each phase and step-by-step advice for how to successfully navigate decision points using a data-informed approach. Of course, experiences will vary and not all steps and advice will prove relevant to every organization.

PHASE 1: PREPARATION

1. Engage in longer-term planning, including succession planning.
2. Define your organization's motivation and goals for a potential collaboration.
3. Build staff and board buy-in.
4. Articulate your organization's value-add and partner criteria.
5. Initiate exploratory conversations with potential partners.

Advice

Consider whether integration is necessary to achieve goals

Collaboration takes place frequently in the nonprofit sector—often because the issues organizations seek to address are much bigger than any one nonprofit can handle. Collaboration can take the form of coordinating services, referral relationships, or sharing information. But deep collaboration involves the integration of part or all of another organization. It requires a long-term strategic view, openness to doing things differently, and a willingness to give up some level of control.

It's also helpful to understand how the market environment influences the need to adapt or potentially partner. Consider the forces likely to impact your organization's future course. These may include: changes in the needs or composition of your constituents or community, competition, funder trends, etc.

Adopt a broader planning mindset, especially in the context of executive succession

It may be easiest to consider exploring a collaboration or merger as a part of a strategic planning process that looks several years into the future. As an organization reflects on its mission, goals, staffing, capacity, place in the market, and financial resources, leadership can make room for the bigger-picture considerations that are inherent in evaluating a deep partnership or merger.

If pursuing a merger or other collaboration does make sense for the organization's strategic direction, it's important to build consensus among staff and board members by distinguishing between the advancement of an organization's mission and the existence of the organization itself. The mission can likely be advanced under a number of different organizational structures. Addressing this dynamic and asking staff and board to think bigger about how goals can be accomplished can help build buy-in for new collaboration opportunities.

Many mergers pursued with Catalyst Fund support included CEOs or executive directors planning to transition out of their organizations. This moment in an organization's lifecycle can facilitate a partnership or merger by removing one potential barrier: conflict over who will run the combined entity. Executive transition should not make mergers imperative, nor should an organization automatically default to filling the executive position. Instead, a change in leadership presents a board with the opportunity to reflect on the organization's mission, structure, financial viability, and place in the market.

Articulate your organization's value-add and partner criteria

Hold your organization's mission, theory of change and future goals front-of-mind during exploration and planning phases. As you take inventory of your organization's strengths and weaknesses, define the characteristics your organization seeks in a partner. Consider first approaching organizations with whom you already have a relationship to initiate candid conversations.

Ask the tough questions:

- What about our mission or strategy demands that we work with a partner in order to succeed?
- Can we "go it alone" or does our mission, viability, or environment demand deeper partnership?
- How will our beneficiaries be better served by a collaboration or merger, if at all?
- Is our organization well-positioned to explore a merger or collaboration, or do we need to clarify our vision and mission first?
- What are our non-negotiables and criteria for any partnership?

PHASE 2: EXPLORATION

1. Define a shared vision for collaboration, typically at the senior staff and board levels.
2. Share aspirations and concerns, including candid discussion of non-negotiables.
3. Identify a potential collaboration or merger structure that all partners can accommodate, and that is most likely to advance the shared vision.
4. Determine how the collaboration's success will be evaluated.

Advice

Identify a clear and strategic imperative

Ask, "What can we accomplish together that we cannot do separately?" Without clarity of purpose, it is difficult to prioritize collaboration among the many competing needs that nonprofits commonly face. Observations from the Catalyst Fund suggest that when organizations had not clearly defined a strategy that necessitated collaboration, partner conversations were more difficult and/or did not advance. Though desires for cost savings and other efficiencies can be powerful, most nonprofits are already lean and any financial gains from a collaboration or merger are likely to be limited or may take time to be realized. Keeping mission focus as the overarching motivation for partnership is more likely to keep partners at the table through the difficult work of collaborating.

> "This process was an essential "eye opener" concerning each organization's need to revisit and clarify mission and purpose. These had not been reviewed in a while and, frankly, the world has changed considerably from when they were originally created." **CATALYST FUND PARTICIPANT**

Acknowledge inherent risks and address uncertainties

At the outset of collaboration or merger conversations, the outcome is unknown. What will the partnership look like? Will the partnership ultimately happen? Will it be a success? Moving forward in the face of these uncertainties takes a certain degree of risk tolerance. Commit to open and honest dialogue—both internally and with external parties—about goals and non-negotiables, and accept the range of possible outcomes.

