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**Nonprofit Mergers:
A User Guide for Organizations Seeking a Merge**

by

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Abstract

Nonprofit mergers have become an invaluable option for nonprofits seeking strategic partnerships, collaborations, and solutions to faltering funds, clientele and mission alignment. Oftentimes, especially in this present political climate, struggling nonprofit organizations fundamentally seek other organizations that align with their mission in the hope of extending program efficiency, services, and funding. Therefore, this study captures four different perspectives of what goes into the merger process and, ultimately, the decision-making process. The purpose of this paper is to elicit responses from four interviewees; 2 from the perspective of board members; one from the CEO and CDO from acquirer organizations, which are organizations that are in more of a position of control and come to the aid of faltering organizations. The two nonprofit organizations highlighted throughout this study are those that have been or are in the process of forming a merger. Two of the cases studied are Working in the Schools (WITS) and Positive Resource Center (PRC). After interviewing the participants, the data was transcribed and coded for analysis, four themes emerged regarding ingredients into a successful merger: Funding; Mission Alignment; Board Agreement.

(Keywords: mission alignment, board, merge, acquisition, fit, negotiation)

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Introduction

There are often times when an organization needs to consider a strategic partnership or a transfer of assets. These terms all fall under the umbrella of a merger. According to Haider (2017), mergers may often result from changes in leadership (with succession planning), and conditions of financial hardships. Not only are mergers met with barriers, but many obstacles tend to trickle down as well, such as job loss, legacy and mission constraints, branding and naming concerns and risks related to taking on excessive debt and liability.

An organization may face pressure from foundations to allocate more funds, be threatened with termination of programs and services, or simply an executive director may be planning for retirement. All of these issues are reasons behind why the two organizations studied (Working in The Schools and Positive Resource Center) decided to combine resources with struggling nonprofits that aligned with their mission. Mission alignment was coined as a term emphasizing collaboration and stresses the importance of board

involvement and funding. Without these qualities, it is deemed difficult for any organization or business entity to successfully acquire another organization, especially if the cultural fit is not there.

The overall purpose of this Capstone project was to solicit responses from four experts in the field of nonprofit mergers and negotiations and gather powerful insights into the what encompasses a successful merger. In the following sections, I will highlight some organizational background on both organizations that have, or are in the process of merging. This will be followed by the literature review that goes into greater detail the process, definition, and difficulties facing mergers and acquisitions, as well as the methods and analysis, followed by implications, some suggested recommendations, thus tying into the conclusion.

CHICAGO MERGER

Boundless Readers (BR), which was a literacy nonprofit organization that partnered with in Chicago Public Schools, was feeling pressure from their foundations to find a partnership with a similar organization in order to have more impact. Before their merge with Working in the Schools (WITS), their annual budget was between \$500,000 and \$600,000. The President of the Board, John Smith, was researching other organizations in the public school system of Chicago in which to further their mission for, as John quotes “teaching students to love reading.” They reached out to WITS’ executive

director, Brenda Casey and the President of the board, Jeremy Clark, and with in-depth conversations and negotiations decided to keep BR's primary award program for teachers in order to give them a stipend to build a library in their classrooms. This award was named after Rochelle Lee, the founder of WITS, with the awards aptly named the Rochelle Lee Teacher Award (RTLA). When interviewing both board members and the CEO of WITS, their merger was more of a transfer of assets program, in which their annual budget would be combined, as well as programs and services.

SOCIAL SERVICES MERGER

The second nonprofit organization examined was Positive Resource Center (PRC), which is a San Francisco-based nonprofit organization serving those afflicted with AIDS with employment and disability services. In 2016, a similar organization, named Baker Places (BP), which provides drug treatment programs and residences, was at a crossroads when their CEO Jonathan Vernick decided to retire. In order to find his placement, he contacted Brett Andrews, who would become the new CEO of the newly acquired formed merger. Alongside BP, AIDS Emergency Fund (AEF), which was a nonprofit that provided financial assistance to those living with AIDS, was struggling with funding and reached out to PRC to possibly find a solution to the expansion of programming. In the fall of 2016, PRC announced it would merge with AEF and BP in order to serve their clients with a more comprehensive approach with

programs and services. The organizations would dissolve and become PRC, however, the programs would still be in place.

This paper is inscribed with the insight from two Chairmen of the boards of WITS (John Smith and Jeremy Clark), the Chief Executive Officer of WITS (Brenda Casey), and the Chief Development Officer of PRC (Gayle McDonald), which provides insight from a fundraising perspective.

Literature Review

There has been a wealth of literature regarding nonprofit mergers and collaborations (Benton & Austin, 2010; Bertagnoli, 2016; Campbell, 2009; Corritore, 2009; Cortez, Foster, & Milway, 2008; Di Mento, 2012; Dickey, 2002; Fahey, 2009; Flandez, 2011; Giffords & Dina, 2003; Haider, Cooper, & Maktoufi, 2016; Milway, Orozco & Botero, 2014; Milway & Orozco, 2014; Pietroburgo & Wernet, 2010; Prufer, 2010; Ricke-Kiely, Parker, & Barnet, 2013; Sataline, 2011). With all of this information, it seems clear that, along with defining mergers in the context of nonprofit organizations and discussing the process within a merger, that both staff executive directors are faced with having to make decisions whether to remain employed or retire (Pietroburgo & Wernet, 2010).

Alongside the need to remain employed, it is imperative for the audience to understand what a merger is, the process wherein and why nonprofit organizations, faced with adversity, may decide to merge with another organization, and how they select a nonprofit that will aid in their mission. Most importantly, in order to successfully merge, it is also imperative to understand why mergers fail and offer solutions. By examining why mergers may fail will aid interested merging partnerships of the pitfalls to avoid when considering a merger. Therefore, I will begin discussing what a merger is and why one fails or succeeds, the process of merging, and how merging organizations may impact staff and the culture of the merged organization.

Before I begin with the literature review, I aim to investigate what makes a good merging partner. According to Ricke-Kiely, Parker, and Barnet (2013), there are a plethora of reasons. Such indicators are that the organizations involved are viewed as equals and that no one organization is dominant over another. The process of a merger is a collaboration, which instills the notion that in order to mergers and existing organizations to survive, they must meet and go through the planning process in order to maintain their mission and purpose. The rewards of the merger must be solely focused on enhancing the mission, rather than on economic advantages. The board provides the leadership and makes decisions based on the communication of the process. As with collaboration, the two organizations form into one; and, finally, the new Executive Director must be selected by the board.

Giffords and Dina (2003) make additional suggestions in stating that organizational culture is a motive and that a deep understanding of the culture can build trust and strengthen relationships with the staff. Therefore, the goals of a merger are achieving a stronger public position in the community; increasing the agency's response to community needs; and, boosting professional recognition (pp. 73-74).

Merger Defined and the Decision to Merge

According to Fahey (2009), a merger is like a marriage. Like most marriages, it encompasses compromise, communication, and integration of ideas. As such, nonprofits opting to merge should do so to maintain and strengthen their overall mission and purposes. There is a vast amount of research that also suggests that it is the blending of two organizations for the purpose of profitability, economy and efficiency gains (Corritore, 2009; Fahey, 2009; Sargeant & Jay, 2002). Mergers involve the joining together of two or more organizations to form one unique entity, whether this involves brand identity or a new name. Sargeant and Jay (2002) highlight acquisitions (which could be coined as another term for mergers) are quite different. In for-profit sectors and in legal terms, acquisitions refer to the total absorption of one organization over another. So what does this indicate? This shows that mergers are more of a collaborative effort; one does not have an unequal standing.

Aligned with Giffords' and Dina's (2003) definition of a merger, the notion of alliances and networks are becoming necessary in order to be competitive and to

provide better services and programs to their beneficiaries and clients. When an organization merges with another and has a viable partner that satisfies their selection, it is imperative that they look to their mission in order to ensure that they align with the same values and beliefs as to not contradict each other. In regard to the mission of the organization, it should be honored to the fullest extent possible, even if it will be filled by another organization (Fahey, 2009).

Not only are mergers an undisputed solution to failed organizations when resources are faulty and times of economic, political and societal pressures, but they are a cornerstone to what defines a regulated organization. Some mergers may decide to rename their organization, however, this may be detrimental when it comes to donors donating to their preferred organization (Raymund, 2011). This is especially evident when some donors no longer feel attached to the newly formed organization or are confused by a new title. If for example, the AIDS Emergency Fund (which is in the process of merging with Positive Resource Center and Baker Places) were to change their name to another, donors may not have the knowledge or awareness of who to write the check out to. Therefore, it is important to be as transparent as possible with donors, clients, staff, and volunteers when faced with the crossroads of merging.

So, one might ask, what are reasons as to why an organization would merge with another? As was highlighted above, mergers are like a marriage (Fahey, 2009), and

in order for the organization to survive, it must envelop compromise, fulfill alliances and coordinate staff and volunteers and be as transparent as possible. According to Corritore (2009), sometimes the defining reason why an organization merger is dependent on the economic sector, as well as factors motivating relating to mergers. These factors include access to more reliable funding, increased operational efficiency, the building of political strength, expanding of market share, and enhancement of service quality.

