Restructuring the Nonprofit Human Services Sector:
Findings from an Innovative Pilot

Rob Fischer, Diwakar Vadapalli, & Claudia Coulton

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Center on Urban Poverty & Community Development
Mandel School of Applied Social Sciences
Case Western Reserve University

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EXECUTIVE SUMMARY

Nonprofit agencies face increasing competition for scarce funding resources. Many agencies are considering ways to restructure themselves, often via mergers and acquisitions, as a way to become more effective and competitive. This study examines a pilot initiative in Cleveland, OH, in which funders supported nonprofits in the pursuit of significant restructuring efforts. Health and human service nonprofits were recruited into a three-phase facilitated pilot that assisted the agency executive directors and boards in determining what type of restructuring was feasible and desirable. The study highlights key learnings from the initiative.

Across the nonprofit sector, agencies are faced with increased competition for finite resources, along with increased scrutiny from funders and other stakeholders regarding their efficiency and effectiveness. One avenue that has been pursued to deal with this changing environment is the examination of a range of restructuring options, from collaboration to corporate merger. In these restructuring efforts agencies are able to better deliver on their core mission and often enhance the sustainability of the restructured entity. Though collaboration and consolidation have long been seen as an effective method for enhancing nonprofit performance, too often their use has been confined to times of financial turbulence and organizational difficulty. A focus of this pilot was on helping nonprofits explore restructuring from a position of strength, rather than when financial pressures require it.

As part of an innovative pilot, a group of 18 philanthropic funders in Cleveland, OH, initiated a program to enable health and human services nonprofits to systematically examine options in regard to restructuring. The Human Service Strategic Restructuring Pilot was launched in late 2009 with an educational workshop for representatives from 76 nonprofits. Agencies that expressed the desire to further explore restructuring were invited to engage in a readiness assessment. In this phase 17 agencies participated in an extensive self-examination and a thorough readiness assessment. Agencies completing the

readiness assessment were invited to be considered for a third phase in which the agency engaged with a partner agency around a specific restructuring opportunity. The agencies convened a Joint Negotiating Team (JNT) that was empowered by each agency's board to fully flesh out the plan and represent the agency's interests. In total, four pairs of agencies completed the final phase that led to significant restructuring outcomes.

The study of the restructuring pilot collected participant feedback via web-based surveys after each of the phases. In addition, in-person group interviews were conducted with the four Joint Negotiating Teams at the conclusion of the pilot. A follow-up survey of agency representatives from nonprofits that only participated in the orientation workshop was also conducted. The evaluation provided specific guidance to the funders about how to promote successful restructuring to nonprofits. The data show that the nonprofit representatives found substantial value in the restructuring pilot, regardless of whether their agency pursued restructuring. From those agencies that completed all three phases, several high level themes emerged – (1) Timing is of the utmost importance - joint negotiating teams emphasized the critical nature of time in the restructuring discussion process; (2) Leadership is pivotal - the team members highlighted the key role of executive directors and board leadership in bringing about progress in the pursuit of restructuring, particularly maintaining a mission focus; and (3) Facilitation is key - the role of the consultants was seen as pivotal in bringing about success.

Several findings relate to recommendations to the philanthropic funding community and their engagement in restructuring efforts: (1) Raise awareness of restructuring in the sector, particularly the notion of merger as not about nonprofit weaknesses, but about serving more clients better; (2) Promote restructuring in specific clusters/sector domains and be activists in compelling nonprofits to explore mergers; (3) Establish a flexible restructuring mechanism for nonprofits to access support for restructuring; and (4) Support the work related to implementing the new administrative structures that emerge from the restructuring plans.

Overview of the Pilot

In the fall of 2009, a group of 18 philanthropic funders in Cleveland, Ohio, launched a year-long pilot designed to engage health and human service nonprofits in a process focused on significant inter-organizational restructuring. The funders saw the context of economic crisis as a threat to the "collective ability to provide more and better human services despite rapidly diminishing resources," as well as an "unprecedented opportunity for the nonprofit community and its leaders to demonstrate extraordinary vision and ingenuity." These funders pooled their financial and human resources to develop a pilot project focused singularly on a group of nonprofit human services organizations in Cuyahoga County, Ohio.

The importance of the Human Service Strategic Restructuring Pilot was described in the invitation letter sent to organizations –

We share a common mission – ensuring that our community's most vulnerable citizens continue to have access to the highest quality human services in a new reality of reduced, fragile resources. Our goal is to encourage, foster and support significant strategic restructuring efforts such as mergers, large-scale program integration and/or sharing of back office functions that achieve significant reductions or eliminations of duplication of services; increased sustainability of critical community services via programmatic and/or operational realignments; and integration of services that have the potential to increase effectiveness and produce substantial cost savings.

Members of the Funders Collaborative
The Abington Foundation
Charter One Foundation
The Cleveland Foundation
Deaconess Community Foundation
Dominion Foundation
Eva L. and Joseph M. Bruening Foundation
The Frank Hadley Ginn and Cornelia Root Ginn Charitable Trust
Fred A. Lennon Charitable Trust
The George Gund Foundation
John P. Murphy Foundation
Kulas Foundation
The Reinberger Foundation
The Reuter Foundation
Saint Luke's Foundation
The Thomas H. White Foundation
United Way of Greater Cleveland
Weathertop Foundation
The William J. and Dorothy K. O'Neill Foundation

Though invitations were sent to more than 100 identified health and human service nonprofits, the funders made clear that attendance at the educational workshop was completely voluntary. Further, they required that each organization, if attending, be represented by its CEO and Board Chair at the introductory workshop.

The pilot was framed as a three-phase enterprise, with nonprofits voluntarily proceeding to Phases 2 and 3. The three phases of the programming were framed to progressively help organizations advance on a specific restructuring opportunity (See Figure 1). Phase 1 involved the CEO and Board Chair from an organization attending a four-hour orientation workshop to the pilot.

The content of the workshop included an overview of the benefits of strategic restructuring, presentations on local examples of strategic restructuring, description of the various models of strategic restructuring, and discussion of how organizations should think about their readiness to partner with another entity. Following Phase 1, the attendees were asked to formally express their interest in proceeding to Phase 2 within approximately six weeks. Phase 2 of the pilot was composed of each agency working with an individual consultant to complete an organizational readiness assessment report. The process involved organizations assembling a variety of organizational financial and performance information, as well as identifying areas of opportunity for the organization. For the purposes of the readiness assessment, each organization had to have one or more potential partners they were working with. The readiness assessment was framed around the nature of emerging partnerships being explored. Following this phase, organizations again were asked to formally commit to pursuing the third phase of the pilot if desired. Phase 3 of the pilot involved organizations creating a joint negotiating team that was empowered by the agency boards to pursue a restructuring opportunity and make recommendations back to the boards.
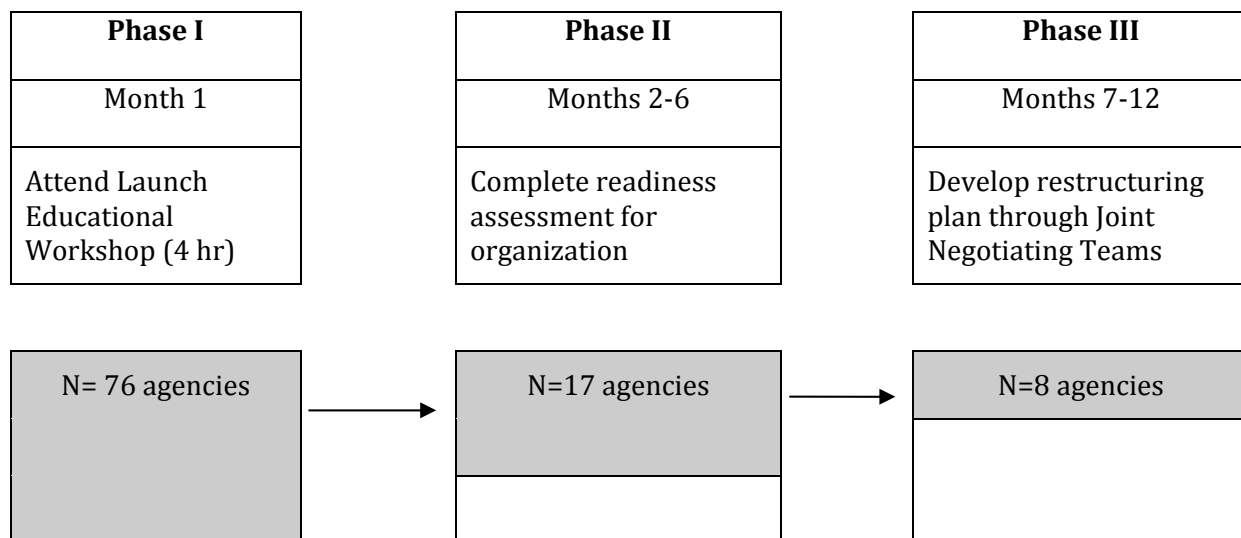
Phase I	**Phase II**	**Phase III**
Month 1	Months 2-6	Months 7-12
Attend Launch Educational Workshop (4 hr)	Complete readiness assessment for organization	Develop restructuring plan through Joint Negotiating Teams

N= 76 agencies	N=17 agencies	N=8 agencies

FIGURE 1: Restructuring Pilot Phases

The funders involved a diverse team of stakeholders in the development and delivery of the pilot. The Ohio Grantmakers Forum was brought in to handle logistics and serve as the fiscal agent for the pilot, but due to staffing constraints was unable to serve in this capacity beyond Phase 1. A group of nonprofit leaders were involved in the development of the request for proposal for consultants, and

ultimately in the selection of the consultants. The funders were impressed with the elements of three different proposals, and asked that the three consultant groups to collaborate in delivering the pilot. The consultant team developed the orientation workshop and served as the facilitators for Phases 2 and 3. The three consultants were Jo DeBolt (La Piana Consulting), David Kantor (Kantor Consulting Group) and Amy Main Morgenstern (Main Stream Enterprises). Noting the importance of communications as part of the process, the funders also retained a communications firm (Landau Public Relations) to support the agencies in communications related to their participation in the pilot. Finally, a web site was established for the pilot that provided organizations access to a wide range of resource materials. This site ultimately was transitioned to the management of The Foundation Center in order to sustain the resource beyond the pilot. In total, the funders committed $400,000 to the pilot project and this dictated the scope of the pilot across the three phases, especially in regard to the numbers of organizations that could be accommodated in Phases 2 and 3.

The evaluation of the pilot adopted an observational design based exclusively on data provided by the participants and other stakeholders and the products of the program phases (i.e., assessments, plans). A simple program logic model was developed and used to distill the core aspects of the approach. See Figure 2. Participant feedback was collected via web-based and written surveys, in-person group interviews, and review of summaries of the assessments and plans developed as part of the initiative. Study instruments (i.e., survey forms, structured interview outlines) were developed in consultation with the Funders Collaborative and consultants and the study was approved by the Case Western Reserve University Institutional Review Board as exempt research in 2009 (Protocol# 20091220). The core process and outcome questions addressed by the evaluation included -

1. **How was the pilot experience from the perspective of participants?** , Did attendees benefit from the training they received? Did the workshop experience flow smoothly? Did applicants receive adequate support from the consultants?
2. **Did the participants show progress on the intended initial outcomes?** , Did attendees increase in their understanding of strategic alliance approaches and their benefits and risks? Did the readiness assessment experience inform the perspective of the agency leadership in regard to agency direction? Did the process lead the organization to identify/clarify new opportunities for the agency?

3. **Did the pilot lead to significant restructuring outcomes?** , What are the characteristics of the restructuring plans in terms of strategic direction and operational aspects? Did the plan development process expand the capacity of the organization to undertake a strategic restructuring?