> "The most important lesson learned was how important open negotiation and honesty is for all parties. With the help of the third-party technical assistance we received, all of the nonprofit organizations were able to identify financial, artistic and operational priorities." **CATALYST FUND PARTICIPANT**

Ask the tough questions:

- Have we been candid with ourselves and our partner(s) about our hopes and concerns?
- Is this opportunity truly the right fit for us?
- How will we know if our collaboration has been successful?
- If the partners have decided not to move forward, what has been learned in the process?

> “We did a significant amount of work, but realized that each organization had to refine its respective mission, vision, and purpose in order to continue…”
>
> **CATALYST FUND PARTICIPANT**

PHASE 3: PLANNING

Once organizations transition into the planning stage, making data-informed decisions becomes crucial to assessing the viability of a potential merger or collaboration.

1. Conduct due diligence, which includes a detailed analysis of the programmatic, financial, operational, human resources, cultural, legal, governance, and communications implications of implementation.
2. Communicate collaboration plans to key funders to gather feedback and advocate for both one-time assistance to defray collaboration/merger costs, and continued operating support.
3. Develop a clear plan for implementation.
4. Draft a partnership agreement which outlines responsibilities and commitments of the parties for board approval.

> “The viability of the merged business model should be evaluated and established as early as possible. If the finances do not work the balance will not work.”
>
> **CATALYST FUND PARTICIPANT**

Advice

Expect the process to be lengthy, time-consuming, and at times, uncomfortable

Catalyst Fund collaborations and mergers typically took between four months and a year to move through feasibility assessment and due diligence to a signed partnership agreement. Participants regularly reported that the process took longer than originally expected. Merger partners, in particular, noted some difficulty and discomfort with the level of due diligence and scrutiny that could be involved with arriving at a decision to combine.

Prepare board members to roll up their sleeves

Fiduciary responsibility and mission stewardship uniquely position the board to provide leadership in collaborative ventures. In Catalyst Fund engagements, boards of directors commonly spent time working with consultants, building relationships with partner organization board members, and reviewing due diligence materials. In order to make an informed decision about whether or not to move forward, board members must be engaged in the process.

Recognize the influence of human nature

Mission alignment and satisfactory due diligence in a collaboration or merger can still be thwarted by the power of more intangible elements like relationships, egos, trust, and culture. In *Why Nonprofit Mergers Continue to Lag*, The Bridgespan Group makes the case that three crucial human elements can get in the way of a merger: board alignment, senior staff roles, and combining brands. The deep integration that strategic collaborations and mergers demand are emotional processes for the staff, boards, beneficiaries, funders, and communities involved. Maintain sight of where cultures are aligned and where they are not, and where possible, work toward appropriate compromises.

> "We all need to remember that we are of service to our constituents. Ego needs to leave the room when discussing collaboration. Who does it better, what community needs to be served and how, those are the conversations." **CATALYST FUND PARTICIPANT**

Ask the tough questions:

- Have staff and board leadership's questions and concerns been adequately addressed? Do any blind spots remain?
- Have we developed and resourced a clear plan for operationalizing the partnership?
- How has organizational culture been factored in to planning efforts? Where is there alignment or dissonance and how can this be leveraged or addressed?

PHASE 4: IMPLEMENTATION

If a prospective merger or collaboration has been vetted as the right next step, organizations proceed into the implementation phase, when they:

1. Execute the implementation plan.
2. Create or integrate systems as necessary.
3. Monitor implementation progress and evaluate success.

Advice

Remember that the end is really the beginning

Arriving at the point of a signed partnership agreement takes a great deal of time and effort, but once the agreement is signed, the real work of implementing the partnership begins.

Monitor implementation progress and stay flexible

Despite a thorough due diligence and planning process and a strong implementation plan, it is impossible to account for all of the unexpected opportunities and challenges that will arise as the collaboration takes hold. Establish regular check-in points for board and staff to monitor progress against your implementation plan, and stay open and flexible to addressing issues as they arise.

Celebrate the success of having achieved a strategic goal

Leaders commit to the hard work of mergers or collaborations because their ultimate goal is to better serve their communities. Holding a shared vision of better results and outcomes for people in need is both a driving force and a reason to celebrate when the difficult work of a merger or collaboration results in a new opportunity to bring greater benefit to communities served.