However, this is not always an easy feat because it evolved from people's recognition of their own interests, practices, and ideals (Corritore, 2009). In agreement with Corritore (2009), Sargeant and Jay (2002), mergers occur within organizations when efficiency gains and the fulfillment of personal goals held by senior managers occur that may enhance the effectiveness and efficiency of an organization.

Not only do efficiency gains and the expansion of market sharing optimize when faced with a merger, but as does the potential to spread overheads, achievement of scale economies, opportunities to eliminate competition amongst organizations and the need to control the operating environment and reduce uncertainty (Ricke- Kiely, Parker, & Barnet, 2013). The authors also note that some of other surrounding reasons as to why an organization merger deals with the following reasons: increasing the diversity and impact of programs; broadening the geographic location; strategizing a stronger position; and, resource and financial issues.

Merger Process

Pietroburgo and Wernet (2010) propose two models that narrow into the creation of mergers. These include the efficiency model and the process model. As defined by Pietroburgo and Wernet (2010), the efficiency model focuses on the rationale for combining two or more organizations into a single entity; whereas the process model delves into and focuses on the interpersonal dynamics of the pre-and post-merger phases and assumes that the process of merging affects the outcome, further illustrating people's motivations and reasoning, objectives, perceptions, hopes, needs, expectations and goals. Thus, the process model is simply the negotiation and bargaining piece of a merger.

Ricke- Kiely, Parker, and Barnet (2013), and Benton and Austin (2010) propose that there are several phases of a merger. Benton and Austin suggest these steps include the pre merger, implementation process and post merger stabilization. In a similar vein, Ricke- Kiely, Parker, and Barnet (2013) build on these stages and suggest that they also include the pre-merger assessment, strategy design, and the execution of strategy.

In the pre-merger process, organizations explore and lead discussions related to the appropriateness of various options in which to restructure. This includes including board members, with whom are instrumental at this phase, as they address the legal ramifications that may arise if a merger is not executed properly (Benton & Austin,

2010). Building on the pre-merger phase, the pre- strategy assessment encompasses the evaluation of the organization's history, mission, stakeholders and personalities that may either hinder or improve negotiations into forming a successful merger (Ricke-Kiely, Parker & Barnet 2013).

The second phase includes both the implementation and strategy design phase. During this stage, both careful considerations and planning are needed to integrate and form the merger, as well as strong human element features in merger leadership, such as communication, staff involvement, and the organizational culture (Benton & Austin, 2010). Thus, the strategy design encompasses the strengthening and assigning of authority, the planning of the distribution of assets including programs, mission connectivity, strategic fit, the dissolution of the budget, time line, and moving toward partnership (Ricke- Kiely, Parker & Barnet, 2013). Both authors note the complexities into the driving factors that can either form a successful or unsuccessful merger.

Finally, after an organization has hinted at the decision to merge and the process into which and how to merge, the final step is both post merger stabilization and the execution of strategy (Benton & Austin, 2010; Ricke- Kiely, Parker & Barnet, 2013). The post merger stabilization period runs the duration of one to ten years. During this phase, staff members need to adjust to new cultural and organizational elements that may strengthen or weaken their organizational identity, job satisfaction and organizational commitment, which takes time and thoughtful consideration when trying

to form new relationships and build commitment to the organization. Milway, Orozco, and Bortero (2014) aim to suggest that during this instrumental phase, staff may feel either a lack of duty to the organization or failure to produce results based on the notion that they may fear their jobs are in jeopardy. Therefore, at this stage, an open door policy would be best enacted when considering staff satisfaction.

Benton and Austin (2010) build on the concept of the final stage by naming it the execution of strategy. This stage addresses the more formal methods and behind the scenes housekeeping processes, such as accounting, considering legal measures, distributing assets and programs, storing documents and important papers, canceling services and contracts that are not deemed necessary as an organization merges, and finally the elimination of waste, which the authors crudely note the process of ridding of negativity which may propose an unhealthy working environment and treading away from the overall overarching mission. This is brought to fruition when both considering the newly formed organizational culture (Giffords & Dina, 2003).

Why Mergers Fail and Offering Solutions

Although the intention and goal of a merger are to form new alliances, often times organizations may be faced with adversity and ways in which to overcome such situations. As stated by Corritore (2009), organizations face many obstacles, which may concern relating to a loss of independence, a fear of the unknown, issues of ego and turf, costs and time, a loss of identity and personal security, and conflicting community

needs. When an organization joins forces with another organization, and an alliance is formed, these obstacles will hold negative consequences, thus rendering failure on the organization's part in forming new relationships.

Sergeant and Jay (2002) note that the growing danger of losing funding and the support of funders is slowly increasing as the numbers of charities continue to grow. Thus, there is a need for nonprofit organizations to enhance their transparency and dedication to charitable causes and their beneficiaries and not for the vested interests of the paid and unpaid charity workers. This notion addresses that organizations tend to not look at their bottom line. Instead, they focus slowly on survival tactics that may create and/or include mission creep. Therefore, if the cost of doing business is too great and egos and other such obstacles are not taken into consideration when merging organizations, the organization may become uncompetitive and at risk for failure (Campbell, 2009).

When considering staff satisfaction and job security, the internal stakeholders may have a feeling of instability and detachment from the organization if other entities are coming in and taking over (Gifford & Dina, 2003). At the AIDS Emergency Fund (AEF), employees from the Positive Resource Center (PRC) took over roles that would otherwise belong to AEF in which AEF had to report to senior staff at PRC. However, with the PRC merge, AEF kept their programs and the merger formed 250 new jobs. This created vast amounts of conflict and decreased job satisfaction amongst AEF

employees. This is an example of how staff and volunteers (the backbone of an organization) commitment can be eliminated when they feel as if their job can be taken over by outside entities. If there is not an open-door policy into which staff can communicate their concerns to their employers, a merger will most likely fail.

However, hope is not lost. There are many ways in which to render solutions to the problems facing mergers and the threat of failing to align with other organizations. Firstly, as suggested by Giffords and Dina (2003), one needs to blend and slowly acclimate and introduce the organization to the employees and board members. This will create an open environment into which the organization will not be forced to trade their mission or values with another. Staff retreats are often the best way into which will integrate employees and merging organizations to get to know one another and to openly communicate. One needs to also pay attention to the process of merging. Therefore, asking themselves how the merger is going and facing any obstacles in its way. There should be a sense of belonging to everyone and feel that everyone is moving forward with shared goals and sights into the future.

Aside from these solutions, as with any marriage, building trust, communicating and developing a shared vision will create a successful merger and undermine the threat of an organization facing the threat of elimination.

Methods and Approaches

For the purpose of this report, an adoptive qualitative approach, with a specific focus on thematic analysis was utilized in which interview data were coded, categorized and themed based on the interview participants' insight into mergers. According to Boyd (2014),

Mergers have been necessary for an environment that has become more challenging for nonprofits to obtain financial support in the form of public and private funding and contributions (p. 1)

Secondary research was reviewed regarding mergers through peer-reviewed articles and recent reports which specified case studies on merged organizations. Specifically, a phenomenological approach was used in order to gather data for evaluating the shared experiences around the complexities or mergers in the pre merger stage. Therefore, an interpretive lens was used as a way to observe, interview and describe behaviors, and understand mergers.

Participants

In order to gather insight into this qualitative study, four participants were interviewed from two different merged organizations that have, or are in the process of acquiring a merger. Two of the participants were board members from the same organization; one was the Chief Executive Officer of a newly formed merger, and one was a Chief Development Officer from an

organization that was the acquirer of another organization. In order to keep the participants' anonymous, the names have been changed.

Procedures

Interviews were conducted in a narrative style in order to elicit examples from one's common experience within the merger process in order to gain insight into their experience. All four interviews were conducted over the telephone, with each session lasting from 15-25 minutes. A semi-structured interview guide was used as a guide, which included the following questions, "What prompted the merger?," "Did the merger face any challenges or apprehension from staff or the board?," and finally, "What advice would you personally give to an organization seeking a merger?" The interviews were then transcribed, coded and categorized. (see Table 1). A thematic analysis was conducted using the gathered insights from the four interviews.

Data Analysis

Table 1:
Comparative
Analysis of
Codes
Presented in
the data
collection

| | Gayle McDonald- CDO PRC | John Smith- BD WITS | Jeremy Clark- BM WITS | Brenda Casey- CEO WITS | TOTAL= |
|---------------------------------|-------------------------------|------------------------|-----------------------------|------------------------------|--------|
| alignment | 1 | 3 | 2 | 3 | 9 |
| mission | 3 | 3 | 3 | 4 | 13 |
| pressure from funders | 2 | 1 | 1 | 3 | 7 |
| transparency | 1 | 1 | | | 2 |
| collaboration | 6 | 2 | | 2 | 10 |
| culmination of funds | 2 | 2 | | 1 | 5 |
| partnership | 13 | 5 | | | 18 |
| strategic planning | 1 | 2 | | | 3 |
| expansion of programmin g | 5 | 3 | 4 | 2 | 14 |
| similar mission | | 3 | 1 | 2 | 6 |
| impact | 2 | 2 | | 1 | 5 |
| negotaition | 4 | 2 | 1 | 1 | 8 |
| loss of funds by donors | 4 | 4 | 4 | 2 | 14 |
| donor fatigue | 1 | | | 1 | 2 |
| board buy-in | | 3 | 5 | 1 | 9 |

Data were analyzed using summary, constant comparison (Glaser & Strauss, 1967), coding and thematic analysis. Significant insights were identified using intuition and impression (Dey, 1993), coded for meaning and grouped together into larger overarching themes. As illustrated in Table 1, the codes or most frequent language used was alignment; mission; pressure from funders; transparency; collaboration; the culmination of funds; partnership; strategic planning; expansion of programming; similar mission; impact; negotiation; loss of funds from donors; donor fatigue; and board buy-in. After the frequency of words was tabulated, the most common codes or phrases were grouped into three distinct themes, including: (1) Stressing Overall Mission Alignment; (2) Board Involvement; and (3) Fundraising.