Web-based surveys were conducted with participants following the Phase 1 workshop and the Phase 2 readiness assessment. In addition, a nine-month follow-up survey was conducted with attendees whose agency did not continue to Phase 2. Following Phase 3 focus groups were held with each of the joint negotiating teams and a written survey was also administered.
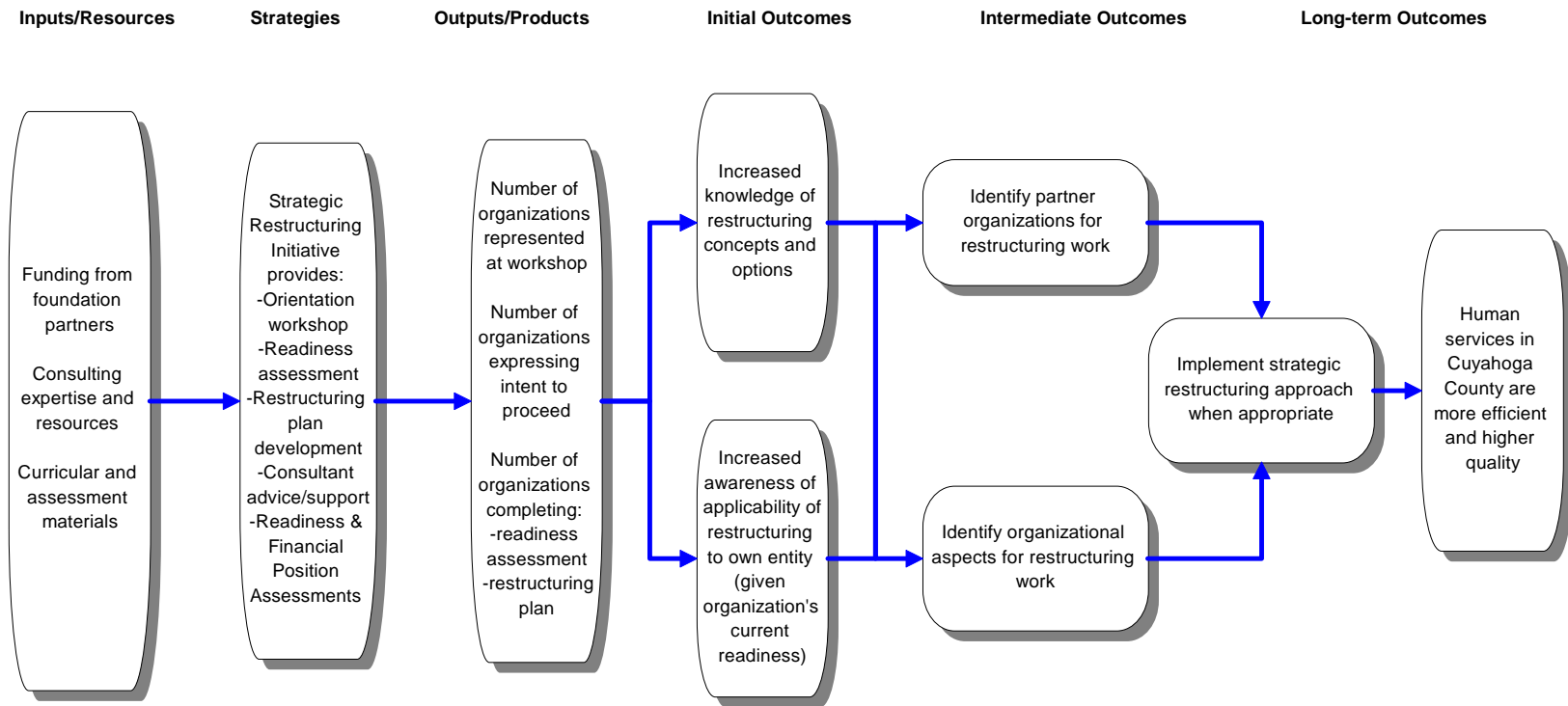
Inputs/Resources   **Strategies**   **Outputs/Products**   **Initial Outcomes**   **Intermediate Outcomes**   **Long-term Outcomes**

Funding from foundation partners

Consulting expertise and resources

Curricular and assessment materials

Strategic Restructuring Initiative provides:
-Orientation workshop
-Readiness assessment
-Restructuring plan development
-Consultant advice/support
-Readiness & Financial Position Assessments

Number of organizations represented at workshop

Number of organizations expressing intent to proceed

Number of organizations completing:
-readiness assessment
-restructuring plan

Increased knowledge of restructuring concepts and options

Increased awareness of applicability of restructuring to own entity (given organization's current readiness)

Identify partner organizations for restructuring work

Identify organizational aspects for restructuring work

Implement strategic restructuring approach when appropriate

Human services in Cuyahoga County are more efficient and higher quality

Figure 2: Logic Model for Strategic Restructuring Initiative

Review of Relevant Research

The study of organizational restructuring within the nonprofit sector has undergone a dramatic growth since the 1990s. Though the broader literature on consolidation, merger, and integration is dominated by for-profit examples, there has been emergence of research and studies specific to the nonprofit sector. The concept of strategic restructuring has come to be inclusive of a set of approaches used by nonprofits to increase organizational effectiveness and sustainability. They include mergers, alliances, joint ventures, and other forms of strategic partnerships (The Forbes Fund, 2003).

Attention to the particular dimensions of nonprofit consolidations has been guided by research specifically built on the examination of real-world nonprofit case examples (e.g., Gillock, Smith, & Pilan, 1986; Golensky & DeRuiter, 2002; Kohm, La Piana, & Gowdy, 2000; Pietroburgo & Wernet, 2004; Singer & Yankey, 1991; Snavely & Tracy, 2000; Toepler, Seitchek, & Cameron, 2004). As more nonprofits undertook restructuring efforts and the experience base widened, research was synthesized and more detailed guidance became available for nonprofits exploring the concept (Bailey & Koney, 2000; Davis, 2002; La Piana, 1998; Pietroburgo & Wernet, 2008; Yankey, Jacobus, & Koney, 2001). Currently, estimates suggest that more than one in five nonprofits is actively examining opportunities to merge (Foster, Perreault, & Sable, 2009).

On the broader topic of nonprofit collaboration there has been focused work on the correlates of organizations undertaking collaboration (Guo & Acar, 2005) and specifically the benefits of collaboration as perceived by nonprofit managers (Sowa, 2009). Other research has focused specifically on the motivations for nonprofits to pursue merger and the process of undertaking restructuring for organizational change (Campbell, 2008; Ferris & Graddy, 2007). In the current environment, there is a key emphasis on the use of restructuring as a mechanism to strengthen and better fulfill organizational mission in the nonprofit sector (Cortez, Foster, & Milway, 2009; La Piana, 2010; Reed & Dowd, 2009). As funders have begun to take a greater role in the promotion of strategic restructuring there has also been attention given to the challenges and prospects of this approach (Eschenfelder, 2011).

Phase I - Launch Workshop

The initial phase of the pilot was launched in early December 2009 with two iterations of the educational workshop. In total, 151 CEOs and Board Chairs from 75 nonprofit health and human service organizations attended the workshop. A web-based anonymous survey was administered approximately three weeks following the workshop. In total, 57 individuals provided a usable response (37.8% response rate). By participant type, response rates were much higher among CEO attendees (56.0%) compared to Board Chairs (20.0%).

The characteristics of the respondents showed a fairly diverse set of nonprofit leaders. On average, respondents had been in their current role for 6.7 years (median = 3.0 years) but had been engaged in the nonprofit sector activities for an average of 20.7 years (median =20.0). The majority of respondents were age 50-64 (58%) with nearly one third age 35-49 (30%). In regard to professional training the largest categories were social work/human services (30%), business, management, & marketing (19%), finance & development (16%), nonprofit management (9%), health & mental health (9%), as well as law, education, and other fields. The organizations represented by the respondents varied in budget size – one-third had a budget under $1 million, one-third had a budget between $1 and $3 million and one-third had a budget over $3 million. In respect to the organization's time since incorporation, one-third had been operating for 10-29 years while over one-quarter had been operating for 30-49 years. Nearly 30% had been operating for 50 or more years and only 7% had been operating for less than 10 years. Based on a pre-workshop survey 26% of the organizations were themselves the product of a prior restructuring, and only 5% were not partnering with other organizations in some way (Kantor Consulting Group, 2009).

The most prevalent motivations to participate in the Phase 1 workshop related to maximizing financial resources, being responsive to the funders' interest, and achieving administrative efficiencies. See Figure 3.
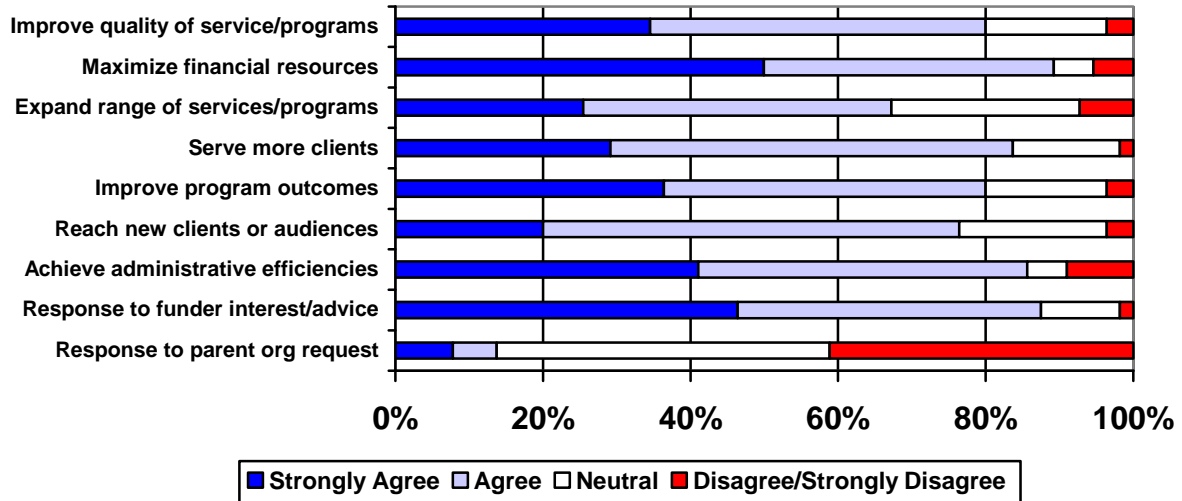
FIGURE 3: Motivations to Attend Phase 1 Workshop

Other motivations revolved around reaching new and more clients, improving program outcomes and quality, and expanding the range of services provided. When asked the extent to which strategic restructuring was on their organization's radar screen prior to receiving the invitation to participate in the workshop, nearly 40% responded 'very high.' See Figure 4. An additional 40% reported that it was a high or moderate consideration. Approximately 17% said restructuring was a low level concern and 5% reported it was 'not at all' on their radar screen.

FIGURE 4: Extent to which Restructuring a Consideration Pre-Workshop

Respondents had varying levels of knowledge about specific restructuring options prior to the workshop. A majority of respondents reported being knowledgeable about joint programming (73%), administrative consolidation (61%), and corporate merger (61%) prior to the workshop. Less than one-half of respondents reported being

knowledgeable of options such as joint venture corporation (49%), management service organization (42%), and parent subsidiary structure (39%). This was heavily correlated with whether the respondent's organization had experience in the last ten years with any restructuring efforts. Respondents reporting that they were actively pursuing or had completed the options ranged from three-quarters to less than one-fifth: joint programming (75%), administrative consolidation (40%), corporate merger (32%), management service organization (23%), parent subsidiary structure (21%), and joint venture corporation (17%).

Overall, two-thirds of respondents reported that their organization was actively pursuing a new strategic restructuring effort when they attended the Phase 1 workshop.