Continue to ask the tough questions:

- Is the collaboration meeting its goals? If necessary, what can be done to make course corrections?
- What's next in assessing adjustments for continuous improvement?

> "Much research and many convenings were needed to engage all stakeholders (both internal and external). It was a long, very inclusive process, but at the end it was worth it." **CATALYST FUND PARTICIPANT**

Funder Reflections

Prior to the launch of the Catalyst Fund, there was limited knowledge about the resources necessary to support collaborations and mergers. A small number of similar initiatives in places like Ohio and The Carolinas provided guideposts for the initiative's design, but the Catalyst Fund was new territory for the Boston nonprofit and funder communities. The funders (The Boston Foundation, LISC Boston, The Hyams Foundation, The Kresge Foundation, and the United Way of Massachusetts Bay and Merrimack Valley) partnered with Nonprofit Finance Fund to ensure that the Catalyst Fund was structured with extraordinary care and intention. NFF's decades of experience as a lender and adviser to nonprofits and funders allowed it to play a key role in the Catalyst Fund structure. In addition to managing the day-to-day administrative affairs of the Catalyst Fund, NFF served as an intermediary in the initiative, acting as a neutral listener and coach for nonprofit leaders starting down the path of collaboration or merger. Nonprofit leaders could work openly with NFF to produce the strongest application possible, knowing that their candor would not put existing relationships with participating funders at risk. NFF also worked with funders to support their grantmaking decisions.

In structuring the Fund, a collaborative advisory board of the five funders was established to make grant decisions jointly. In addition to providing grants for technical assistance, the Catalyst Fund sought to:

Demonstrate collaboration as funders / Nonprofit leaders appreciated that the Catalyst funders demonstrated collaboration themselves by pooling resources and jointly making decisions. Nonprofit leaders took notice that funders committed to "walk the talk" of partnership.

Provide incentives and resources that respect nonprofit autonomy / The Catalyst Fund sought to be responsive to and respectful of the Boston-area nonprofit community. By supporting voluntary collaborations and mergers, the Catalyst Fund was structured to mitigate the prospect of nonprofits being forced by a funder or other organization to merge or collaborate. The Catalyst Fund also recognized the importance of nonprofit autonomy by leaving the choice of technical assistance providers to the nonprofit partners.

Catalyst funders faced complexities when designing and executing the initiative, including:

Understanding market demand / Given the fragmentation and lack of documentation of collaboration and merger activity in the Boston nonprofit community prior to the Catalyst Fund's launch, expectations for the amount and type of interest and participation were uncertain. Applications to the Catalyst Fund ebbed and flowed periodically over the course of the five-year period, yet without a baseline of comparison, it was impossible to know if the Fund was reaching its potential in terms of the volume of participating collaborative ventures.

Supporting early development / Later in the Catalyst Fund's lifecycle, a growing chorus of nonprofit leaders provided feedback that they wanted to pursue a collaboration or merger, but didn't know where to begin. They felt that they lacked the know-how, capacity and/or buy-in to start partnership conversations. The Catalyst Fund had required that nonprofits make a joint application to the fund – a demonstration of shared commitment and vision. But that requirement could be a barrier to organizations in the very earliest stages of moving toward a collaborative venture. It excluded activities like creating an internally shared vision for collaboration, identifying potential partners, and initiating prospective partner discussions. To respond to this feedback, the Catalyst Fund held a public event with panelist insights on starting a collaboration and with time for networking among potential partners. The Fund then began funding this type of early-stage work on a limited basis.

Defining success and measuring impact / Throughout the initiative's founding, the advisory board wrestled with the question: How will we know if the Catalyst Fund is successful? The complexities encountered in the process of defining success included the following:

- The number of successful collaborations was an imperfect metric because at the onset of the initiative, funders had agreed that not merging was an acceptable outcome depending on the best interest of each organization.
- The definition of a "successful collaboration" varied according to the unique goals and characteristics of each collaborative venture. Given the broad range of motivations and goals, a one-size-fits-all indicator of a successful collaboration would not work. Partner nonprofits were motivated by factors as diverse as operational efficiencies, adapting to new funding realities, and creating innovative programs and services—yet all were oriented toward advancing mission by preserving, improving, or expanding programs and services for local communities. However, community-level impact was infeasible to measure due to its complexity, the limited funds available, and the Fund's prioritization of supporting collaborations with technical assistance.
- True results of a collaboration or merger can take years to be fully realized, and would be difficult to attribute directly to Catalyst funding.
- Though 88 unique nonprofits participated in the exploration of a collaborative venture through the Catalyst Fund, the extent to which these efforts have helped normalize the practice within the Boston area is unclear. There are thousands of nonprofits in the Boston area. From a numbers perspective, our efforts and pool of participants do not represent a major change to the system. Despite making significant efforts to share the Catalyst Fund's approach, lessons learned and case studies with local and national nonprofit communities, it is difficult to understand the extent to which the attitudes of leaders have changed, or how this information has been leveraged to inform the work of others.

Closing

To understand the success of the Fund toward achieving collaboration goals, NFF conducted a brief survey in January 2016 and received 23 responses from Catalyst Fund participants. Among the range of challenges or opportunities that nonprofit leaders were hoping to address with a merger or collaborations, several common themes emerged:

- Achieving more sustainable scale through a joint venture and/or merger
- Adding services without starting new programming or adding staffing
- Expanding geographically and enhancing services portfolio

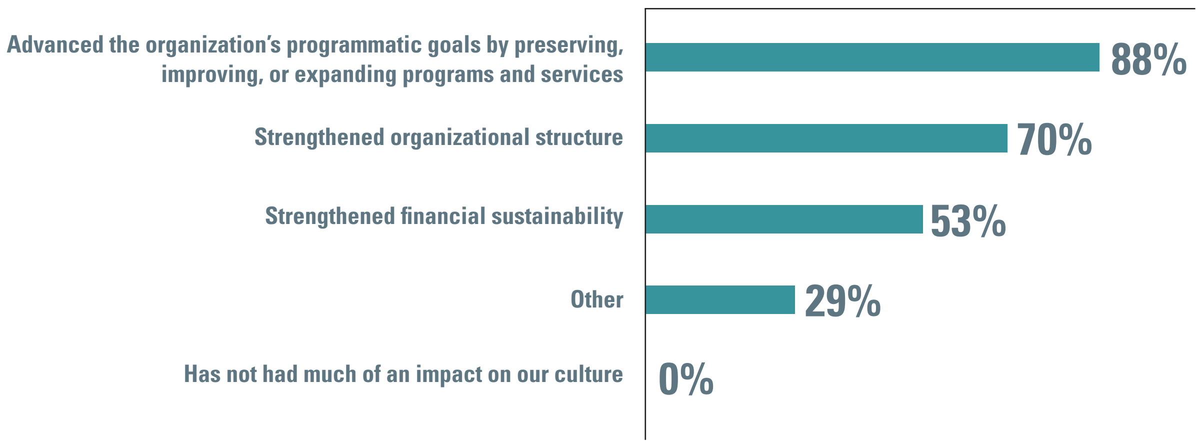
"We were hoping that a nonprofit/for-profit alliance would provide additional revenue streams and complement both organizations' offerings."

"Our challenge was to bring together 42 autonomous nonprofit organizations in an effort to develop better methods for capturing impact data."

When asked if their challenges or opportunities were addressed, **64% said yes and 9% said no. 27% selected "other" and noted various other stages of exploration**.

"We hosted a series of Think Tank conversations, based on topics we had targeted. Just that—the bringing together of many minds to discuss one topic, has added vibrancy to our work, and our standing. Additionally, two to three of the topics have legs moving forward."

Despite facing core challenges, including cultural changes at the board level and the lack of financial resources to invest in change or cover the costs of implementing collaborative plans, Catalyst Fund survey participants reported that they benefited from participating in a collaborative venture in the following ways:



"Beside the strong, consistent commitment to collaborate among [our] organizations (even with leadership changes), our work [is] viewed as "cutting edge" among key stakeholders and payers, thus keeping us relevant and successfully positioning us to adapt to a rapidly changing operating and funding environment."

The Catalyst Fund emerged at a critical time when the nonprofit sector was looking for ways to consolidate efforts and resources. It was designed as a five-year initiative to respond to the needs of local nonprofits in the Boston area. Even after the Fund's closure in 2015, funders continue to support various local capacity-building needs and have each committed to sharing their collaboration and merger insights and experiences throughout their respective institutions. In the words of one funding partner, "I feel that as a funder, I am far better informed now about what this work really takes, and I have been able to bring that knowledge to my own organization in relationship to possible collaboration funding requests."