Analysis

All four participants were heavily involved in the process of merging their organization with another. The terms specifically used to describe an entity that takes over another organization is the “acquirer.” In a similar vein, an organization that is “acquired” is usually one that reached out to an organization and to elicit help or aid. They all experienced, in one aspect or another the pre merger process and, whether they came to the table as a

board of directors or a chief executive position, all had invaluable insight into how a merger came about, the challenges, and experiences gained throughout the process.

Overall Mission Alignment

A nonprofit's mission is the cornerstone of the organization. It sets a precedence of the overall values and goals that are set forth in order to gauge their beneficiaries' needs and expectations. Throughout the process of the interviews, "mission" and "alignment" and "agreement" were words commonly used to describe why the Chicago and Social Health merger was possible. This deemed to be an overall characteristic of how organizations decided to marry on the pretense that their combined programs and services would still thrive, even if one were to dissolve. John Smith, the Chairman of the board at Boundless Readers (BR) could not have been more eloquent in his description of mission alignment.

Mission alignment needs to be stressed throughout the process, because at the end of the day as long as you believe the two organizations are going to continue that mission that you have been supporting, (it) is really important

As Smith states, "Stressing the importance of mission" from the beginning is imperative for a merger to take place. Not only does it keep the board satisfied, as they are the backbone of a merger, but it also ensures that all organizations involved have a better understanding that, just because one

organization partners with another, does not indicate they have ample funding. On the contrary, commitment is more important than ever. This quote surmises that the board and staff, especially the executive director, need to all get on board with the acquisition of the nonprofit merger. As Working in the School's (WITS) and BR's used the phrase a "transfer of assets" program, they did not completely abort the most important programs.

What we were doing is combining our volunteer literacy program with the RTLA to keep a deeper impact on the district we are in. With our two organizations, sometimes with the merger, one will swallow another organization, so they are doing the same thing. What makes our merger unique is complete mission alignment. Our programs were different but completely aligned with each other.

The Rochelle Lee Teacher Awards program (RTLA) was founded by the founder of WITS, Rochelle Lee, with who Smith stated, "wanted to share the love of reading to the Chicago public school students." In her name, they awarded teachers of excellence a stipend to build libraries in their classrooms. Brenda Casey, the CEO of WITS and Jeremy Clark, were instrumental in ensuring that the RTLA program remained a viable entity with the combining of the organization. According to WITS's website, their mission states:

Working in the Schools (WITS) creates positive learning community through a portfolio of volunteer literacy mentor programs and teacher professional development; a comprehensive design to inspire students' passion for reading. (WITS- About US, 2016)

Smith, who was originally Chairman of the board at Boundless Readers stressed that one of the main factors of choosing to align with WITS was their overall goals and interest. He clearly states,

Luckily for both organizations were interested in merging with us and we had a really great organization in Chicago for what we were doing, so it became more of an issue to see which one was more aligned with what we wanted to do

Due to the RTLA and BR's mission to promote literacy for students, Smith reached out to Casey and Clark and was able to successfully marry the two organizations in 2014. The main rationale, in Clark's viewpoint, was maintaining the RTLA program because, as he states, "it is the best one around." Therefore, when organizations seek an organizational partner or merger, they must keep in mind the programming and services that may complement their own goals and mission.

We were very impressed how they ran their program, the results and quality of instruction and the size of the stipend and the ability to design a library in the classrooms I'm sure Brenda told you a lot of Chicago public schools don't have libraries and important to have libraries were important. Not looking to grow for growth's sake and taking away a program that wasn't effective. We weren't sure if it wasn't well run- high quality of program the main reason we decided to go through with it.

Sometimes nonprofit organizations that aim to merge or collaborate with another organization does not necessarily mean that they are going under. As Clark stated, the reason they chose to take on BR was due to their programs and how adopting and maintaining their teacher professional programs and

award programs will help to ensure they make the most impact on the Chicago Public School's community of students. It appears that with this new generation, people tend to be glued and transcended into their electrical devices and reading does not seem to be that important. But all three individuals involved and interviewed for WITS all maintained that the mission of keeping students reading will disable this ideology and myth; maybe perhaps not do damage to their optics from gazing at their phone.

Not only does mission alignment and agreement become one of the rationales for a marriage of organizations, but the board members have to go through a lengthy process of negotiation, due diligence, and collaboration. The board, as described by Clark and Smith, are the drivers of the merger. They need to be thorough and ensure that nothing goes through the cracks.

Board Involvement

Jeremy Clark and John Smith are both assigned the positions of being on the board of directors at WITS. According to Williams (2014) from the Foundation Group, one of the boards of directors' purposes is to ensure that they focus on mission, strategy and the goals of the organization. As in a merger, Clark and Smith are put in charge of piloting the merge, making sure they are practicing due diligence, negotiating and collaborating with everyone on the board. Smith stresses that BR, with whom was seeking WITS had to be very transparent in their meeting with the board members

We were very transparent with our board from the beginning. We had a vote to how our ED was to begin discussions and every board meeting we would update them as to what was going on with these two organizations and we went through a very analytical process of looking at both organizations and we then brought up another vote of which of the two organizations we wanted to pursue and we went down the line of beginning the negotiation process and I think because we went through this very thorough transparent process it allows the board to accept that this needed to happen (Smith)

The notion of being as transparent as possible from the beginning is imperative for the process of a merger, or marriage of organizations. As Smith states, the due diligence and negotiation process takes time and patience and all board members need to ensure that the merger will not stray from the overall mission of the organization. As for any decision to merge, the process of researching other organizations with similar attributes is something that has to be done in the beginning of a merger, and not at the pinnacle of when an organization is failing. Having all board participation from the beginning and dictating that, just because there will be mergers does not necessarily mean that everyone does not have a stake.

Clark had a very similar experience as the Chairman of the board for WITS. However, this was prompted when asked about any apprehension to the merger. “Vetting” is mentioned several times as a way to the proceeding and singling out any objections and facing challenges head on in a meaningful and productive way.

I wouldn't say there was anyone on the board that had strong opposition to the merge, but we vetted it over the course of some meetings to make sure everyone was comfortable with it.

Vetting is a process in which meetings occur and decisions are considered with a fine tooth and comb. As with any board, board buy-in and an overall consensus is imperative and an instrumental force that must occur in order for a permanent decision is to be made.

Brenda Casey, CEO of WITS, impresses that full board buy-in is especially important because, just like a hung jury, if one board member is not on board with the merger, it will all go down in flames and therefore be unsuccessful.

It is critical for full board buy in from both organizations to move forward and that it takes time, especially when you have maybe some BM that was founders of organizations that say, Oh it won't be the same, so what I learned and what was crystal clear to me that I really had to exercise patience and take time and to let board do it at their own time

All of the points of view, from the Clark to Casey, all agreed that even one board member has the power to veto a merger or continue to move forward. Therefore, communication, negotiation, and collaboration are imperative for board members to undertake when considering an organizational partner. Their duties include drafting paperwork and reaching out to foundations to ensure funding. If it was not for the benefit of Clark and Casey, Boundless Readers, with their annual budget being \$500,000-\$600,000, would not continue to flourish. As was previously mentioned with stressing the power

of mission alignment, board involvement and funding are the ingredients of a successful and powerful merging of nonprofit organizations.

Funding

Funding is imperative for any nonprofit to remain a viable and sustainable entity. According to Sergeant and Jay (2002), funders desire the need to ensure that their dollars are making the best impact, and that funders want value for their money and to ensure that the organization is using their dollars as a means of production, not only going toward programs, but also satisfying those individual donors and federal dollars. Many of the participant's, especially those involved in funding and on the board of directors all had similar concerns regarding expectation from funders, foundations, and individual donors. All of the concerns, from the perspective of the interviewees, lay within the bounds that funders may view a merged organization as a combined entity, that being said, Casey mentioned the following.

BR was not going away, it's going to continue to thrive and flourish, but under the WITS umbrella now and it needs your support post merge as well as pre merge. You will always have some attrition, but without that, as a focus up front, you run the risk of putting the program and then having a significant portion of that funding going away. We had discussions on how many board members we were going to take on.

This suggestion pertains specifically to the merged organization between Boundless Readers (BR) and Working in the Schools (WITS). While the

organizations fell under the same entity, concerns flourished, especially when opinions mounted in the realm of programs being merged. The Rochelle Lee Teacher Award (RTLA) was a program that was deemed instrumental in the decision to keep BR board members on board. The worries were that, just because the name of the organization is dissolved, does not necessarily indicate that the organization does not need support. Communication is key in all aspects of a merger, and from a board member's perspective from WITS, they concern lay with whether foundations or individual donors would continue to fund and donate dollars to the acquired organization. As stated by Clark, those concerns amplified when opinions mounted from foundations.