Respondents reported substantial knowledge gains resulting from attending the workshop. See Figure 5. Approximately three-quarters of respondents reported at least a moderate amount of increase in knowledge about strategic restructuring overall, while nearly one-half reported substantive gains in knowledge about the specific restructuring options described.
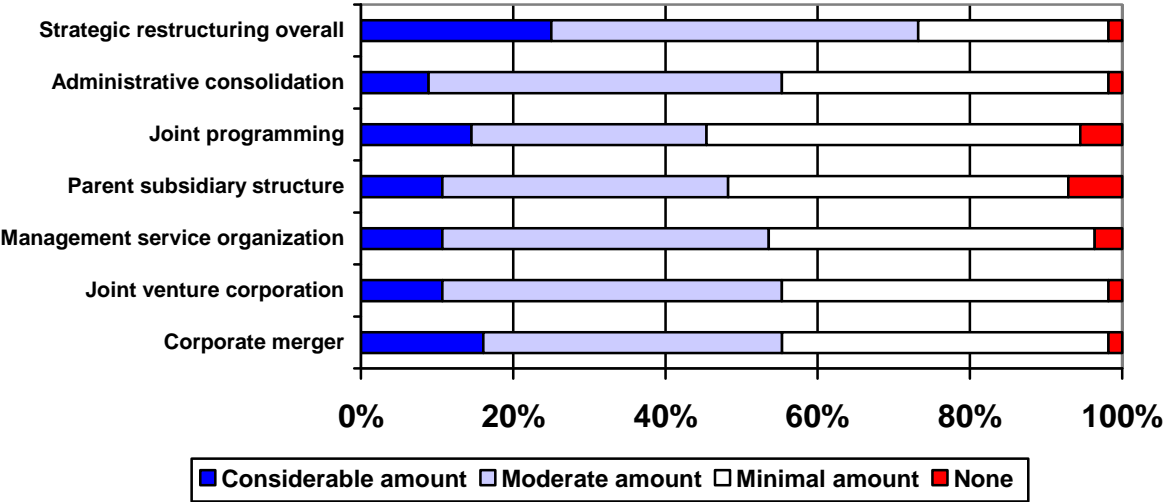

FIGURE 5: Knowledge Gained about Restructuring Options

Respondents also reported gains in knowledge in regard to several key dimensions. Over 80% reported a better understanding of the range of strategic alliance options and 74% reported a better understanding of the issues leadership needs to consider. See Figure

6. To a lesser extent, respondents reported that they learned about the value of strategic restructuring in achieving the organization's mission and goals (57%), though many felt they had this knowledge coming into the workshop. Approximately one-third reported that they could identify organizations that may be potential partners (37%).
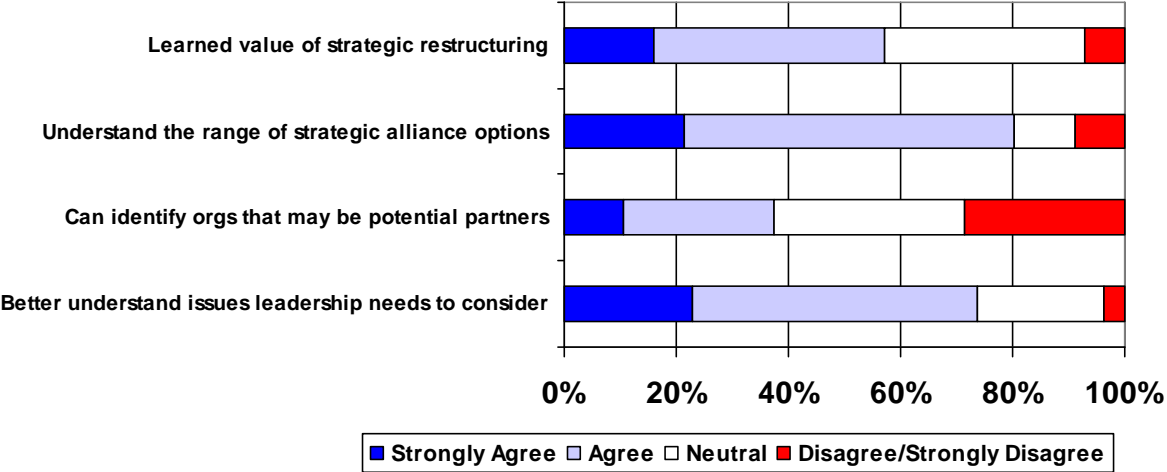

FIGURE 6: Types of Knowledge Gained at Workshop

When asked about the most important things learned in the workshop, respondents most frequently identified the range of restructuring options available, an awareness that funders see this as a priority, and the dialogue created between CEO and Board Chair. As to the biggest challenges facing their organization, respondents most frequently cited finding a partner organization, finding the time and resources to pursue restructuring

Respondents reported solid awareness of the potential benefits of strategic restructuring, with four-fifths citing most items. See Figure 7. The notion of creating a seamless service delivery system was seen as a benefit by less than two-thirds of respondents.
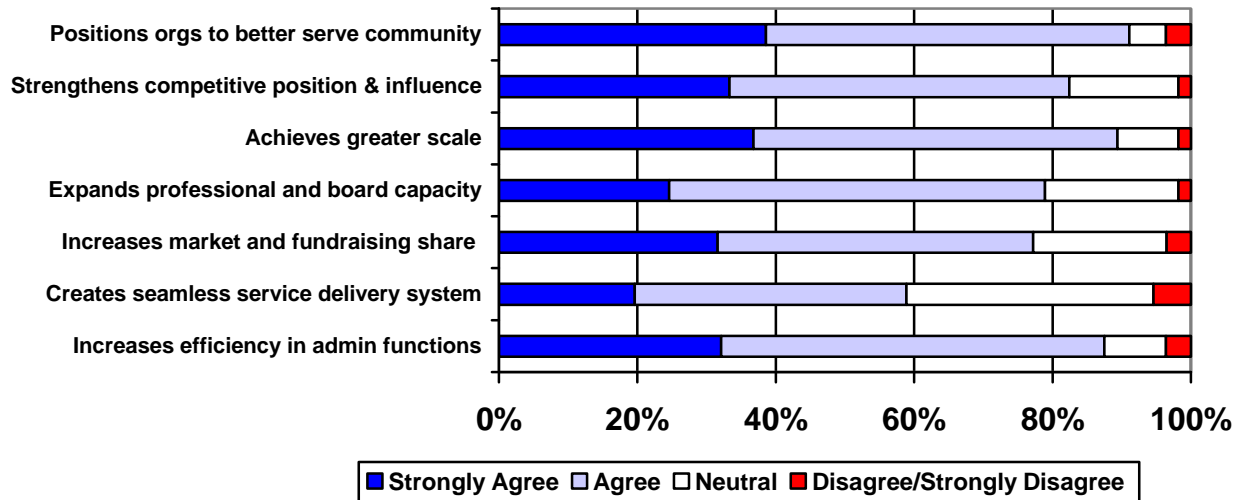
FIGURE 7: Benefits of Restructuring

Respondents reported strong agreement with a set of essential components to effective strategic restructuring. These included trust and open, honest communication (77%), readiness and buy-in from leadership (72%), commitment of agreement to writing (56%), compatibility of vision, mission, values, and culture (56%), creating partnerships with funders (52%), establishment of guidelines early in the process (52%), dealing with difficult issues early on in the process (51%), and a willingness to set aside loyalties (51%).

There was broad buy-in among respondents to the value of restructuring. Most respondents reported understand that expanding own services is not the only way to meet community needs (98%), see the value to the community of organizations pursuing restructuring (93%), and see the necessity for my organization to consider strategic restructuring (88%). A majority of respondents feel strategic restructuring will better meet community needs (68%). Over one-half of respondents agree their organization has identified potential partners (61%), and reported that the organization is likely to pursue restructuring within the pilot (57%), while less than one-quarter say the organization is likely to pursue restructuring in next 12 months outside the pilot.

In regard to attendee ratings of the workshop experience, the respondents provided very favorable rating of the presenters' level of knowledge about strategic restructuring. See Figure 8. On most of the dimensions relating to the content of the workshop,

approximately 60% of respondents provided favorable ratings. The small group exercises and the opportunities to learn from colleagues were two areas in which just over one-third of respondents provided favorable feedback.
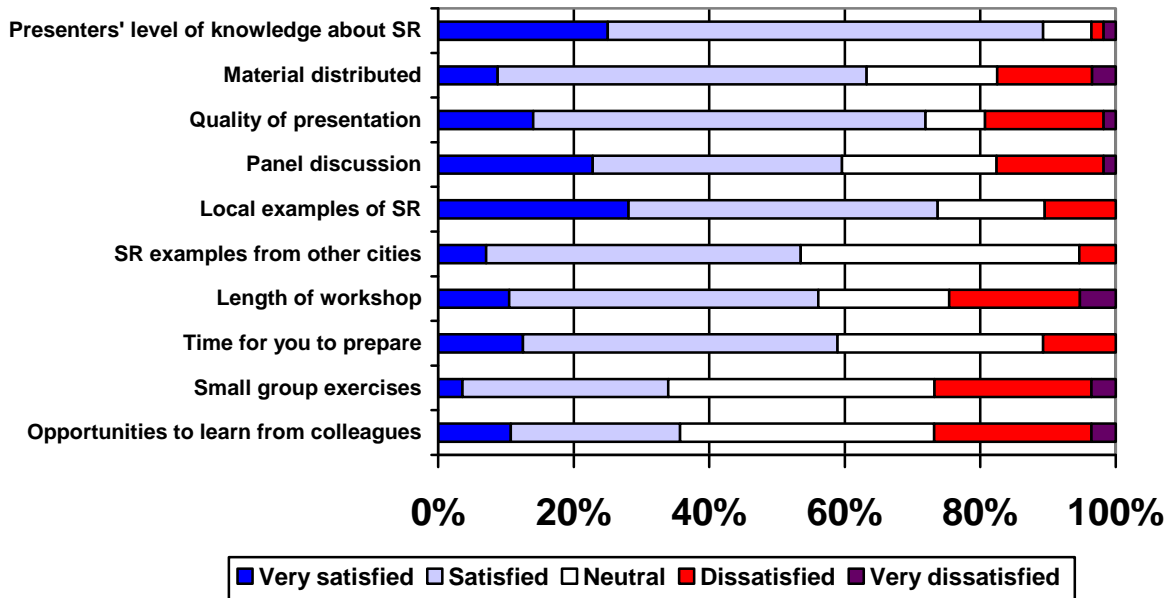

FIGURE 8: Attendee Ratings of Workshop Content

Specific comment on substantive aspects of the workshop included the following:

The presentation didn't add much to the materials that were distributed beforehand; there was too much time being "talked at". Would have liked much more interactive methodology. As a first session, would've liked to have spent more time exploring under what conditions strategic restructuring makes sense before doing a deep dive into the specific operational issues to be addressed under specific conditions which may or may not relate to the bulk of the participating organizations' situation.

Very well done...timely...important for our region...must be careful not to damage healthy organizations through merger with struggling ones...fine line between fiscal and social responsibility.