Among funders and nonprofits alike, the Catalyst Fund has contributed to a shift in mindset that prioritizes collaborations and mergers as strategic tools to advance mission, and as endeavors that require extraordinary support. NFF is fortunate to have managed the Fund over its five-year lifespan to learn from nonprofit leaders and understand the reality of undertaking collaborative ventures. Our hope is that by advocating for the resources needed to support collaborative ventures, and by sharing practical, step-by-step advice, we shed light on best practices for mergers and collaborations. Nonprofits need resources during times of opportunity or change, and the process of exploring or implementing a merger or collaboration is particularly resource-intensive. When supported with the right kinds of capital and technical assistance, mergers and collaborations can help organizations combine forces to better serve their communities.

> "[We are] a much stronger organization as a result of the merger. We have been able to establish a unified mission with a clearer brand and image that helps the public understand our extensive scope of work." **CATALYST FUND PARTICIPANT**

Collaborations in Practice: Case Studies

VSA The State Organization on Arts and Disability
MASSACHUSETTS
An Affiliate of Seven Hills Foundation

CONNECT
a Financial Opportunity Center

VSA Massachusetts / Seven Hills Foundation Merger

In Brief

Complementary organizations in human services and the arts merge to create more opportunity for inclusive arts access.

Getting Started

VSA Massachusetts (VSA MA) promotes the involvement of people of all abilities in the cultural life of communities. The organization was known for innovative youth arts inclusion programs in Boston-area schools. A relatively small organization with an expense budget of roughly $500K, VSA MA was on steady financial footing generally, but its ability to serve adults was limited. Charlie Washburn, Executive Director, knew that to more deliberately include people aged 22 and older, VSA MA had two options: Go it alone and invest in raising more funds, or find a partner who could help the organization reach adults with the same focus and resources it brought to its youth programming.

With the support of board members and staff, VSA MA began exploratory partnership conversations with two different human services agencies. VSA MA had good relationships with each, including a history of informal collaboration and personal connections at the executive or board levels. While both were encouraging about collaboration prospects, it became clear that one organization, Seven Hills Foundation, was interested enough in VSA MA's arts inclusion expertise to undertake the difficult work of merging.

Seven Hills Foundation is a large human services organization reporting $170M in expenses in 2014. The agency provides both children and adults with significant challenges a range of disability, behavioral health, education, community-based, and residential services. When merger discussions began with VSA MA, Seven Hills had recently prioritized integrating arts and cultural programming into its offerings to clients, and had just built a new facility that included art studios. Seven Hills saw partnering with VSA MA as an opportunity to enhance its creative program offerings.

Taking Action

Seven Hills Foundation had acquired other nonprofit organizations in the past, and had clear policies and capacity to allocate toward integrating VSA MA. However, VSA MA lacked comparable resources and experience. To participate in the merger process as a more equal partner, VSA MA secured a technical assistance grant from the Catalyst Fund. The grant paid for VSA MA to engage the services of a nonprofit merger expert to shepherd merger activities.

"Having a consultant to facilitate conversations, help us ask the right questions, and advocate for our priorities was absolutely crucial to our success," reflected Washburn.

The partners worked together to create a shared vision of what integrated arts and human services could look like, identifying promising opportunities to serve Seven Hills clients with VSA MA programs. Senior staff of both organizations and VSA MA board members engaged in these discussions about hopes and concerns before tackling the details of a Memorandum of Understanding (MOU) that would define the terms and expectations of a merger.

Among the crucial topics to be determined in the MOU were the combined branding of the merged entity, the governance structure, control of a VSA MA board-designated reserve, and the retention of VSA MA staff. The partners reached agreement on these critical terms and announced their merger effective November 1, 2014 when VSA MA formally became an affiliate of the Seven Hills Foundation.

Lessons Learned

- Set clear strategic motivations: In pursuing a merger, both VSA MA and Seven Hills were clear about their reasons for partnering: VSA MA felt a mission obligation to better serve adult populations, and Seven Hills sought to offer more services to their clients in the form of increased arts and culture programming. Though VSA MA was also interested in the opportunity for realizing potential benefits of scale that a merger could offer, this was not the primary motivator, nor would it be adequate for driving such significant change in the organization. Both organizations knew why they were at the table and knew their alternatives to a merger, helping them have candid conversations about their interests and goals.