Oh, BR is part of another program, so I guess they had a good run, but that doesn't mean we need to support it anymore and but our charitable dollars somewhere else." We didn't want that to happen at all

As stated, Clark and the other board members did not want that sentiment to be the reality of the newly formed organization. Just because BR fell under the entity of WITS, they wanted to be transparent. When the Chief Development Officer was interviewed from Positive Resource Center (PRC), there was fear and concerns relating to the retirement of AIDS Emergency Fund.

That as we retire AEF as an organization- the programs stays, the staff stays, the clients are still with us, but our fear is that some people may say, "Oh that organization is no longer around, so I don't have to give"

Gayle McDonald made it abundantly clear from the start of the merge that, just as Clark and Casey mentioned, the fundraising aspect would not go away from the programs at PRC. Just like WITS, PRC adopted and took over the organizations AEF and Baker Places (BP) for the services and programs offered as they were aiming to rid the world of AIDS, one donation at a time. As AEF employed a small staff, with the addition of PRC, the employees grew to 250, all serving their clients with the financial aid, employment, disability and mental health services all combined to make a greater impact in San Francisco. As McDonald mentioned, without addressing the homelessness and having to take a cocktail of medication, the combination and accumulation of programs and funds would go toward PRC but did not diminish what AEF and BP had to offer. One concern from Sergeant and Jay (2002), was that when a merged organization takes over, the funders tend to feel as if they do not need any help, which as all interviewee's stated was not the case, and that they did not want to further that misconception.

Finally, as a fundraiser, Gayle McDonald lay out the elements of fundraising:

Um, I am a fundraiser, and when I do fundraising I tell people there are four things to be a fundraiser to raise money and that's leadership, what your case for support is, what your prospect and what your plans are

Thanks to the courses at the University of San Francisco's School of Management program, communication and building relationships is key to fundraising. As these elements point out, there are many aspects, such as defining what one's leadership qualities are, what one's goals are, who the prospect or the individual donors or foundations are, and finally, how one plans to execute those plans. Without a clear vision going into a merger, which composes of reaching out to the donor base and the legacy donors, fundraising will appear to be more difficult. The figure (see Figure 1) showcases these steps that all tie into a successful merger.

It is imperative that the process of researching like-minded organizations from the very beginning are cornerstones to begin a thorough and due diligence process that cannot be executed if a struggling nonprofit organization does at the very last minute. After all of the content had been recorded, thus, the Merger Element Model emerged. This model showcases the three themes that arose from the interviews, with specified qualities and a simplified explanation. As illustrated in Figure 1, board involvement, mission alignment and funding are instrumental for nonprofit organizations considering a merger.

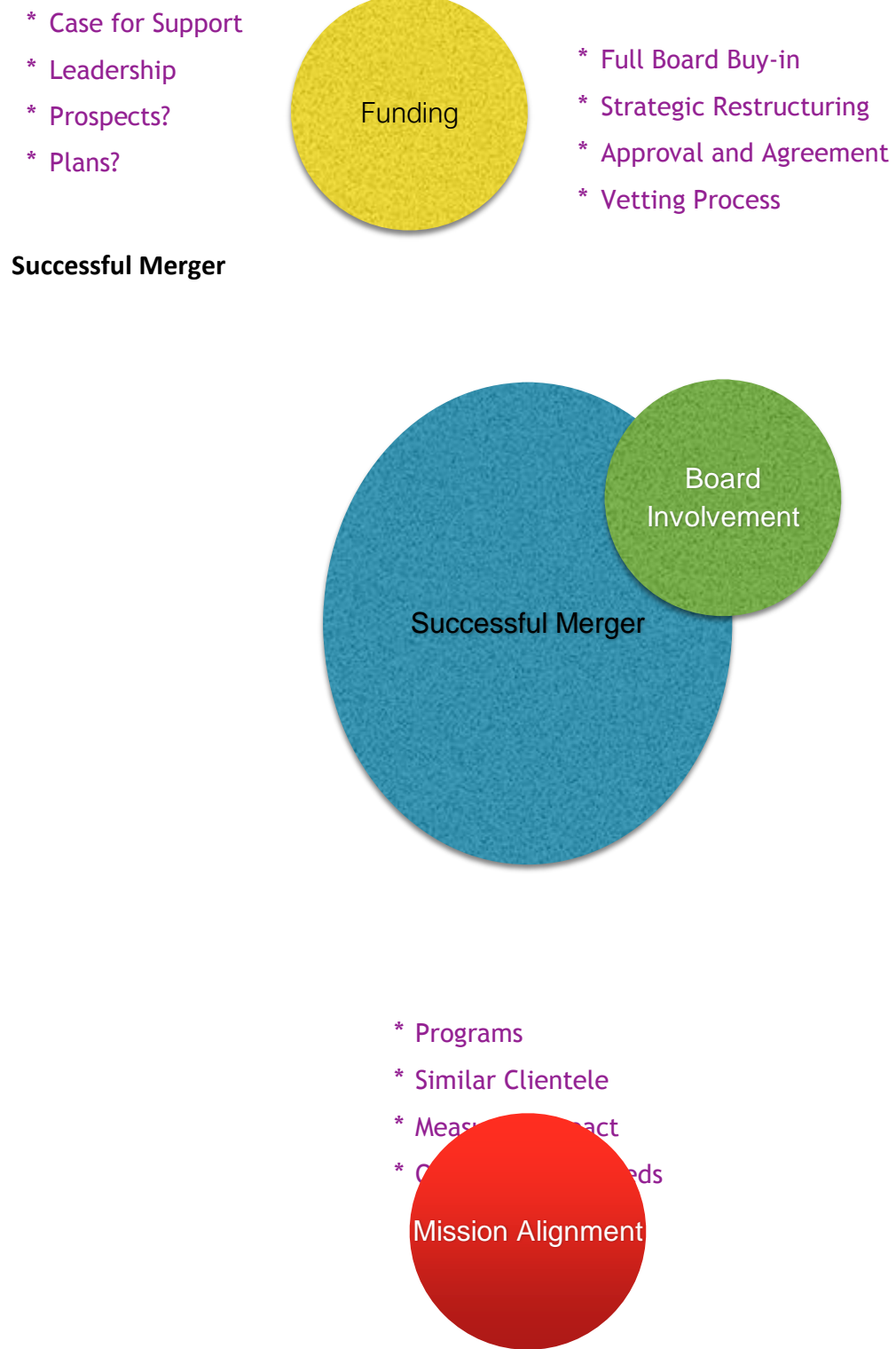
Looking for similar missions, or missions that aligned through partnerships and expansion of programming was another important facet in the marriage of an organization. As Brenda highlights,

“A merger is like a marriage like our in-laws are meeting and how is this going to go, and so it’s bringing together the board members and the staff together and we are going to stay focused on the mission and we are stronger together.”

Alongside the importance of the elements of a successful merger, board involvement, or buy-in should be the top consideration, as board members have the most agency to follow through with a merger. Whether this is with acquisitions, strategic planning, or the process of the vetting process, board members should all be in agreement in order to negotiate and collaborate in a merger.

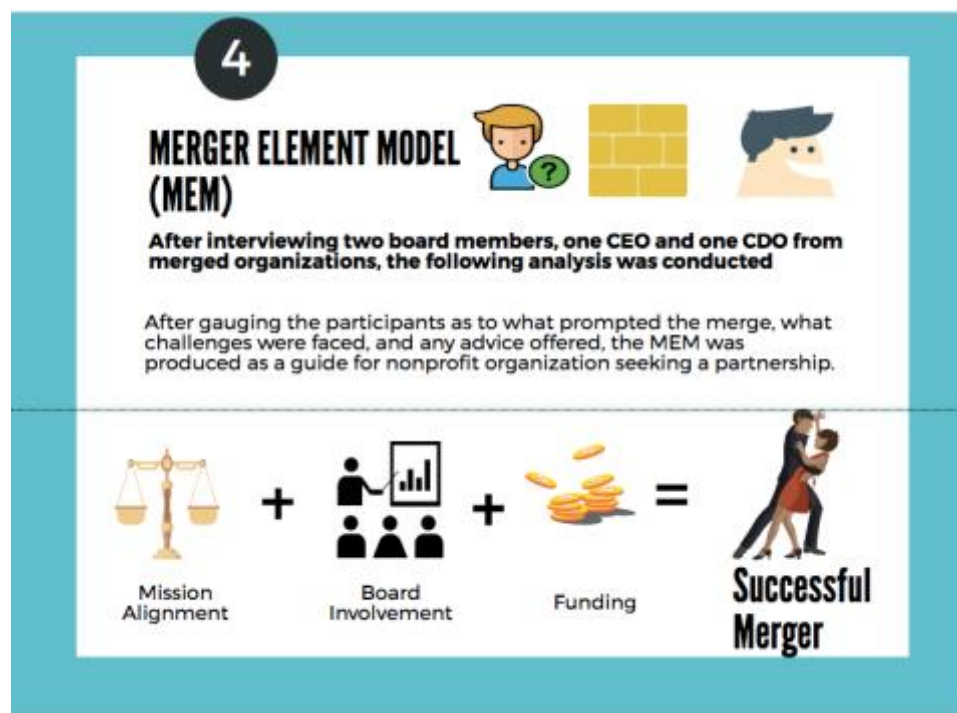
Figure 2 goes in more depth and specifies the process into which the merger element is supported. When gauging responses in what prompted the merger, challenges faced and advice was given, the Merger Element Model is created.