In regard to the logistical aspects of the workshop, respondents identified a number of areas of concern. See Figure 9. Please indicate your level of satisfaction with the following logistical aspects of the workshop. The majority found the location and time of day of the workshop to be acceptable.
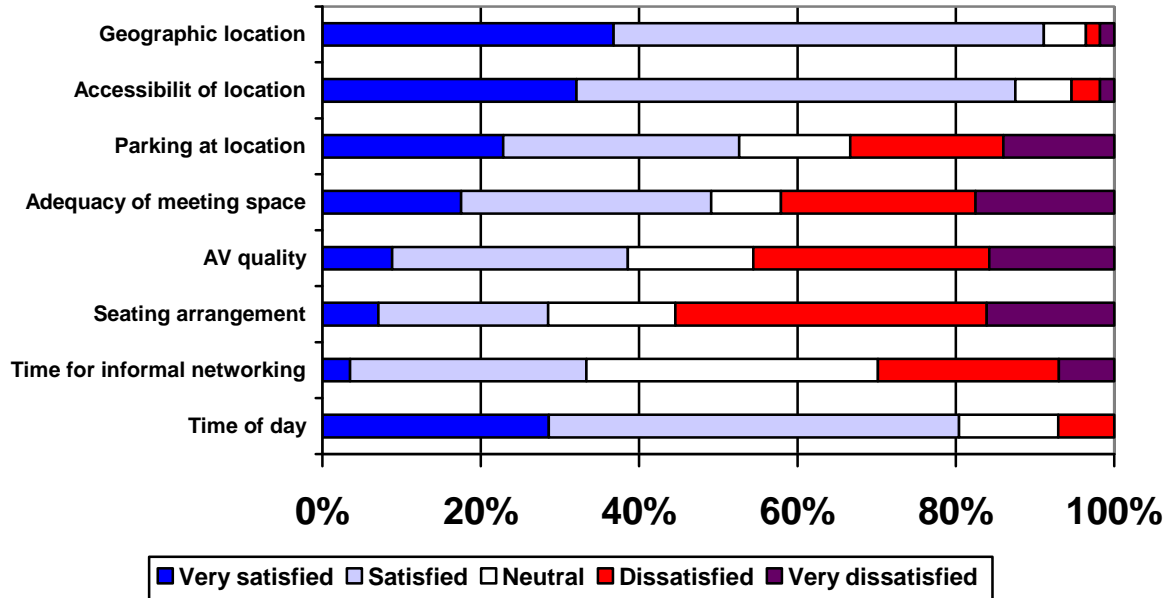
FIGURE 9: Attendee Ratings of Workshop Logistical Aspects

However, specific aspects of the workshop - seating arrangement, audio/visual quality, the adequacy of the meeting space, parking, and time for informal networking – all had substantial levels of dissatisfaction among the respondents. Many comments on the logistical aspects of the workshop were akin to the following: *It just wasn't good space for this. It made the whole thing feel a bit unprofessional.*

In regard to the overall workshop experience, 80% of respondents reported that collaboration/leadership of funders is very encouraging, 65% would suggest the workshop to other organizations, and 63% say service providers should be encouraged to attend. Nearly 60% reported that this type of workshop was long overdue in Cleveland. Only 14% of respondents reported that the workshop was not relevant to their organization, and 9% reported that if they had known the nature/purpose of the workshop, they would have not attended. The open-ended comments about the workshop experience included:

Comments about the transparency of the pilot –

>   *Taking us through the basic intent to participate would have been helpful*

>   *Again, it would be most helpful for the funders to be more "open" about their expectations.*

Despite doing the reading, I did not comprehend the goal of the workshop--to encourage thoughtful consolidation of the human service organizations for the betterment of our community.

If I had understood it better, and had the ability to do so, I would have suggested invitations go to board/staff leadership of two non-profits that had already approached us about this topic. I shared info with them after the workshop to try to get them up to speed.

I also felt that more transparency leading up to the workshop would have been helpful. Because it was introduced as a pilot, I was expecting a much smaller group. I thought that my organization had been specially selected for the meeting. And I thought that potential partners had already been selected for us. This is what I was expecting from the invitation. Obviously I was completely mistaken. But since that was my expectation, I think more clarification in the invitation would have helped me a lot.

In my opinion, a few funders have their own agenda and are pushing the merging of agencies too soon. I realize this is the beginning phase, but we need to know more details of "strategic restructuring" and expectations from the funding partners.

Comments on the funder role in the pilot -

I am delighted the funders have taken a leadership role in this area.   This will help reluctant agencies to explore options.   Many agencies did not want to be there per post conference discussion. It was good that they were in attendance.

Encouraging that funders are alert and resourceful with what they can bring to the table. Great beginning to a dialogue that is very important and timely to some, though not our agency at present.

To succeed, the funders collaborative will have to drive the process and the non-profit agencies hard, including imposing sanctions for those that are recalcitrant and rewards for those who successfully restructure through merger or joint venture structures that eliminate waste and duplication of staff and services.

Comments on the value and importance of the pilot –

The process is a good one and one that every non profit should be exposed to, even if exposure is just receiving the information about options.

Overall, I believe that there is a great need for agencies who are underperforming to either abandon their programs or consider consolidating with an agency that is performing well. There are limited resources and there is a need for building strategic alliances, collaborations and or mergers.

I believe the workshop is worthwhile and beneficial to participants. The current environment provides the impetus to more aggressively consider such actions...merger, JV, etc. I believe that our region has too many non-profit organizations (the intentions are noble but quality of service and viability is diluted). I further believe the nonprofit organizations, their funding sources and the constituents they serve would benefit from a well executed consolidation...the key to the success will be to acknowledge when a poorly run organization must dissolve or be subsumed versus a merger that may hurt the other more successful merger partner. It will be very important to not make the relatively successful organizations a "life raft" for underperformers.

The project is a good idea and I hope you continue with it for more than just a pilot, so those that can't participate at this time will have another change. I do think that the information provided could be presented in a better way (better logistics, smaller number of attendees, and more of a discussion rather than a presentation since we were given the reading materials in advance.)

Comments on the practical challenges of restructuring -

I'm not sure having organizations that feel like they are being forced to "reconstruct" join forces will result in the positive outcomes anticipated.

Not enough discussion on time required to do restructuring and how one can continue to meet the normal challenges in running a nonprofit at this time and also spend adequate time on restructuring. Also, trust takes time to develop-usually doesn't happen quickly and cannot be rushed.

Comments on feelings about the process
It was a good experience to find out there are models and ways to do this and that there is support to assist in the process. I feel less burdened and fearful about the process.

Our agency is pleased to have been invited to participate in this opportunity to collaborate and looks forward to developing an appropriate path to take together with others.

I'm eager to move forward with these ideas

Summary of Findings on Phase 1

Findings of survey of phase 1 participants include: (1) respondents expressed a sense of uncertainty about the purpose of the pilot project while also perceiving it as an opportunity to seize; (2) though some of the respondents were aware of strategic restructuring prior to the workshop, the majority reported substantial gains in knowledge about strategic restructuring and the various options within it; (3) substantive aspects of the workshop, especially the presenters' knowledge and the content of presentations, were generally rated high while the logistical aspects, especially the seating arrangement and audio-visuals, were rated low; (4) the majority of respondents reported that their organization would likely pursue restructuring within the pilot phase.

Opinions of the respondents on the purpose and timing of the strategic restructuring pilot project were mixed. While expressing uncertainty and anxiety about the purpose of this pilot project, they also saw it as an opportunity and long overdue initiative that is necessary for a healthy human services sector. While apprehensive about the motivations underlying such a pilot project, they also expressed their gratitude for the leadership of the Funders Collaborative in supporting and encouraging local organizations to pursue restructuring.

Overall, strategic restructuring as an option was not a new concept to the respondents. Many of them reported that their organizations were considering restructuring as an option and it was on their radar screen prior to the workshop. Approximately one-half of the respondents reported being knowledgeable about various restructuring options prior to attending the workshop. Nearly 75 % of the organizations experienced 'joint programming' prior to the workshop. Although 'interest in funding' and 'funder invitation' were the top reasons for respondents to attend the workshop, other frequent reasons included potential organizational and operational benefits, expanded clientele, and improved services and program outcomes indicating knowledge of potential benefits of restructuring.

The respondents' experience of the workshop was generally positive. A majority reported a gain in knowledge in nearly all aspects of strategic restructuring. Along with the range of options available to them within restructuring, respondents also reported that

they benefited from knowing the types of decisions to be made and issues to be considered by the leadership. The presenters' knowledge and the presentation content were rated very high. Respondents indicated that more coverage of the details of implementing the restructuring process and how to identify and reach out to potential partners would have been beneficial. The logistics of the workshop were of concern to many of the respondents with the seating arrangement earning the lowest rating. Some respondents indicated that these logistical arrangements detracted from their positive experience of some substantive aspects of the workshop.

In spite of identifying some challenges they face in proceeding with restructuring – finding a potential partner being the most frequent challenge mentioned – a majority of respondents reported that their organization would pursue strategic restructuring within the pilot or otherwise within the next 12 months. The major themes that emerged fell into several categories -

Motivation to Attend

- Though an interest in funding and the funder invitation were the top reasons for respondents to attend the workshop, the majority said organizational and operational benefits also drove their attendance
- One-half of attendees reported that restructuring was high/very high on their organization's radar prior to the workshop

Benefits of Workshop

- 73% of respondents reported substantial gains in knowledge of restructuring overall, and approximately one-half reported substantial knowledge gains in respect to the specific restructuring options
- Three-fourths of respondents reported that they now understand the range of restructuring options available and the issues that leadership needs to consider, half learned the value to achieving their mission and goals, but only one-third can identify organizations that may be potential partners
- Respondents see may benefits to strategic restructuring, chief among these being achieving greater scale, positioning their organization to better serve the community, and increasing efficiency in administrative functions

- Most frequently identified as the most important thing learned in the workshop was an understanding of the range of restructuring options available

- The topics most frequently identified as ones respondents would have desired more coverage on were greater details on implementing the restructuring process, and how to identify and reach out to potential partners

  Satisfaction with Workshop

- Respondents rated the workshop delivery highly in regard to the presenters' knowledge level, the local examples of strategic restructuring, and the quality of the presentation; the lowest rated aspects of the workshop were not having opportunities to learn from colleagues, the small group exercises, and the restructuring examples from other cities

- Respondents rated the workshop logistics highly in regard to time of day, geographic location and accessibility of location but poorly in regard to the seating arrangement, having time for informal networking, and the audio/visual quality

  Next Steps

- Respondents identified the biggest challenges in restructuring as finding an organization to partner with, and finding time to engage in work restructuring in addition to regular operations

- 57% of respondents reported that their organization would likely pursue restructuring within the pilot, and an additional 9% would pursue restructuring in the next 12 months outside the pilot; only 14% reported that the workshop was not relevant to their organization

Phase II – Readiness Assessment

Following the educational workshop component, 43 of the 75 nonprofits formally expressed an interest in proceeding to Phase 2. Due to the pilot nature of the project and resource limitations, a screening procedure was conducted by the Funders Collaborative and the consultants. This led to an invitation to proceed to Phase 2 extended to 17 organizations. These organizations were grouped into seven clusters of two or more organizations. It is noteworthy that four of the organizations had not attended the workshop but were identified as potential partners by participant organizations. The readiness assessment process was focused on the restructuring opportunity within the cluster of organizations. Two-person consultant teams were assigned to work with each cluster. The components of the readiness assessment included each agency completing a self assessment and a financial position assessment, provision of a set of financial, corporate, program, board, and staffing information for review by the consultant, completion of an in-person assessment interview with the Phase 2 work team, and review of the assessment report compiled by the consultants.

At the conclusion of Phase 2, a web-based survey was administered to the members of the organizations' work teams. The link to the survey was provided to the 17 CEOs and they were asked to disseminate the survey invitation to the members of their readiness assessment working group. Work teams ranged in size from three to 13, and among all members 55% were board members, 34% were agency staff (including CEOs), and 11% were other stakeholders (e.g., volunteers, consultants). In total, of 93 work team members, 54 responded to the survey (58% response rate). The respondents included board members (43%), CEOs (26%) and senior staff/management (22%), and other work team members (6%). Among these respondents, 91% reported that they had a high level of participation in discussions for the preparation of Phase 2 report. Nearly two-thirds (64%) reported they had a moderate or high level of participation in the session with the consultant to review and provide feedback on the draft Readiness Assessment report, and discuss the recommendation to proceed or not. Overall, 75% of the respondents reported that they were fully engaged in Phase 2 work. In regard to the types of learning that the respondents reported, several comments are representative -

I gained clearer understanding of the relative positions of the merging organizations and how this would affect the structure and operations of the new entity.