- Engage as equal partners, despite size difference: VSA MA's budget represents less than one percent of that of Seven Hills. With such imbalanced resources, it could be difficult for the smaller partner to advocate for its interests. Despite this clear size difference, Seven Hills engaged VSA MA as an equal partner in the merger process, helping to set a productive tone for positive negotiations. VSA MA sought additional technical assistance capacity to help navigate this new territory, and found the additional resources invaluable to reaching the desired merger outcome.

- Acknowledge that it's personal: Mr. Washburn served in the executive role at VSA MA for sixteen years and has a deep personal connection to the organization and its mission. He remarked, "As the executive director, I had to work hard to separate myself and my interests from those of the organization and its mission." Mr. Washburn relied on the input of his tight-knit staff and the VSA MA board of directors to continuously evaluate the "right" path forward for the VSA MA mission.

Early Results

Just over a year into the merger, VSA MA and Seven Hills have experienced several benefits from the formal affiliation:

- Development capacity: VSA MA arts program staff have been able to transition grantwriting duties to the professional fundraising staff of Seven Hills Foundation. Redirecting grantwriting responsibilities has allowed program staff to focus on service delivery, developing new initiatives like a training program for teaching artists, and more comprehensive data collection on program results and outcomes.

- Program integration: VSA MA and Seven Hills are in the midst of redefining what it means to integrate arts into the full range of services provided to the 28,000 people served across the Seven Hills enterprise. This led to a new joint venture with the Worcester Art Museum to open a studio and gallery to facilitate the involvement of people with disabilities in the museum and in creating art.

- A model for other VSA partnerships: There are thirty-six domestic affiliate organizations in the Kennedy Center's VSA network. VSA Massachusetts shared its merger insights, its model for partnering, and the MOU created with Seven Hills as a template for potential partnerships for other VSA organizations. As a result, the VSA affiliate in North Dakota used the success of the Massachusetts merger to inspire its own partnership.

Advice to others:

"The effort we made in both organizations to visualize how this merger could benefit the people we serve was essential to making a sound decision and informing the actual work of the merger. We had to get beyond the decision itself, to see past the costs, benefits and logistics of the merger to understand that we were actually embarking on a new venture, one with a rich history and a bright future." Charlie Washburn, Executive Director.

CONNECT Joint Venture

In Brief

Six different organizations partner to address financial opportunity and resilience in Chelsea, Massachusetts.

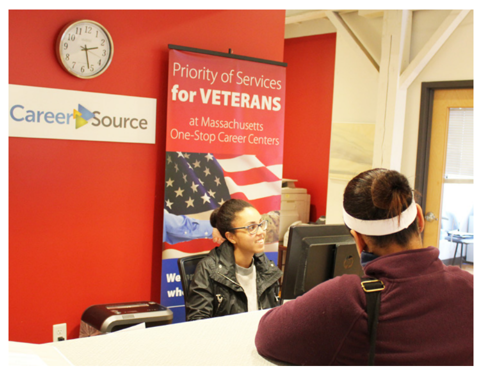
Getting Started

The Neighborhood Developers (TND), a community development nonprofit, had a challenge: Chelsea residents were not coming to its financial education trainings. TND wanted to know: Why not? As an experiment, TND leaders began taking their financial education trainings into the community, often leading meetings at churches, and sometimes bringing pizza. So began a journey to help residents build financial opportunity and resilience in a community where nearly 25% of the population lived below the federal poverty level in 2013.

Research indicated that "bundling" 3 sets of supportive services—income stabilization, education and workforce development, and financial education—gave people a better chance of making real advances in achieving living wages and working toward financial goals. TND sought to implement such an evidence-based approach. They could offer financial education trainings, but could not afford to provide all the supportive services needed to make a difference. So they contacted other nonprofits serving Chelsea to see how they could work together toward a common goal. TND engaged Centro Latino, CareerSource, Metropolitan Boston Housing Partnership (MBHP), Metro Credit Union, and Bunker Hill Community College to create a shared vision for integrated services.

Taking Action

Ann Houston, Executive Director of TND, reflected, "Each partner—ourselves included—came to the table because they had a particular need or priority that could best be met by working together. Believing in the mission was important, but it was not enough."