Figure 1: Considerations for a



Source: Anne Weltner, (Author's creation), 2017

Figure 2: Merger Element Model



Source: Anne Weltner, (Author's creation),2017

Implications and Recommendations

As the sociopolitical climate is vast and ever changing, nonprofit organizations must evolve with the times. Not only should they ensure that their beneficiaries are being served, but they must take into account all of the complexities of the pre merger process, numbers of stakeholders, funding concerns and board involvement. There are many reasons as to why a nonprofit organization may consider merging into another entity, specifically, funding loss, change of leadership, expansion of programming, mission alignment, and

seeking outside support for services. Organizations need to ensure that their mission is the focal point in all consideration, which will be highlighted in the recommendations. If the missions do not align, the merger will fail and an acquired organization will cease to exist.

Board members must all be in agreement and communicated in every step of the way. Similar to a jury person, if a board member is not in agreement, the vetting process must start over. Board's responsibilities in the merging process are to negotiate with the Executive Director and draft up strategic plans and restructure if needed. Not only is the mission the backbone of an organization which enlists values and responsibilities, but board members have the final say.

Many of the concerns facing funding was a fear that as an organization is acquired by another, funds will dissipate, but with foundations coming to the rescue, and the development team working tirelessly to find more avenues, prospects and plans to solicit donations, programming will expand. The following are recommendations and suggestions when considering a merger based on mission alignment, board involvement, and funding.

1. **Make sure that it is the mission, not the organization that is the face of the merger:** Do not let organizational members' egos get trampled when a merge occurs. Realize that everyone involved has agency into what happens with a merging, but understand that if the mission is not embedded into the process, the merge will fail.
2. **Start the merger process early:** Do not wait until pressure from funders is the main factor when considering a merger. Have open and honest communication with foundations and funders and take a look into the impact your organizations has on their beneficiaries. If the organization is not meeting its needs, then the process of considering a merger should begin. It takes time and patience to conduct a merge, and if one waits too long, an opportunity may pass.
3. **Be careful in the vetting process:** Do extensive research on organizations that are prospective partners. Look at mission, programming, and clientele as a basis for consideration of a merger. Do not take time crunch as a factor when considering a merger, because if the wrong organization is partnered, the combined marriage of organizations will fail, thus leaving clients and beneficiaries nowhere to turn in times of need.
4. **Practice open and honest communication at all stages:** All stakeholders must have updates, documents and press releases shared throughout the entirety of the process. If one person is not aware of the process or what

elements are being considered, the conflict will ensue and the focus on the mission evaporates.

Conclusion

As with any marriage, mergers must envelop honest and open communication, practice strict codes and conduct, negotiate and collaborate, and have a focus on cultural fit. There are many factors that go into deciding whether to merge. Organizations may face funding pressure to make a bigger impact on the community, funding may be dwindling, or there may be a change in leadership. In the sociopolitical climate, with diseases and policies changing, organizations must adhere to what is considered most important for their survival. Although Boundless Readers and AIDS Emergency Fund did not lose all aspects of their programming, their names ceased to exist and the organization dissolved. The Executive Director and the board were contacted, and the merging process began.

As has been threaded throughout this report, the merging process should start early and be as open communicatively and updates as much as possible of the occurrences. Organizations seeking a merger look for other nonprofit organizations that have similar missions, full board buy-in, and a strong funding practice. Both Working in the Schools (WITS) and Positive Resource Center (PRC) developed these practices and thus were impassioned in

a successful merger. Open communication was a priority and partnerships were considered based on mission alignment and similar programming.

Once the interviews were conducted, a thematic analysis was conducted and three emergent themes were produced: (1) Stressing Mission Alignment; (2) Board Involvement; and (3) Funding. Without these factors or elements, a successful merger will not be possible. Alongside a thorough investigation, recommendations, such as stressing patience and time as a factor and ensuring the mission is the most important facet of an organization must be communicated at the very advent of the merging process. Not only will this ensure that all stakeholders are on board, but will entitle a smooth transition to a consolidated and collaborative entity.

Limitations

Although the study produced many insightful facets of the merging process, there were some limitations. Due to a strict timeline, a more thorough and in-depth survey did not occur with different stakeholders aside from the CEO, CDO, and board members. It would have been interesting to gauge a more specified lens into what impact mergers have on acquired organizations or ones that are considering merging with another organization, such as Boundless Readers and AIDS Emergency Fund. Due to the time crunch and lack of time management, the specifics from the original Capstone proposal were not met

The questions were limited, and if time allowed, perhaps more questions and factors could have been analyzed in this report. It would have been preferable to create models for implementation, and maintenance, however, the creation of the Merger Element Model will guide organizations as a way to decide if a merger is right for them. However, from all the information gathered, many benefits have raised for organizations seeking a merger.

Benefits & Further Research

As more nonprofit organizations grow and combine services and programs, this user guide and Merger Element Model can be utilized as a means for organizations to guide them through the merger process, from the pre merger negotiations to the post merger and maintenance phase. Although time did not allow for implications on the process after the pre merger process, further research could encompass an expansion of the elemental follow through of a merger to the intended implementation.

If one were to expand on this report, it would be recommend to reach out to more diverse stakeholders involved in a merged organization. This would involve studying reports and reaching out to the individuals involved through email and summarizing what the report is about, with more than four guided questions in order to extend on what and how and why a merger was successful and what pitfalls could occur.

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Appendix A: Interview Transcriptions with Participants

For the purpose of the thematic analysis, three to five questions were posed in order to gauge responses from the interviewee(s). The questions are as follows:

1. What prompted the merger?
2. In the process of the merger process, did your organization face any unique challenges?

3. What advice would you give for an organization that is seeking, or are in the process of a merger?

For both Jeremy Clark and John Smith, as they are on the board of directors, additional questions were posed, that included:

1. From a board's perspective were there any apprehensions regarding the merge? If so, how did you address those concerns?
2. What is your role?

Interview with Brenda Casey- July 21, 2017 at 11 am

Anne (A); Brenda (B)

B- So tell me how I can help you?

A- So, actually I did some background research on the article that was sent that and was made and it was extremely helpful. I know about um, the background basically that boundless readers there was a transfer of assets program or transfer of assets from BR to W-I-T-S which where you work

B- You can say WITS is a lot easier

A- That makes it a lot easier

A- So I was wondering- I got the basic information, I wanted to know now the process how you are, what kind of in your mind what prompted the merger

B- What prompted the merger was really the boundless readers board service to look for orgs that could maybe merge into you know they realized that being a stand alone organization that was taking some resources they lost some major funding and there were some changes in the public school district to keep the Rochelle Lee Awards program in tact which they kind of realized they didn't need to be a stand along organization, so um they were talking with both WITS and another organizations that did teacher professional development and the reason we decided to move forward with the merger which was essentially an acquisition with acquired boundless readers as an organization and the agreement was that we would keep the Rochelle Lee Teacher Award Program, but really we saw a lot of mission alignment with the two organizations yet the program model was very different but complementary what we are doing is combining our volunteer literacy program with with the RLTA to keep a deeper impact of the district we are in, so we will train the teachers given some resources from the libraries and work with the students, with our two orgs, sometimes with a merger, one will swallow another org, so they are doing the same thing. What makes our merger unique is complete mission alignment, Our programs were different but completely aligned with each other

A- So, would BR be the acquired organization?

B- Thats right, so with BR

A- Okay, one thing that I was a bit confused. So with acquired that means that something was taken over?

B- Thats right

A- Okay, so WITS is the acquirer?

B- Thats correct

A- Great. And then, so, did you find that when you were going through the process were there any unique challenges and how did you overcome them?

B- Yeah, I think one of the biggest challenges of a merger with either a nonprofit or for-profit organization is the cultural merge, so bringing board and staff together and making sure that everyone knows that we are pursuing this so we can make a deeper impact no out constituents and that we are one now, one organization now, and in the early stage of the process we know especially with the board members, it is us versus them, really everyone understanding we are one org, its like we a marriage, like out in-laws are meeting and how is

this going to go and so its bringing together the board members and the staff together and we are going to stay focused on the mission and we are stronger together. I know that there i Chicago there are a lot of talk about nonprofit mergers and something we are really focusing on is the culture piece, like how are we bringing together two organizations

A- Okay, that makes sense, I know that some other organizations (because I did some interviews) that there is a clash of egos sometimes, like if there are two strong EDs its difficult to get along, but it looked like you are Dome

B- Dorm, yeah

A- I know that with he or she

B- She, it was easy for WITS and BR they were looking for her to step, and she was done, so there wasn't a need to delineate between these roles

A- Is she on the board?

B- Yeah, so she joined the board

A- Some challenges in mergers are a cultural fit and mission alignment

B- That cultural fit is really important because it that isn;t there the merger isn't going to be successful and there are a number of ind. donors that gave to BR and once the merger was over we lost some of those donors or tended to be some tended to be some donor fatigue, but with corp, foundation funders there was an increase in donations, but with the donors, my gut tells me, I don't have quant or conclusive evidence on this, but my gut tells me that those ind donors, so everything is okay, so we don't have to do anything with the donations for the orgs.