We learned more about our strengths and weaknesses than we would have been able to do on our own.

There is not one single 'process' to achieve restructuring and it requires a lot of time to sort out the best approach for the organizations involved. It requires flexibility from all parties.

Two-thirds of respondents reported that there was a full consensus among their board and staff about proceeding with strategic restructuring. Less than one-half (40%) reported that there was a full consensus among their board and staff about which restructuring model would best suit their organization. The options being considered by a majority of respondents were a merger or administrative consolidation. See Figure 10.
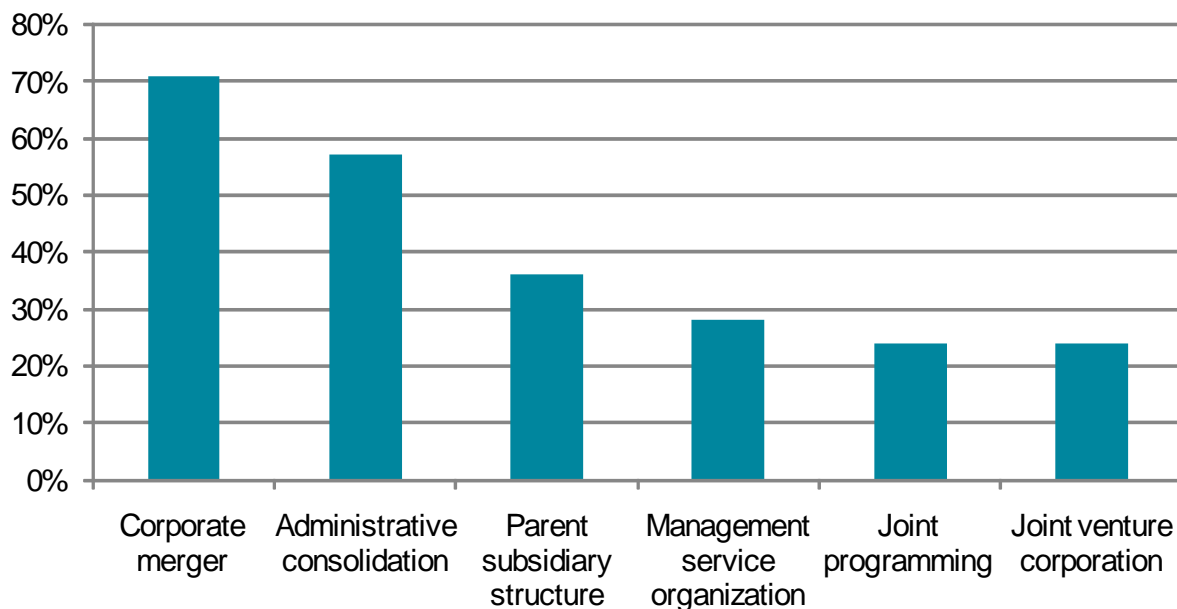

FIGURE 10: Restructuring Options Being Considered

As to the respondents' motivations and desires related to the readiness assessment process, they often focused on the core belief that the goals were inherently important. Two quotes illustrate this perspective -

I wanted us to explore steps that would lead to improved efficiencies because I do believe there are functions that could be shared among organizations like ours.

In this economy and competitive process, it makes sense to join forces and maximize resources the best we can to strengthen the agencies, expand our reach, and increase PR which helps with increasing funding.

Among respondents only one-third had attended the Phase 1 educational workshop, and only 63% of the respondents (including those who had attended the workshop) reported that they were briefed adequately about the intent of Phase 2. Relatedly, respondents raised concerns about the degree to which team members were fully "on the same page" as they entered Phase 2. Some specific comments identified areas of information that would have aided in the transition to Phase 2 -

It would have been helpful to know more about the organizations we were considering partnering with.

[We needed] an explanation [as to] why different consultants were assigned to the organizations.

The collaborative should have provided more educational information on the options of major restructuring. It would have been helpful to add a step of putting forth several options, and the criteria for each in determining which model is best.

Some concerns simply dealt with the process, such as what to expect from their partners, what the role of the players would be, and what the timing of the effort would be. Other concerns raised by respondents dealt with the uncertainty of the likely final outcomes of the process, such as whether their organization would shrink, and what their decision's impact on their organization's future would be.

Although mostly a collaborative effort between board and staff, organizations went about forming their Phase 2 work teams in a range of ways (e.g., by recruiting volunteers, appointments, and/or a team-decision making process). As to whom respondents saw as driving the Phase 2 work, most (55%) identified the board and staff together, while one-quarter saw as it mostly led by agency staff (27%). See Figure 11.
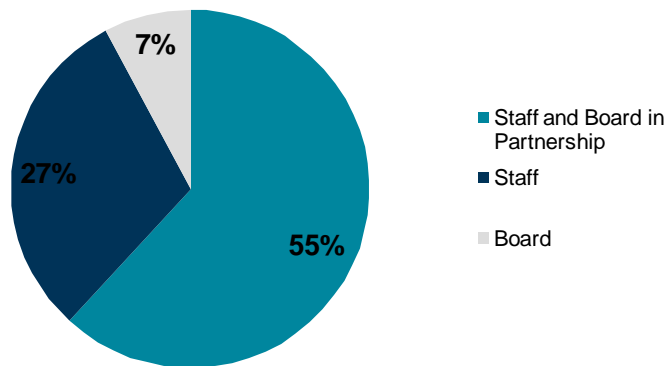
FIGURE 11: Driving Force in Readiness Assessment Process

Respondent comments regarding the process often emphasized the collaborative nature of the work:

> *This was an open and collaborative process with respective buy-in by all participants.*

> *I think it was a very productive session. It wasn't too time consuming, and there was a great deal of healthy discussion.*

In addition, a majority of respondents reported that the process allowed for a deeper understanding of their organization's strengths and weaknesses, and allowed them to be more strategic and objective about strategic restructuring. However, some respondents expressed concern about the transition to Phase 2 and whether the transition and the time expended in Phase 2 could have been shortened. For example -

> *The self assessment was lengthy requiring multiple meetings to complete which was hard to schedule with the staff and board members busy schedules. Since we already were at the table with our partner agency, we felt ready to engage in exploratory discussions and were concerned that the 5 month delay would cause us to lose momentum. We also were concerned that the time delay would make it more challenging to keep this confidential so we felt compelled to address this with the staff teams at both agencies.*

In regard to the implementation of the components of Phase 2, respondents expressed varying levels of satisfaction with specific elements. See Figure 12.
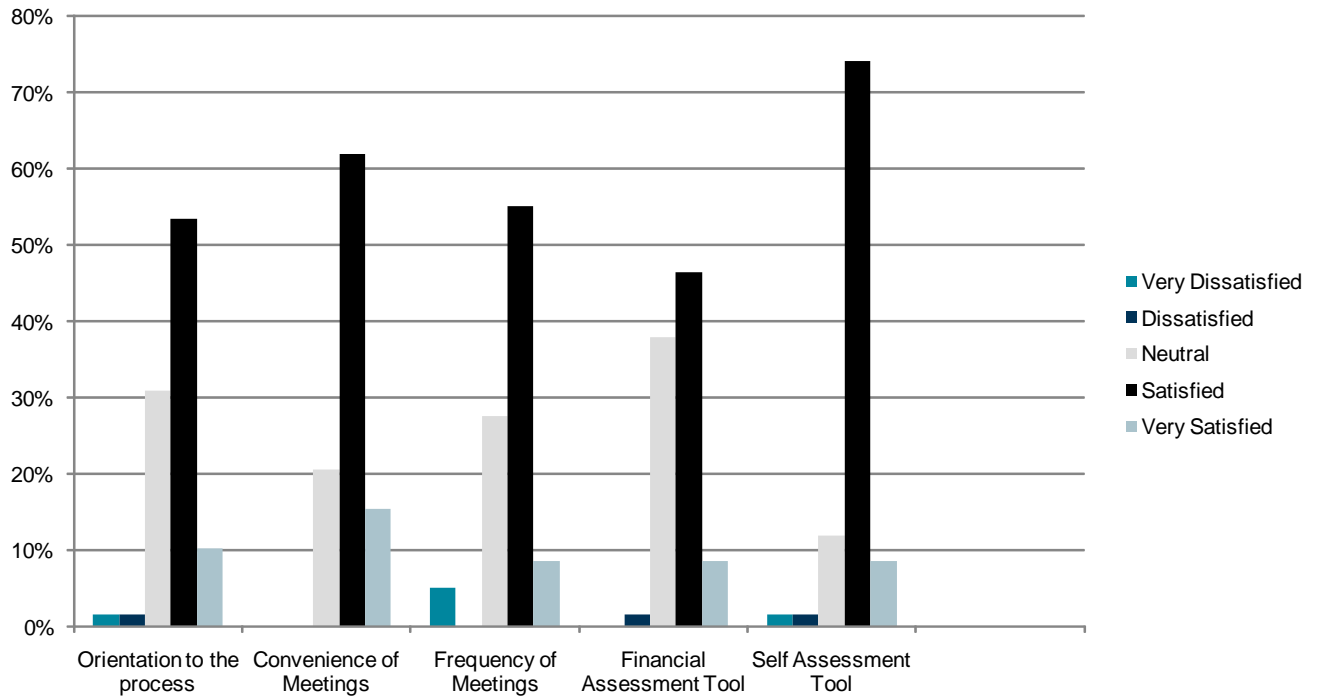
FIGURE 12: Ratings of Readiness Assessment Phase

The self-assessment tool was highly rated as was the convenience of the meetings. The orientation that was provided to the process and the frequency of the meeting also received favorable ratings from a majority of respondents, though those providing a neutral rating exceeded one-quarter. In regard to the financial assessment tool, nearly 40% of respondents provided a neutral rating, suggesting that for a good number of respondents that tool may not have been seen as a good fit for their needs. Figure 13 presents data on other aspects of the Phase 2 experience. More than 80% of respondents provided favorable ratings in regard to the amount of preparation required prior to the process as well as the information demands placed on their organization. The dimensions relating to the interactions with the consultants show that the majority of respondents had a favorable opinion of such things as the content of the in-person meetings, the work team's dialogue with the consultant, the interaction with the consultant, the expertise of the consultant, and the accessibility of the consultant. In regard to the respondents' view of the readiness assessment report that was prepared, nearly two-thirds rated the report favorably, 10% rated it unfavorably, and 20% provide a neutral rating.
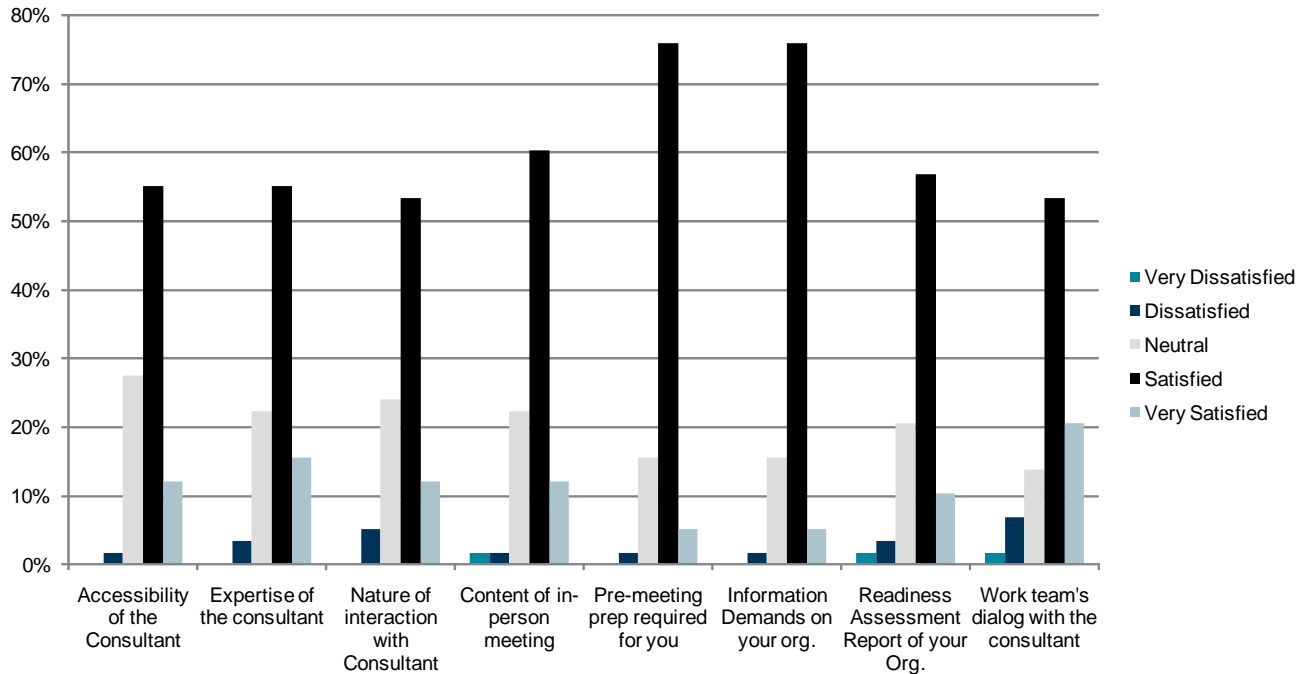
FIGURE 13: Ratings of the Readiness Assessment Phase