The partners, along with an advisory group, worked together over many months to create an evidence-based service model based on two key attributes:

1. Community members' financial goals are more likely to be met when employment services are bundled with income and housing supports, skill development, and financial education.

2. Clients are more likely to access a bundle of services when those services are co-located in a shared office.

A key feature of the new model was one-on-one coaching relationships with clients ready for transformational change and support groups to share struggles and successes. The program builds a community around individual clients to buttress their involvement in the program and support their ability to meet financial goals. Establishing the program model was crucial, and figuring out how to work together and what would be required of each partner was another key issue. The partners secured several seed grants for their shared effort, including planning and implementation grants from the Catalyst Fund which addressed partnership governance, fundraising strategy, and creating a Salesforce-based data platform to coordinate and integrate service delivery across the six partners. After six months of planning, the partners signed a Memorandum of Understanding delineating their commitments and responsibilities. At this juncture there was no funding beyond planning grants. While the partners believed they could attract more support together than individually, when the CONNECT partnership formally launched in 2011, there was no evidence that this was true.

Six months after launching the CONNECT partnership, the partners won a Workforce Innovation grant from the Federal Department of Labor (DOL) that would prove transformative. The grant award of $3 million over three years provided core financial support for necessary coaching staff and infrastructure, and supported workforce staff, ESOL classes, and an Allied Health training program at Bunker Hill Community College. It also brought considerable attention to the partnership, including a visit from Federal Reserve Chair Janet Yellen, and allowed CONNECT to conduct a rigorous evaluation while rapidly growing, serving 4,000 clients annually. Houston noted, "We worried that the end of the DOL grant would spell the end of CONNECT, yet in 2015—our first year after the DOL grant—every partner was able to secure support for their CONNECT responsibilities."

Today, CONNECT continues to deliver crucial services to help move clients out of poverty. The commitment and sense of ownership among the partners is at its strongest ever. The partners completed a deep program review that resulted in a refined mission statement with a greater focus on the goals of living wages and financial capabilities, and an overhaul of key systems and processes to achieve deeper bundling, stronger evaluation power, and targeted operational efficiencies. The partners are continuously refining and growing the model, including new ventures into career pathways and improved Adult Basic Education and ESOL.

Lessons Learned

- It often takes longer than partners originally expect: The route from pizza-fueled offsite financial education programs to the transformative partnership supported by a significant DOL grant was a long 5 years. Allocating time, creating buy-in among partners, and creating and implementing a plan across several organizations required patience. Days, months, and now years into the collaboration, the partners continue to adjust and refine the CONNECT model and their partnership.

- Collaborations require risk tolerance: Collaborators must have the risk tolerance to pursue new goals. Handling risk includes the financial capacity to subsidize the potential costs of collaboration, such as: redirected staff time, new personnel, technology investments, consultant expertise, and new or changed space.

- Culture counts: Each partner organization brought their own unique culture and funder requirements to the partnership. Creating a shared culture touches on mundane workday expectations (such as lunch breaks in a lunchroom versus a quick bite at the desk) every bit as much as shared metrics for successful work. Data demonstrating impressive results built bridges, but relationships were strengthened with spontaneous kitchen conversations and celebrations (fueled by secretly appointed "bridgers" who fostered cross-partner friendships).

- Data matters: Creating meaningful data was a significant challenge, yet offered invaluable lessons on what worked. The power of bundling, which is evident in the data, was a strong motivator for core service staff.

Early Results

The CONNECT partnership has demonstrated successful outcomes for many clients. An evaluation conducted by Mt. Auburn Associates concluded that the bundling of services from the various partners led to increased attainment of client financial goals. The evaluation report also indicated that clients felt the colocation of services was an important factor in their success. Select results include:

- A nearly 11% increase in average CONNECT client incomes
- A 13% increase in clients receiving bundled services between 2012 and 2015
- More bundled services leads to greater outcome achievement:
  - 64% of clients who receive three or more services achieved a key outcome (improved income, assets, or credit scores)
  - 48% of clients who receive two services achieved a key outcome
  - 26% of clients who receive a single service achieved a key outcome

Advice to Others

"The CONNECT experience shows that when there is a clear value proposition not just to clients, but also to the organizations involved, partnerships can be both worth the effort and can withstand ups and downs." Ann Houston, Executive Director.

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