A- thats true, and at the time of the writing it said, that time would tell if funding, or if funding was there, I'm sure you have been interviewed

B- Yeah

A- Yeah, the article was extremely helpful. What is the relationship with the funders like now?

B- Yeah, we are still trying to figure out how to engage those ind. donors so its ongoing, but with the found and corp donors we were able to sustain those donors and increase the funding

A- Okay, great. So the last little question here is, what my paper was going to be was a case study of an org, because here is SF I worked with AIDS orgs and the org that I worked with has merged with two other orgs, but now they are in the mecca or meat of the merger, so I decided to do a user guide for orgs that wanted to merge. So do you have any advice for an org that was looking to merge with another org?

B- Yeah, my biggest piece of advice from Executive Director and CEO position is that it is so critical for full board buy in from both orgs to move forward and that it takes time, especially when you have maybe some BM that were founders of orgs that say, Oh it wont be the same, so what I learned and what was crystal clear to me that I really had to exercise patience and take time and to let board do it at their own time

A- I was going to interview a board member as well. I didn't know if I could find one online, or..

B- You mean a board member at WITS?

A- Yeah

B- Let me connect you with John Martin who is the chairman of the board, so I will connect you to him. I know he would love to talk to you. I will also connect you with Jeremy and that it takes time, I have your email open now Anne. I know he is out of town now in Europe. How soon do you need this done?

A- Well, my paper isn't due until August 11th.

B- Okay, he'll be back next week

A- Okay perfect. Thank you so much Brenda for all your help!

Interview questions for Jeremy Cole, as President of the board and partner at law firm that helped to negotiate merger

1. Would you mind telling me your role-

2. As a board member, what prompted the merger
3. Were there any members that were apprehensive about merger? If so, how did you all deal with it?
4. What challenges did you all face as board members?
5. What advice would you give to board members seeking a merger?

Anne (A); Jeremy (J)
Boundless Readers (BR)
Working in the schools (WITS)
Rochelle Lee Teacher Awards (RLTA)

A- Can you hear me?

J- Yeah

A- Great, let me see here. Okay so would you mind telling me your role, I saw in the article that was published in the Chicago article about boundless readers and WITS and it said that when they negotiated the merger that your law firm was involved?

J- Yes

A- So would you mind telling me your role within that?

J- sure, so I work on the negotiation of the merger, the actual document. I am the president of the ITS board and our firm provided on a pro bono free basis and we basically formed the documents to complete the merge and formulate the merge. I forgot what the title was, but we were initially the transferring the Boundless Readers program to WITS the 501c3 and there was some documents and some lawyers in our office who have experience with nonprofits put those together and finalize the documents and I believe that BR I believe had a lawyer to review the documents on their end, but there was no purchase price, just a transferring of assets from BR to WITS

A- Okay, I did read that. Um, so um I also know, I am in the masters of nonprofit program at the University of San Francisco and I know that boards have a kind of say, what prompted the merger, I read there were some financial issues, but as a board member, um, what was your interpretation of it?

J- yeah, my stance was BR was very good at what it did the teacher development program was very really cutting edge and the best around, but

from an internal perspective I think they were getting to the point where there was a real challenge and they were reaching their ceiling. They had a very small staff and I think the people who were tasked with running the day to day and thinking with the board of what they wanted to come and I think their view, my understanding they wanted to partner with a similar org that had similar orgs, more established program that would complement with the existing program and the BR program to grow, and they began to identify two or three orgs that fit that profile, which was WITS, they reached out to us to see if we were interested, our board, along with Brenda vetted the process and went through our process to see if it made sense

A- Yeah, that makes sense. I know that the board, which I learned in my strategic governance class that the board roles and all that kind of staff, and I know that Brenda told me that Dorm, from BR that she was retiring, so there were no problems of who was going to take over, but were there any board members that were apprehensive about the merger?

J- Um, I think there was some apprehension, most mission if it was going to creep to far away from our mission at WITS and looking at the time we focused on mostly one on one mentorship programs to promote literacy and we had volunteers that would go into Chicago public schools that would read one on one with perhaps a second or third grader we have some programs where slightly older students would be bussed to business or corps downtown and they would read and meet with their mentors and those were some programs that were still kid focused but not necessarily one on one, but this was a new angle- training the teachers, they were obviously in classrooms with the kids year round and most of the discussions was was this going it a different direction and taking away from our core programs or was this a complementary piece to help round out our practice in the classroom, or as Brenda would say a more holistic approach, ultimately we got there. I wouldn't say there was anyone on the board that had strong opposition to the merge, but we vetted it over the course of some meetings to make sure everyone was comfortable with it, the other thing we did was, I thought turned out to be a good idea was putting together a task force within our board to really asses and do due diligence on the merge and I we had like some nonprofits we had an executive committee and we would meet quarterly, and the day to day and everyday tasks would come from the executive committee obviously anything that would have to be reviewed and voted on would be in the board meetings, I though it would be beneficial to really get at least a sampling of the board from the outside so we organized a task force of 4-5 board members who were on the executive committee some of whom had different expertise to the org, economics, financial based, some others more big picture corp development, MNA

experience that we were fortunate to have on the board, so we met as a task force, prob had 4-5 calls over a four month period where we would kind of check in and have a takeaway and action items to do from that call to the next call and then ultimately we would have a deck and powerpoint that would summarize our finding and we vetted that at the executive board meetings that we thought were the benefits and risks of the transactions

A- I understand some of the apprehension with the mission alignment, because Brenda mentioned a couple of times with the mission alignment and um how there wouldn't be a clash or conflict about serving your constituents and there is always an issue with that, and besides that, and I asked Brenda this as well. I kind of tweaked the questions a little bit but similar things you kind of you have a different position as a CEO so you have to tweak the questions a little bit and so what challenges she faced, and as the president of the board, and you mentioned some of this the apprehensions of the mergers, did you face any challenges anything you can think of

J- I think one of the challenges was how we mentioned this to the funding community and really kind of knew this going on, if we were to move forward and embrace and connect with the traditional BR quarters, when we look at this through a development perspective were were roughly about twice the size of BR, maybe a little larger, certainly didn't want to take on the program and have the funders think, "Oh, BR is part of another programs, so I guess they had a good run, but that doesn't mean we need to support it anymore and but our charitable dollars somewhere else." We didn't want that to happen at all

A- Right

J- and so we very much though it was important and challenging at times to reach out to the foundations and ind and some of their key stakeholders that BR was not going away, its going to continue to thrive and flourish, but under the WITS umbrella now and it needs your support post merge as well as pre merge. You will always have some attrition, but without that as a focus up front you run the risk of putting the program and then having a significant portion of that funding going away. We had discussions on how many board members we were going to take on, which I think we ended up absorbing 5-6 and BR board onto the WITS board, John Martin who you may talk to

A- Yeah, I'm talking with him tomorrow

J- John is phenomenal and a very hard worker and was the president of the BR board and came onto the executive committee which we thought was

important so the BR members felt they had a seat at the table for critical decisions, and it would be interesting to have Johns take on how that went, but some might call that a challenge, but I found it a very important piece that we wanted to make sure we got right and making sure their stakeholders knew what was going on and the the BR program still had what it needed before

A_ There wasn't a dissolving of the program. I know that sometimes when merges happen, they change their name, but they kept the name WITS and had board members from BR that name is not there.

J- what we did with that, we kept, we invoked the name, legally the way it worked, there was not a dissolution of the transfer of assets program agreement the name of the document. We would, what we did was when they came on there will be a transition period, you can;t just change the name, we would continue to use the name BR for about a year or so and then during that year, we renamed, or kept the name, what BR does is award teachers, whether they qualify or qualified, provided an award and training over the summer for some groups sessions during the school year and they get a stipend for a library in their classroom. We labeled the award the Rochelle Lee Teacher Award. Rochelle Lee is a well known Chicago librarian who was devoted to all these innovative techniques with reading. She is no longer with us but she was a pillar of BR, and we named those awards, and they may have named it as well, the RTLA. We don;t use BR anymore that we are three years into this thing. I think people now know that there are essentially a lot awards essentially the legacy of BR programs

A- The last question I wanted to ask, I wanted to do a user guide for nonprofits to look at if they are considering a merge. Would you have any advice as a board member, I know you mentioned. I had my coffee, it hasn't kicked in yet. You mentioned how the mission alignment and the things you need to look for

J- Yeah, I think mission alignment is important and a thorough diligence beforehand is critical. I think as the acquiring entity you have to look really hard at the fixed costs component, and the whole thing as a board, is if this thing goes great goes great and is fantastic and alternatively what if this doesn't go well and we were somewhat comforted by that BR must of the costs and expense was tied to the number of awards was given and that was scalable, in other words if we do the merge and a significant hit goes away from the funding goes away and if necessary we would scale the program back somewhat to match the support we were giving to go up, but if there was sub-costs in the next 5 years you would have to spend \$500,000 to fuel this thing and you are not sure if you will get enough support post merger as in pre

merger we would look at it at a different way, and here based on the number of awards with the funding with the awards it shrunk to \$300,000 the year after the merge we could scale the program down at least temporarily to match the support and it wouldn't necessarily drain dollar programs that were earmarked for other programs. Fortunately that didn't happen with the number of awards fluctuated a bit, but not a significant dip in fundraising that we had to make sizable adjustment to the programming. There was a slight drop but we have steadily grown from that and from an accounting perspective from a nonprofit you can't say these are BR dollars and can't go to one thing, it's all in a pot just from a high level perspective we wanted to make sure that if we were going to take on another org that it wouldn't be a great risk running that piece would again drain the support we had from other programs so that was a factor for us and reassuring for us and now if we if I was from another go and committed us we were not variable and I know that for the next few years may need funding but make sure you have a great transition from foundations and individuals supporting the being acquired before acquisition and after if that makes sense

A_ Yeah it does and Brenda did bring it up, there are issues from ind donors oh that's fine they don't need extra funding, when you talked up. The board ultimately decides what happens with merger have a different

J- the biggest draw for us- we were very impressed how they ran their program, the results and quality of instruction and the size of the stipend and the ability to design a library in the classrooms I'm sure Brenda told you a lot of Chicago public schools don't have libraries and important to have libraries were important. Not looking to grow for growth's sake and taking away a program that wasn't effective. We weren't sure if it wasn't well run- high quality of program the main reason we decided to go through with it.