More than 80% of the respondents reported that they personally agreed with the conclusions of the readiness assessment report that was prepared. More than three-quarters of respondents agreed that the report accurately reflects desired outcomes, accurately reflects the organization's strengths and weaknesses, and accurately reflects the current reality facing the organization (See Figure 14). In addition, three-quarters of respondents reported that the report provided reasonable conclusions about the readiness of the organization, while only two-thirds saw it as informing internal discussions regarding restructuring.
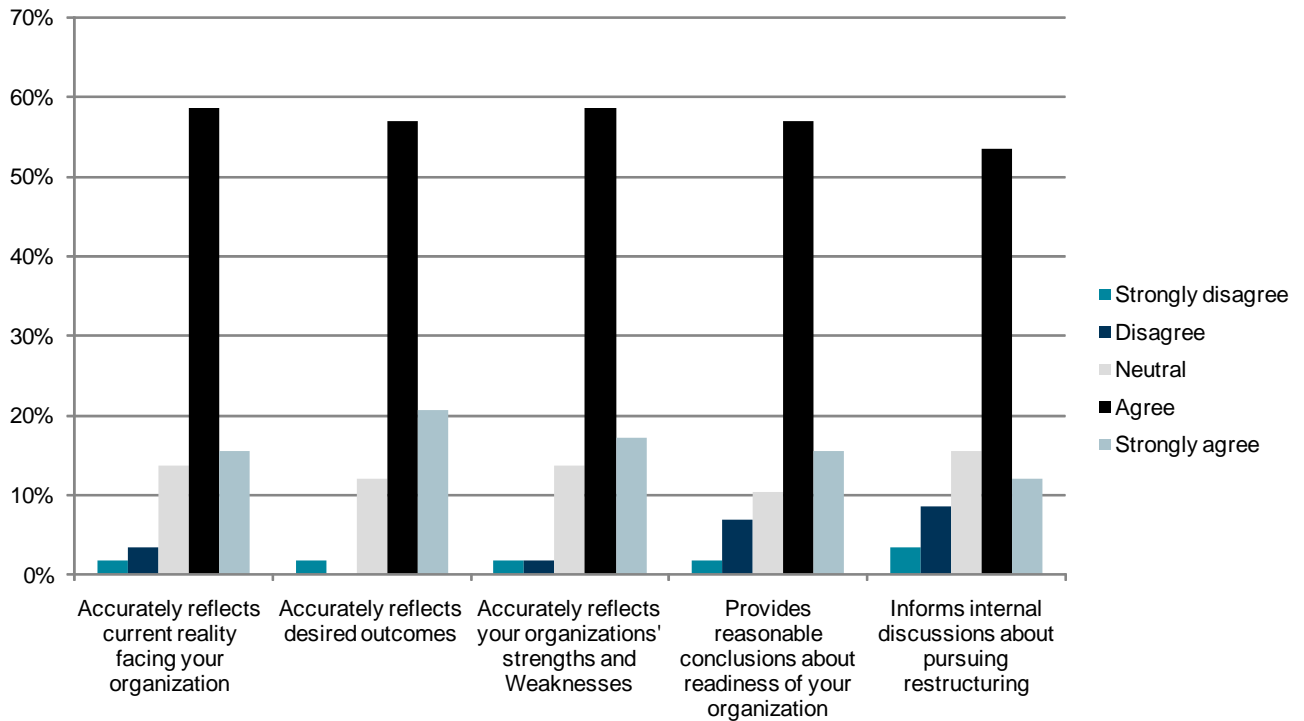
FIGURE 14: Respondents Perspectives on the Readiness Assessment

Comments on the readiness assessment report highlight the ways in which the process and report distilled key aspects of the discussion.

> *Provided a clearer understanding of the relative positions of the merging organizations and how this would affect the structure and operations of the new entity.*

> *Provided a greater appreciation of our strengths and weaknesses. The amazing fit with our partnering organization.*

> *Revealed that, there is not one single 'process' to achieve restructuring and it requires a lot of time to sort out the best approach for the organizations involved. It requires flexibility from all parties.*

The majority of respondents (70%) indicated that their organization's thinking about the best restructuring model did not change during the course of Phase 2. Those that did report a change noted that the process supported consideration of a range of options -

> *The more the leadership talked about the synergies of combining organizations, [the more it] seemed quite feasible to move toward a combined (merger) organization, as opposed to a collaboration or joint venture. The*

financial, programmatic and board strength demonstrated more reason for the organizations to combine.

Respondents were asked to report on their progress with their organizational partners in the strategic restructuring at the point of the survey (See Figure 15). More than one-third reported that they were 'well underway.' Nearly one-half reported they were in various states of advancing the work, and 7% reported that they had decided not to proceed. More than 85% of the valid responses indicated that they were "somewhat" to "highly" likely to move forward with the restructuring process in the pilot.
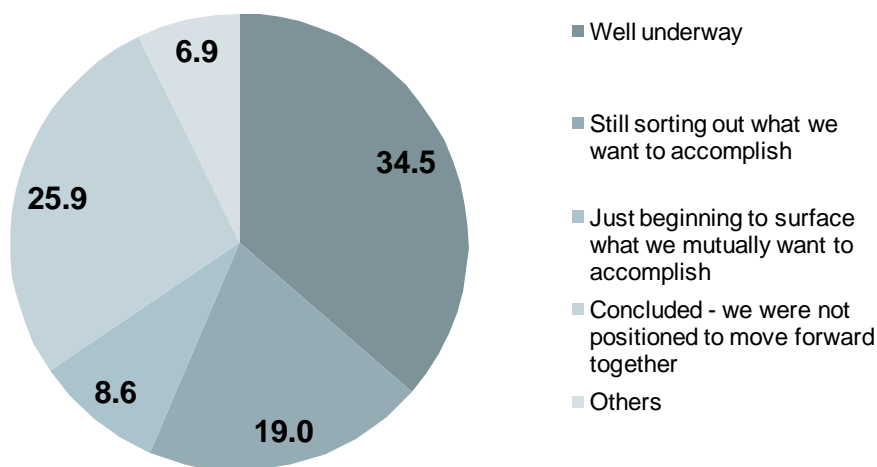

FIGURE 15: Status of Restructuring Effort at End of Phase 2

Respondents were asked to offer advice to others who might be considering undertaking such a process. Recommendations focused on organizations ensuring adequate communication and authentically engaging the process. For example,

Try, as best you can, to get the staff and Board on the same page. Our process has been a primer in group dynamics and leadership styles.

Spend as much time as possible identifying strengths and weaknesses. This exercise can be very helpful whether you restructure or not.

Be open and honest about the assessment; be careful not to limit interests to just the agency's experience. There may be synergy or programs that

compliment efforts made by each organization that typically would not be considered goals/visionary work of the organization."

Other recommendations regarding the process itself -

To have mutually shared the assessments-Provides insight for the potential partnership and being able to recognize early on perceptions of strengths and weaknesses. Perhaps additional hard data and information such as the strategic plan.

More specific instructions for the participants. More encouragement to stretch beyond the self assessment and openly dialogue with the partner of choice.

Phase III – Restructuring Plan Formulation

At the conclusion of Phase 2 organizations again were asked to declare their level of interest in proceeding to Phase 3. Of the 17 organizations involved in Phase 2, five clusters involving 11 nonprofits were invited to enter the Phase 3 work of developing a restructuring plan. Of these, four clusters agreed to continue, involving 8 paired nonprofits. At the conclusion of Phase 3, the members of the joint negotiating teams (JNTs) involved in forming the cluster restructuring plans were invited by the evaluators to take part in a confidential focus group about the Phase 3 experience. Each pair of organizations was invited to a separate group meeting, and these meetings were held during the first half of February 2011. Each meeting lasted approximately 2 hours and was facilitated by a member of the evaluation team. The sessions were audiotaped with the permission of the attendees to allow accurate capturing of perspectives. Four sessions were held, involving 23 individuals who participated in the joint negotiating teams. The sessions followed a structured interview format and participants were also asked to complete written survey (both available from the authors) and were provided a stamped envelope for their use. A total of 14 surveys were returned of the 23 distributed (60.9% response rate). Table 1 summarizes the focus group participation by cluster.

TABLE 1: Focus Group Participation by Cluster

Cluster	Organization	# JNT Members	Focus Group Participants	Participation Rate
A	1. Center for Families and Children	7	1	13.3%
	2. West Side Ecumenical Ministry	8	1	
B	3. Bellflower Center	6	6	91.6%
	4. Domestic Violence Center	6	5	
C	5. Crossroads	4	2	30.0%
	6. New Directions, Inc.	6	1	
D	7. Youth Opportunities Unlimited	6	4	70.0%
	8. E City	4	3	
	Overall	47	23	48.9%

Note: Due to the timeline of the Cluster A's work, the Executive Directors requested that the meeting be held only with them, rather than the full joint negotiating team. One member of the JNT served on the boards of both C4FC and WSEM.

In addition, a focus group was held with the Pilot consultant team (Jo DeBolt, David Kantor, Amy Morgenstern) on January 6, 2011. This session provided detailed information on the status of Phase 3 and the consultants' perspective on the most effective ways to frame the focus group work with the joint negotiating teams, as well the consultants' feedback on the overall pilot.

Themes were identified by reviewing the feedback collected across the four focus groups. Issues that emerged within a single cluster are not highlighted, unless they relate to a broader theme across groups.

TABLE 2: Cluster Organizations in Restructuring

Cluster	Area of Service	Agency 1	Agency 2	Type of restructuring
A	Child & family services	$19.0m	$7.2m	Parent Subsidiary
B	Domestic violence	$2.1m	$1.1m	Parent Subsidiary
C	Youth behavioral health	$6.2m	$4.5m	Consolidation/affiliation
D	Youth workforce development	$1.1m	$0.5m	Merger

High Level Themes

1. *Time kills all deals*

Participants in the joint negotiating teams emphasized the critical nature of time in the restructuring discussion process. The participants expressed respect for the planfulness of the pilot in ensuring that the team addressed matters in a systematic manner, but also remarked about the sense of urgency in maintaining momentum in the process. Clearly, each team had to negotiate a balance based on board perspectives/perceptions of the process and decision issues that the team had to work through in order to produce a consensus plan. All teams expressed a need to be held to key deadlines but also a desire for more flexibility in the overall approach.

2. *Egos can get in the way*

Though the process and structure of the pilot was routinely praised, the team members also highlighted the key role of executive directors and board leadership in bringing about progress in the pursuit of restructuring. The agencies involved in Phase 3 are likely biased in this regard because their leadership had been successful in bringing the agency to that point. Participants noted that to the extent that leaders have a mission focus rather than a career focus, the restructuring work will be much more productive. In addition, these clusters also shared the attribute that the executive directors and boards had discussed their intentions relative to leadership of the "new" organization early on in the process. This removed a major potential barrier to the process. For example, one respondent noted "I think the thing that made this go so well for us was these two individuals (EDs) and their seeing the vision and sharing it." In addition, a significant differential in the size of the merging organizations dramatically impacts the dynamic of the process and should be discussed explicitly.

3. *Facilitation is key*

The content and structure of the pilot was well regarded by the participants, but the role of the consultants was seen as pivotal in bringing about success. Overall, the consultants involved in the pilot were highly rated, and this largely had to do with their ability to effectively facilitate the joint negotiating teams during Phase 3. One participant said - *"It would not have been successful without the skilled and involved consultants we had."* There were mixed opinions regarding whether the process is better guided by a pair of consultants rather than by a single consultant (two groups felt only one consultants was needed and two felt that two consultants were needed). This variation appears to be related to how the joint negotiating team is functioning and the extent to which there is divergence in positions between the agency-level teams at the start of Phase 3. The following comment illustrates this role -

> *I have to give kudos to both of our Consultants. I felt they facilitated the*
> *process I thought very well. They maintained a nice balance in facilitating and*
> *taking a backseat and allowing the process to flow, and when necessary on*
> *some key points, forcefully interjecting themselves and redirecting the process,*

and I felt they did that very well, and plus the Consultants complemented each other well.

Based on survey data collected from JNT members, it is evident that among these successful clusters the clarity of roles was quite good (See Figure 16). The team role was rated as very clear by more than three-quarters, and the roles of the CEO and consultant were rated as very clear by approximately two-thirds of respondents. The role of the agency board was less clear with less than 40% rating that role as very clear.
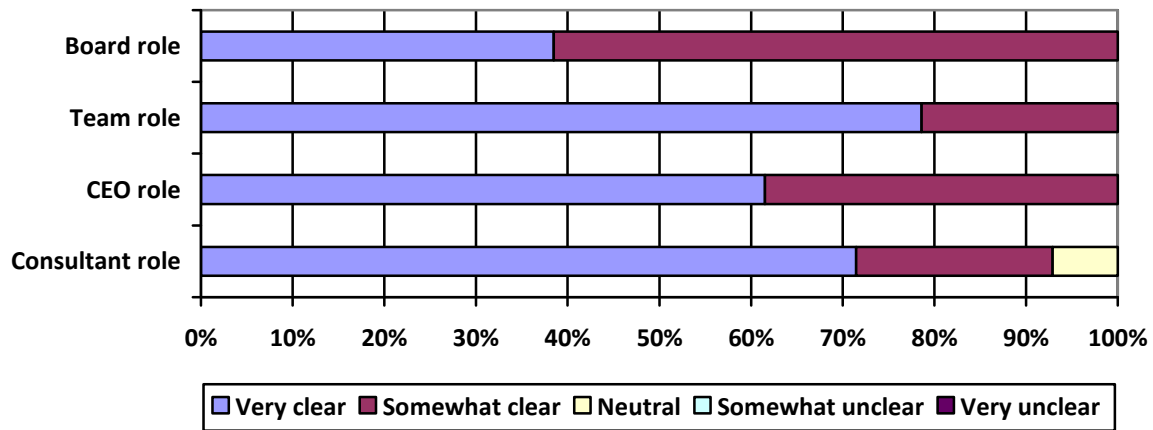

FIGURE 16: Clarity of Roles in Phase 3

The ratings of the consultants in Phase 3 showed them rated as 'very effective' in regard to providing information and summaries (100%), facilitating meetings (92%), and structuring the process (84%). JNT members expressed a desire for more advice from the consultants in that only 62% rated that aspect as 'very effective.'
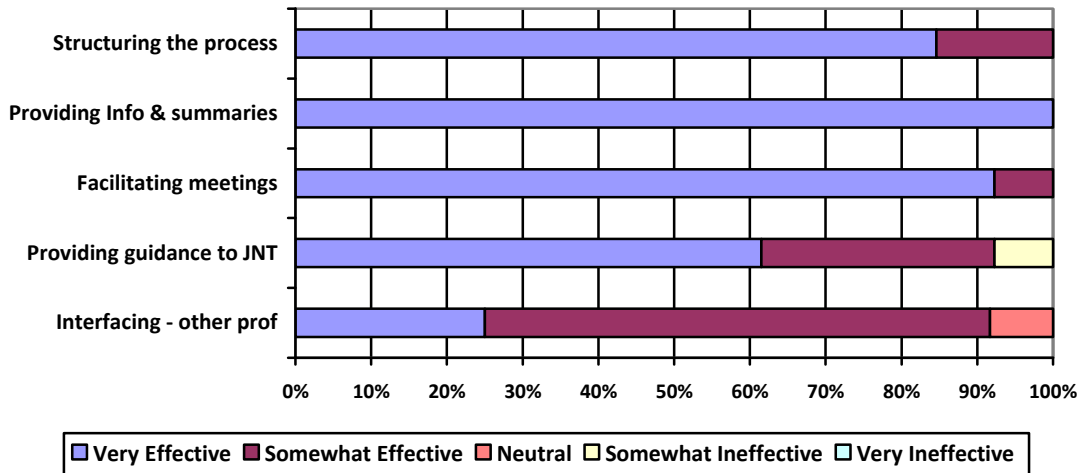
FIGURE 17: Effectiveness of Facilitation in Phase 3

Recommendations

Joint Negotiating Team (JNT) members offered rich perspectives on the pilot experience as well as specific recommendations regarding how to translate the pilot into a higher-impact offering for nonprofits.

Support the due diligence process

Teams voiced a strong sense that more support should be provided in the due diligence process, specifically in the areas of legal, financial, human resources, along with communications; issues that emerged involved transferability of organizational accreditation, receipt of governmental contracting/funding, employee unions and employee compensation/benefits. The ability of organizations to identify appropriate resources for due diligence was frequently cited as a concern

> *There are people in this town who are number crunchers, who've been through mergers. Why can't we hire one of them who has done this before? Instead I got the opinion from a whole lot of people who don't know, have never done it, and that's the consultant. . . People have been through this. The thing that kind of makes me crazy is why don't we tap into these people who've actually done it? Why couldn't we find that person?*

A strongly expressed need related to having available consultation with an attorney early in Phase 3 to review each organization's legal structure and issues relating to a

merger. Following such a screening, agencies would be better informed as to their legal needs and whether partner organizations need different attorneys or could share one. Teams felt that flexible funding should be provided for nonprofits to pursue specific due diligence needs based on organizational characteristics and capacities. Relatedly, teams said that more guidance should be provided to nonprofits in forming the Joint Negotiating Team in regard to its composition. The teams believed that organizations should be encouraged to include agency representatives with legal and financial expertise, as well as a staff representatives from each nonprofit to increase buy-in and enhance the approach. The due diligence process could be aided by providing a listing of screened firms/consultants with expertise in nonprofit mergers and advice on how to efficiently complete the process. For example -

> *I will be the first one to say that when someone, at one of our meetings said how much it was going to cost to do the legal and financial due diligence and I went 'Whoa!' I mean it really took me by surprise that this was so expensive and I thought 'You know, really, how hard could this be? You know, get some new stationery and we'll be done.'*

Raise awareness and profile of restructuring

The teams consistently voiced the belief that the idea of merger should be championed as not about nonprofit's weaknesses, but about collectively serving more clients better. One respondent described it as *"Communicating to the public and supporters of each entity the advantages of '1 +1 = more than 2.'"* The JNT members believe the time is right for just such a broad strategy in the sector. Specific comments included -

> *So maybe the funders ought to do a little PR campaign about how mergers are really good and that good organizations go through them. There's so much that funders could do to help things for nonprofits, if they wanted to.*

> *It definitely was only positive. No one was taking a leadership role until this thing took off. There may have been some pockets, but nothing as broad as this.*

> *I think there's a lot of angst out there that tends to drive inaction than a lot of Execs really understanding potentially, you know, all of the factors that exist in today's marketplace and how vulnerable they increasingly are if they don't do more to achieve scale.*

As part of this effort the respondents felt that examples of successful merger in the Cleveland region should be showcased to dispel notion that this is rare here. Members of all four clusters expressed their desire to serve as advocates for this type of campaign. One participant reported *"My experience was as positive as I could imagine. The PR regarding this "journey" will be critical for the city to get to the next level of fundraising dollars."* Another participant stated -

> *The other thing I would encourage is that if the foundations are going to do it again, I think it would be beneficial for those of us who've been through the process to be kind of the foundations' champions on the front end so that we make it more real for them, you know that 'This is doable. Here's what it took for us. Here is the commitment it took.'*

The opportunity to serve as an example of restructuring in this new era is seen as a distinguishing factor for these nonprofits. One participant described it this way -

> *It's interesting because I've had conversations with several Executive Directors who did not partake in the process and they know that (we) have, and it's been interesting to hear their response or how they are impacted, and what I'm getting from them is that they're kind of afraid, afraid that we are going to be bigger and better and they're going to be left behind, or afraid that we're doing something that is creative, innovative, saves money, strength, all these great things that funders like and they didn't.*

Promote restructuring in specific sector domains

Members of the JNT voiced the feeling that funders should be activist in compelling nonprofits to explore merger and in helping them identify viable partners. They described the barriers to progress as being so many, that funders should take special efforts to move current and potential grantees down this path. Comments on this theme included -

> *It's like that's how you actually force merger to happen in this community, but don't kid yourself. Until you force it, it ain't gonna happen.*

> *But it's a combination of carrots and sticks saying 'You can make the choice, but here's what happens if you do and here's what happens if you don't.'*

> *I'd rather they forced us to come to a meeting than, you know, stop getting back on funding us and stuff like that saying, you know, 'Hey, you know, you guys aren't doing what you should be doing.' So I'd rather they just clobber us*

over the head. And like you said, like you know <Participant> said, people felt compelled, but hey, you know you want money from them. I think you've got to listen to them. I mean if you don't want money from them, then don't listen.

You asked the question did we feel compelled to go, and did you hear the conversation we had five minutes before we started? I talk about money 24 hours a day. That is the life blood. We don't have a choice. We are desperate, and so when a funder suggests maybe it would be good if I read this or I go here or I do this, I'm there. That's the name of the game. If you're not there, you're doomed. So that's not a bad thing. I think that the funders need to... I think the funders understand that they have that kind of power, but what was fascinating about this process is that on the one hand they used the power, and on the other hand they said 'Oh well this is entirely up to you. You can do it or not do it,' you know, so it was a very interesting reel us in and then let go kind of thing.

I thought that they were going to help us with some other people think through what to do, but they didn't do that. When they came back, they said 'Okay, you can move on to Step 2, but it is specifically to merge with (agency).' Now I thought that was very cool because I thought 'Somebody's been thinking. They looked at the low-hanging fruit and they said 'Yeah, they could do this or that,' but we could have used the process to do a number of different things, but what they said they wanted was 'No, we want a merger. That's what we want.' So we said 'Okay, we'll go ahead.'