A- Okay, well thank you so much for your assistance.

J- I would ask if you are going to publish this to let us look at it with our staff—

A- Oh no, this will only be presented to my professor

Appendix C

Transcript for Gayle McDonald, Chief Development Officer, Positive Resource Center

Anne (A)

Gayle (G)
AIDS Emergency Fund (AEF)
Positive Resource Center (PRC)
Bakers Places (BP)

G- I'm kind of curious how you chose to pick PRC to write about us

A- oh sure, so um I am in a masters of nonprofit program at the University Of San Francisco, and I am, right now we are doing our capstone report, so we have to basically choose any topic in the nonprofit field, whatever we are most important to us, and interview people, and if we have time, do surveys, and um, so I know Cal very well and I worked on the AIDS walk a couple of years ago, um he told me that PRC and AEF and BP merged and I initially wanted to do a case study, um with PRC but wasn't able to get access, so I interviewed a couple other organizations that merged, um, so thats what I am doing. I have to do a poster presentation and a powerpoint presentation so, its pretty tough, so they like to keep us busy in the summer

G- Mmm hmm

A- Um, yeah, so I found a great article. I think it was the Bay Reporter and it talked about the how the merger came about. I was curious, not sure, what brought about the merger.

G- Yeah, let me break it down, where we were, where we are, and where we want to be in the future. How does that work?

A- That's perfect!

G- Yeah, so it sounds like you know some history about PRC so you understand that, we were founded 30 years ago as a response to the AIDS epidemic and we really wanted to be a critical organization in the community offering legal support and benefits and health care, employment training and placement. We expanded our mission a couple years ago to accommodate those with mental health and disability issues. Through the last 30 years, we have partnered with several organizations along the way, including AEF, which provides financial assistance to those that are positive, including help with small medical bills, utilities and rent, and increasingly eviction prevention support. We partner with Baker Places, one of the longest established residential treatment center in San Francisco and founded 52 years ago by Glide Memorial Church and it has remained an independent agency for many years. Baker Places has 9 different facilities all around San Francisco that provide a variety of cultural competency

options, including a detox facility and longer term residential care. So the three organizations have a long history of collaboration, but they have run independently. As you can imagine, there are a lot of client sharing between the two, because folks with HIV and AIDS have other issues as well such as substance abuse or medication abuse or mental health issues due to an overwhelming stigma and oppression facing the disease, and unfortunately these dual or triple diagnoses are a straight path to homelessness for a lot of folks, so, you probably also know that as the epidemic has evolved over the last three decades or so, um there has been more medical interventions that have been available to stabilize people's lives, but that hasn't stopped the spread of the disease, and it's starting to impact really more impoverished folks, such a low income, immigrants, people of color, and homeless folks and other people that are marginalized, and as a result of kind of the strengths of our 30 years in service are our partnerships with these 3 other orgs and the changing face of AIDS and the changing face of the funding community. As more medical interventions have become available, many funders feel it is no longer a crisis and moved onto what they may deem as more critical or current issues, not understanding that those with long term disease have long term challenges. So, as an agency under the leadership of Brett Andrews, who has been here for more than 14 years, there started to be some conversation about 2-3 years ago about where we should be moving. It really started with Johnathon Vernick, who was the outgoing President of Baker Places and he had been there for 20 something years

A- I think it said 30 something years

G- Yeah, so coming out of retirement and thought about who he would want to replace them, and as a result of his relationship with PRC and Brett to have a conversation and I think Brett thought he would make a lateral move and go onto Baker Places. They ended up thinking more about it and thinking there might be a need to move to a more strategic partnership here and eventually that is what happened. We now run BP as a subsidiary org. I'm technically the chief development officer at BP as well. Almost simultaneously Mike Smith who was the outgoing executive director of AEF also came and had a similar conversation with Brett, so it was kind of this perfect synergy of things. We got this long term expertise and these collaborative partnerships and AIDS is changing in the community and the impoverished folks, but the funding is starting to disappear, and the sustainability of a stand alone AIDS org is limited. It has become appropriately folded into a larger public health policy. So whether it is what we see or what Shanti or what the SFAF has is being seen as a consolidation of smaller to mid-sized organization coming together to provide a stronger continuum of care for their clients, now for professional and

educational concepts. PRC's expertise is in social health- not a clinic, but we provide all those social support for clients to make sure they can stay on their medication or whatever interventions or protocols they are on so they can be healthy and not go back into hospitals or withdraw, given their situation. Because if you don't have stable housing and you don't have a stable job or access to health care, it's pretty hard to stay on a daily very regimented cocktail of medication for HIV, let alone go through drug withdrawal and rehabilitation or severe mental health issues like bipolar and schizophrenia or other things. So, that is where we are at, and how we got here. So last year PRC's budget was under 5 million, and now we were at 21 million and we have a few things in the hamper the pipeline, and at the end of the year I anticipate we will be at about 23 million dollars, and so there has been a lot of talk about mergers, but I think the best way is to frame it as strategic partnerships. Each partnership we have with an organization is different depending on the agency, so PRC and AEF are merging, but the end of September, AEF will dissolve completely and their assets and staff will all be rolled into PRC. We are all operating at PRC and have been for over a year, a lot of people work, and that was the appropriate response because AEF has a small staff there was a stream alignment of programs. With Baker Places, as I mentioned, we are operating it as a subsidiary, in large part because the programs and operations are a 24 hours a day, seven days a week residential program and has a lot of different needs and has in broad strokes stabilize some of the management and financials there. It is a 100% government funded organization, and so what we are trying to do is bring in some additional funding. Because as you know, nonprofit funding has been very static for many years and hasn't been able to keep up with the living and costs of living in San Francisco. So, we are working to stabilize that, but as a result of the different program needs and structure and some financial complications and keep it as a separate nonprofit and manage it as an operating subsidiary, so we are a mini conglomerate. We also have a new strategic partnership with Hyde Street Community Clinic, which is a community based clinic in the Tenderloin and they are not part of PRC as an operating organization, but we provide back office support for them, like HR, financial accountability and IT. So they are not part of the conglomerate, our 21 million, or our strategic partnerships with us. So there are 4 different organizations that have a variety of different ways of coming together depending on what their unique needs are. Hyde Street has a strong leadership; their programs are stable. They just needed some help with their back office because frankly because the company they were contracted out to got bought out and it wasn't a personalized service they needed anymore. They are also an org that we have had a long relationship with and have gone back and forth with clients, so um, long and short of it, is to respond to the changing face of AIDS and the changing need for funding and kind of the ever-increasing need of

our clients, particularly those experiencing homelessness we're stepping up rapidly to transform our organization and be responsive, and that is where we are now. As we move forward we see ourselves to serve those with HIV and AIDS, which is about 5 million of our dollars of our operations now. We are continually serving those faced with HIV and AIDS and substance and mental health issues, and increasingly those suffering from chronic homelessness. Basically those living on the street for one year or more. Because we feel, as if someone who has been living here for 20 years, and as someone who is going to school in the city you know it's one of the most pressing issues facing our city and we can do better to help our neighbors. So, we want to be part of that solutions and are partnering with the SF department of public health and the mayor's office and we hope to be announcing some initiatives later this fall, particularly focused on the chronic homeless population. We're bringing our expertise to that. I am kind of a bleeding heart liberal, the way I look at it is what we learned through the AIDS pandemic, um is what we are going to bear on the homeless issue. That is there needs to be a continuum of care to take people from disease to health and crisis to stability and the fragmented model that we had is not working and we are going to try to partner with the city to help those in the city that are harder to serve, particularly those that have dual or triple diagnosis around substance abuse, mental health and/or HIV and AIDS because we have expertise in that area and our three organizations coming together with our history of addressing the AIDS pandemic. So that's what we are doing.