I don't think they should be squeamish. I mean in so many... If they came to me and said 'Hey, here's a partner you ought to consider,' if I thought they were all whack, you know based on what I'd know, I'd say no, but if they came to me with somebody that I hadn't thought of and here's the reasons why they thought it was a good fit, then I would appreciate it and I'd want to take a second look. So I don't think that it's something they should be shy about.

I do think that if foundations were aware of organizations that were looking for money but did not have sustainable business models, which actually they know, that would be appropriate to say to them 'Look, rather than keep investing in this business model, would you be open to talking to another agency that might be you know another way to work this?

One mechanism to facilitate nonprofits moving in this direction was to incentivize nonprofits, especially CEOs and boards to pursue mergers. Teams felt that since many organizations will not come to the table willingly unless there are financial pressures or opportunities, that this could be explicitly addressed. Comments included -

It's very compelling and it's really about that to be sustainable you need strong operational performance day-to-day, but you also need growth. And I think for us it really resonated because we are a very strong operational performer and you know quality, finance, all those kinds of things (I think <Participant> would say the same thing about her organization), but this agency has not grown in the last ten years.

Personally I think that psychologically probably most Boards would never be ready. They're never going to go through a process where at the end they go, 'Okay, we're ready to merge,' and that what that letter did is it said 'Okay, either you merge or you don't merge. You want to merge, we'll pay for it. If you don't want to merge, you want to do something else, great. You could pay for it yourself,' and it forced the Board to get off the dime and my observation is that most Boards will never get off the dime if you give them a way out.

If you're an agency that's happy, then nobody's happy and fat, but they're happy, and if you have an Executive Director who likes their job and they don't 'What's the catalyst to do this?' Okay, I mean you're fortunate to have kind of the catalyst being that you know <Participant> said 'Okay, I think this is the right thing,' and he was willing to take a second seat, okay? The catalyst was we realized intuitively that the funders are going to eventually start cutting funds and we knew that we'd have to get our organizations more streamlined to serve more people. So you know and the carrot was 'Well this will be better because we'll be able to serve more people.'

<u>Establish a flexible mechanism for nonprofits to access support for restructuring.</u>

Team members had many observations about how best to expand the content of the pilot so that more nonprofits could explore and pursue restructuring. A leading notion was the creation of a merger fund that nonprofits could apply to for support and commit to a specific timeline for completing the work as was done in the pilot. Teams felt that a 12 month timeline for the process should be maintained, but allot more time for Phase 3 and avoid gaps in activity, in order to maintain momentum. In addition, team members would recommend avoiding beginning and ending of the process in December, when many organizations and board members are particularly busy.

And I guess what I'd like to see is almost a permanent thing where you say 'We want to encourage mergers. This foundation fund, we want to encourage mergers. Here's what we're going to do to encourage you to seriously think about it, and when you get to that point, there is money for you, but it's only if you merge,' and the thing that I look at, I was reflecting upon this, if you did it

in a more permanent basis, I think there are some amounts of money you need to give to a non-profit organization so that they actually seriously consider merging.

But maybe set the schedule, set the timetable with each group because they may be a little different, but I think timetables are important and you need a date by which to see they're go or no go, 'cause you can only do this for so long and so I think that's fair.

I guess bottom line for me is that I would encourage the foundations to move this out of pilot project status and find a way to sustain it and maybe structure it a little differently and like we were talking about that could be entered into at given points in time as opposed to everybody having to jump onboard in a given framework.

Within this broader opportunity, team members also felt that the focus should be extended beyond Cuyahoga County to leverage regional opportunities for nonprofit restructuring. The one cluster involving an out-of-county partner organization was able to use the expanded geography of the new entity to maintain organizational strengths and funders from different jurisdictions. The following comment highlights this notion -

And as we think about, you know, recommendations for foundations, I guess one that I would offer is that if they're going to do this in the future, that they think of Greater Cleveland and not just limited to Cuyahoga County because there are advantages in broadening I think the scope, and as we talk about regionalization and the benefits of regionalization, etc., it's as equally as valid I think for the non-profit community as it is the governments and the private sector.

Increase communication about restructuring while maintaining confidentiality

The nature of the restructuring pilot resulted in high levels of confidentiality about what nonprofits were involved, especially in the later phases. The team members understood the importance of a degree of confidentially but also see the value of greater communication about the process as a participant and about what is happening overall (e.g., numbers of nonprofits involved, etc). Such increased transparency would elevate the awareness of the importance of restructuring and that it is a normal, ongoing process. Specific comments included -

The funders should be much more open in sharing information about what is going on throughout the collaborative. Our group felt we were operating in a vacuum. We did not desire confidential information, only some context"

They were so secretive about who's doing what, where and who's involved, there was no benefit to us in doing it at the same time because it's not like we were learning anything from what the others were doing.

Certainly certain organizations didn't want too much [information] out there. There was an article that appeared in Crain's where a couple of non-profits did come forward, names, addresses and phone numbers, and that I thought was helpful 'cause I ended up having a conversation with one of the EDs that was identified in that just to get a perspective, not necessarily because you want all the secrets, but you want some idea of what else is going on. And there is information or perhaps there is knowledge into sharing some information.

Teams also felt that funders should be more clear with current grantees about the potential funding implications of pursuing a merger, preferably holding harmless the nonprofits for some period following merger (i.e., if two nonprofits each received an amount from a funder in the most recent period, these funds should not be immediately reduced during and following a merger of the organizations). An illustrative comment follows -

It's what's the motivation? If the motivation is 'Now we don't have to give you as much money,' why would you merge? Not that I'm saying they're doing that, but you know if we understand the motivation is 'We think it will be most effective with the dollars we give you by doing x,' we're willing to do it, but I don't know that has… That, the outcome and the expected impact to us hasn't been clarified.

Support "Phase IV" work

The members of the JNTs frequently noted the remaining work to be done following the conclusion of Phase 3 of the pilot. These activities related to implementing the new administrative structures that emerged from the restructuring plans, and were dubbed "Phase IV" by one of the teams. Team members believed that funders should assist organizations with completing the work required by the restructuring. This includes such things as addressing supervisory issues, integrating human resource policies, and the consolidation of staff. Comments included the following -

> *Our infrastructure and integration costs, so that you know I mean a merger is one thing, but if you really are invested in this and really want to see these organizations really be positioned to thrive in the future, then assist in going to the next phase.*

This could also include facilitating the integration of organizational cultures, including integration of programs, staff, and boards, especially in instances where multiple work sites are involved.

Supplemental education for Agency Teams Needed

> *I think those of us who were there were indoctrinated a little bit and understood, but we had other people who were very critical to the process who came later and they didn't have that same indoctrination and I think that if I were doing it again it could be that you have a secondary something where all members of the merger committee or all members of the Boards are invited, you know because I thought that the two of us or the three of us, we sort of had a picture of what was going on and the other people were kind of dropped into something. They had a lot of trust in us, you know, and we did what we could to tell everybody about it.*

Follow-up Data on Organizations that Did not Proceed Past Phase I

Of the approximately 75 nonprofits that were represented at the Launch Educational Workshop in December 2009, 17 were accepted into Phase 2. To explore the extent to which the non-continuing agencies considered restructuring, a web-based survey was distributed to the representatives of these organizations. In total, 38 usable responses were received out of 129 individuals (29.5% response rate).

Respondents were asked about their agency's decision whether to pursue Phase 2 of the pilot. Overall, 60% of respondents reported they had decided not to pursue Phase 2 and 40% said their agency did express interest in Phase 2 but had not been selected. Among those not expressing interest in Phase 2, nearly one-half reported that their agency was already engaged in a restructuring plan and decided to continue with that outside the pilot. Participants made the following observations about developments during 2010:

> *The workshop continued to nudge us to think in various ways as we decide next steps for our organization.*

We had already been pursuing this prior to attending the workshop and have continued since, but need an outside facilitator to guide the process with our organization and the others in the community which we want to partner with.

We are merging. You got the ball rolling.

Respondents were asked to rate several aspects of the Phase 1 workshop on knowledge and action within the agency related to restructuring (See Figure 18). Approximately one-half of respondents credited the workshop with increasing knowledge within the organization about benefits of restructuring (50%) and about restructuring options (53%). Fewer than one-half of respondents reported that the workshop increased dialogue within the organization about restructuring (44%) or dialogue with potential partner organizations (37%). In addition, 23% reported that their agency had sought out additional informational resources in support of a restructuring initiative and 15% reported that they sought funding to support restructuring.
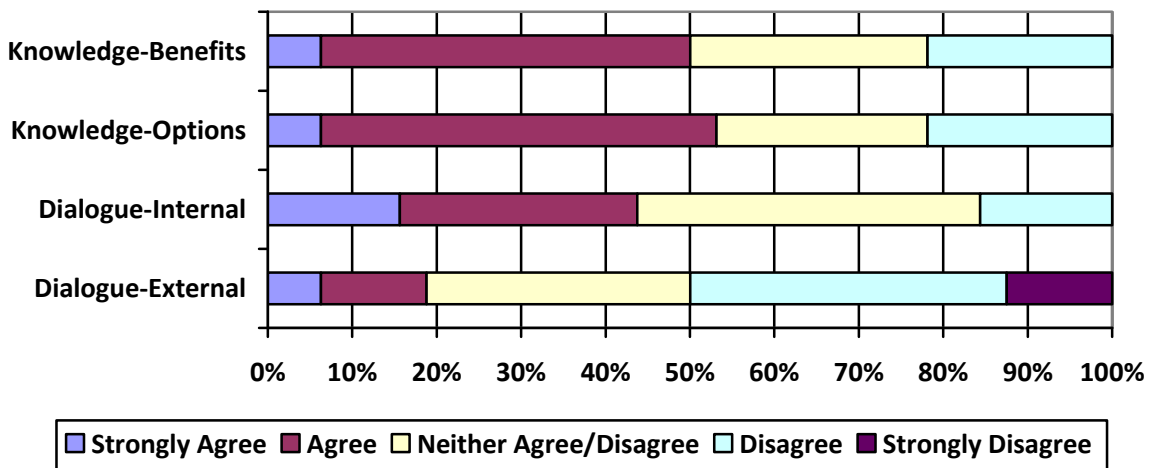

FIGURE 18: Retrospective Ratings of Workshop Benefits

Specific respondent comments about the workshop included:

> *It was helpful to learn the language that funders are using to understand restructuring. Partnership and joint program collaboration are at the heart of our model so it's good to know the theoretical/intellectual context of our work. It stimulated discussion of the concept and has provided some direction in addressing the impact of Health Care Reform.*

Respondents were asked to offer recommendations about how to leverage the work of the Restructuring Pilot to maximize its usefulness going forward. Some expressed a desire for more availability of opportunities and information.

> *All of the agencies (3 of us) are interested and have not moved forward. I think providing just a small amount of help or limited facilitation time would make a big difference to an organization like ours.*

> *Structure separate meetings for organizations with different levels of experience and expertise.*

> *I would like to receive updates on which organizations were selected for the pilot and what has happened with them as well as information about when you will offer this opportunity again.*

In addition, respondents offered a consistent plea to the funders to expand their role in supporting nonprofits in the exploration of restructuring. The ongoing value of such supports to agencies was a consistent theme among respondents.

> *The leadership of the foundation community was vital to make this a success. You are the only group that can provide the momentum for this effort.*

> *If the goal is to help more organizations pursue creative collaboration/restructuring in a broader sense, I believe the Funders Collaborative can have an immediate, broader impact simply by making some less in-depth consulting services available.*

> *Do it again. Others will jump on. Keep up the momentum. Once is not enough.*

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