A- Wow! That's incredible, absolutely incredible. I didn't know Larkin, or the Hyde street, I didn't know—

G- Well that's one of our strategic partnerships, not merger, they are independent. We are looking to partner with Larkin Street and put in a federal request grant with them would be subcontracting out with them to provide them services, frankly on two multi-million grants. One around, both around homelessness and youth; one around benefits and counseling and the other employment services to the young people. So we are looking at these strategic partnerships on multiple levels and how we can align our efforts along multiple nonprofits. There has been a lot of talk, I'm sure you've heard it in school about collaboration but that hasn't often happened. We are trying to make a difference and make those collaborations happen

A- Okay, great. Have you, within this whole process were there any issues with mission conflicts or anything like that

G- Well obviously with anything big like this there are going to be challenges. Um, I am a fundraiser, and when I do fundraising I tell people there are four things to be a fundraiser to raise money and that's leadership, what your case for support is, what your prospect and what your plans are. So we did a feasibility study a couple of months ago and looked at what our abilities are and we realized we were a little short in some of those areas, so we've done some board recruitment to bring in some leadership, I retired (was hired)? within the last seven months along with some other staff so we upped our game with leadership and funding, when it comes to our case of support, we try to be right, so we went through an internal planning process and rebranding at the moment, like how do we brand our message and our mission. We are leaving from only being a legal aid social support organization to a legal and clinical social support organization and so there are some, we need to think about how we are going to do that. We have updated our mission internally. We are going to be rolling out a new brand in the next couple of months, so it's mostly just logo and messaging. We're still PRC, and then from a fundraising perspective we need to reach out to more donors and do some more strategic planning. I would say the biggest challenge around the merger process is Baker Places is a highly regulated organization that the state and government oversee because of its clinical nature, and there is a lot of due diligence and a lot of approval from a lot of state and federal organizations that, some of it we didn't know about it going into and some of it we did. BP is a union shop and PRC is not, so that added an extra complexity. So far that hasn't been much challenge but we have to go through very transparently. In some large part due to their government regulations and also we are having to refinance some gaps that BP has. That's been the biggest challenge; picking out an organization that has, very hard and then change things without talking to a lot of people whether that is through the state or the union, departments in Sacramento or city departments on San Francisco, so it's a lot of negotiation, facilitation and accommodation that had to take place

A- I think another, I did talk to a board of director yesterday and he told me that I know you are in development he told me sometime individual donors feel that because they merge everything is going to be okay. I read on your website that donors can choose what organization to give to

G- Yeah, and they can decide whether it is restricted or unrestricted. That's been one of our fears, that as we retire AEF as an organization- the programs stays, the staff stays, the clients are still with us, but our fear is that some people may say, "Oh that organization is no longer around, so I don't have to give" That's not true, but my sense in the short period that I have been here are that our donors, our AEF legacy donors are most loyal of all. That organization

as you know specifically came out of the leather gay community in the response to the HIV and AIDS crisis, and its a very tight knit community and very supportive and very generous and they are sticking with us, and it has been really wonderful to see

A- I just have one last question really quick, as CDO would you have any recommendations for funding for any organizations looking to merge?

G- Definitely hire outside consultant. A merger is brought with legal issues and land mines and isn't something to go narrowly into without counsel I would say

A- Okay great! I really appreciate your time. Would you like a copy of my report?

G- Yes and good luck and thanks for helping with our organization throughout the years.

Transcript from Interview with John Smith, WITS Chairman of the board-treasurer and President JFM Consulting LLC

John (J)

Anne(A)

Working in the Schools (WITS)

Boundless Readers (BR)

Chicago Public Schools (CPS)

Rochelle Lee Teacher Award (RTLA)

A- I understand that your were president of the board of directors for BR?

J- correct, Chairman

A- Um, from your perspective, what prompted the merger because I did some research on a report that was given that was excellent and got a bit of background information, but wanted to hear from your perspective as someone who was the acquired organization

J- well were the one who started the process. What happened was were a bit smaller than WITS BR was, I would say our annual budget was between 400-600 thousand, um but from a fundraising standpoint, the two main areas we were

getting fundraising was from individuals who mostly have been tied into BR for 20-25 years and foundations, a lot of foundations really didn't like what we were doing, our mission was very similar to WITS and we were trying to spread the love of reading to CPS students but our delivering method was through teachers. We were providing them teacher development and in class library and really kind of mechanism for the teachers to come up with ideas. What happened was our foundation started to let us know that they were receiving pressure from their funders saying that they needed to put money into organizations that had bigger impact. And so a few of our key foundations got us to consider looking for a merger partner and somewhat signaling to us that they were start to lose some of their funding and that really forced our issue, luckily for us on our board we had two different BM from the two larger management consulting firms, BCG and Bain and with their help helped us with strategic planning and they had given us some targets, at the time we thought of them as competetityys and looked at other literacy groups in Chicago, but that ended up becoming was a tool for us to figure out what would be a good merger partner. And, so that was basically how we got to the point, we looked at WITS and CSE and we asked our ED to reach out to the ED of the other organizations, Brenda and this other person as CSE and just began the dialogue and luckily both orgs were interested in merging with us and we had a really great organization in Chicago for what we were doing, so it became more of an issue to see which one was more aligned with what we were trying to do

A- mission alignment

J- does that answer your question?

A- Yeah, I didn't know that the foundations were kind of feeling pressured, so that is something I didn't really consider when orgs looked for a merger

J- I think to be honest we heard a lot more of that even after the merger that at least the Chicago based foundations are feeling that their funders wanted to see bigger impact, and the way to see bigger impact is to theoretically provide money, larger orgs that who potentially are likely to have a bigger impact so it was, it was partially their warning that their funding was going to go away and partially just recommending we search out a potential partner and what I said before and to be honest we should have started this partner search, this merger partner search two or three years before we did

A_ okay, that makes sense. The next question can be combined. So I talked to Jeremy Cole if there was any apprehension with board members toward the merger, and I guess that can be taken as challenges, so I can ask you that

separately if there was any apprehension with board members toward the merger, I don't know, like if the mission doesn't align or anything like that

J- yep, yep. So I gotta be honest, our committee of our board did a good job with our executive director in setting the table for our board, I think what had happened was we were already having some financial challenges, and as I said we were going through these two strategic planning exercises of what we hoped we wanted to be and the combination of the two made the idea of merging more palatable with our board members. I think what also helped was once we decided- we were very transparent with our board from the beginning. We had a vote to how our ED was to begin discussions and every board meeting we would update them as to what was going on with these two organizations and we went through a very analytical process of looking at both organizations and we then brought up another vote of which of the two organizations we wanted to pursue and we went down the line of beginning the negotiation process and I think because we went through this very thorough transparent process it allows the board to accept that this needed to happen and then I would say that the other big huge factor that allocated big concern was the Brenda and Jeremy very early on wanted to keep some aspects from BR and so I think, we had one founder named Rochelle Lee and we would give our teachers the RLTA. Brenda and Jeremy early on demanded that we keep that award and that the award stayed the same and so I think it gave a lot of good will to our board that the RLTA and BR were not going away and going to continue in they knew org and this helped our board members not gum up the works

A- that makes sense. Jeremy told me he wanted to keep the RLTA program because he respected that program and liked what it did. Lastly, would you have any advice for an organization and board members to an organization like BR that is looking to merge with another organization?

J- yep, I have a few. One, don't begin process too late, you can't have enough time if you to begin the process I think that's time to be looking into potential partners are in a position when you are in dire straits, second- if there is a change of leadership, either at the ED level or chairman of the board level and looking into potential partners early because that is when change is going to happen, and third you have to have to make sure that your board knows that the most important thing is the mission and not the org. we kept talking about that during the process. We said, look, we want to make sure CPS have the ability to learn to read and the next step would be to grow and perpetuate the program. Didn't have to be in BR but in any organization that at the end of the day can continue the mission is what the board had to focus one.

A- mission alignment I like that word. I'm doing a thematic analysis in where I am interviewing four people and mission alignment is definitely going to be one of the main sub-heads for sure!

J- Yeah, one of the things that I said I come from the 4 profit work and I have dealt with mergers in for profit companies, if you want get a merger done, you have to increase the money, and that will sadly buy off the people who would try to stop a merger. In a np that could be done- one board member can screw up the whole process.

“Mission alignment needs to be stressed throughout the process, because at the end of the day as long as you believe the two orgs are going to continue that mission that you have been supporting is really important”

- this quote will be used!

Your appendixes may include the questionnaire and other relevant tables or maps that did not find space (or were too distracting) in the main text.

Appendices are ordered with letters rather than numbers. If there is only one appendix, the heading has no letter, just Appendix: Title of Appendix.

The appendixes must adhere to the same margin specifications as the body of the dissertation. Photocopied or previously printed material may have to be shifted on the page or reduced in size to fit within the area bounded by the margins.

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If you include in an appendix any pre-published materials that are not in the public domain, you must also include permission to do so.

Author's Bio

Anne Weltner is currently an MNA student at the University of San Francisco and received her bachelors at the University of San Francisco, having graduated in 2016. She has a background in fundraising and research and hopes to further her efforts in studying the evolution of mergers into her doctorate degree. She is originally from Atlanta, Georgia and moved to California in 2008. Since then, she has both volunteered her time and expertise to the nonprofit sector, specifically with social and clinical health, and aims to seek a career in Project Development working with an animal rights organization in the Bay Area.

She currently lives in the Haight Ashbury neighborhood and enjoys running and swimming and taking care of her cat, Business.