



***10 Years of Strategic Solutions for Nonprofits and Foundations***

# Ontario Community Support Association

## Strategic Restructuring Overview

with

**Bob Harrington**

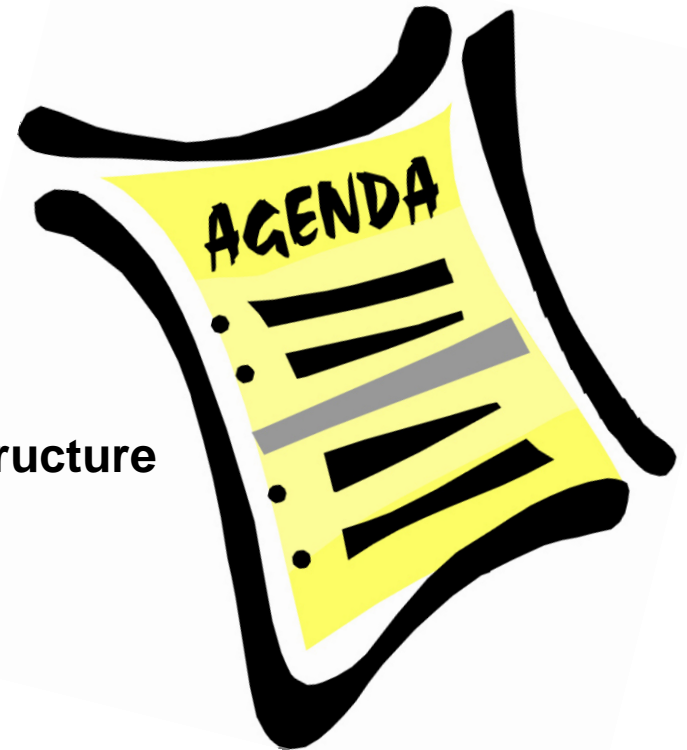
Director of Strategic Restructuring Practice



6400 Hollis Street #15 ■ Emeryville, CA 94608 ■ [www.lapiana.org](http://www.lapiana.org)

# Welcome

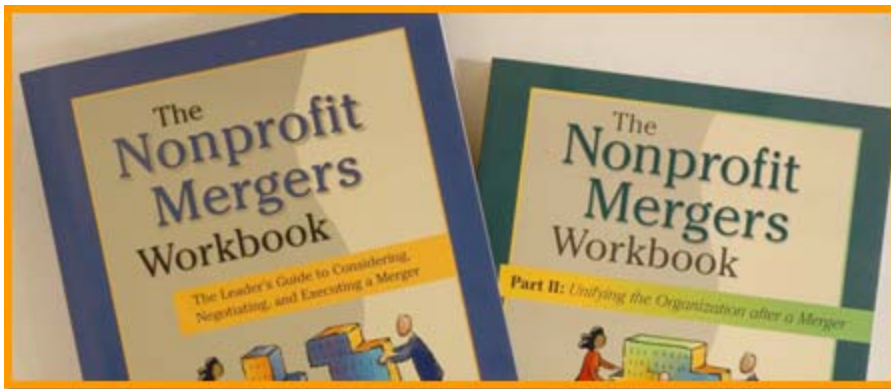
- **The Economic Context**
- **Overview of Strategic Restructuring**
- **Strategic Planning Considerations**
- **The Strategic Restructuring Process**
- **Issues to be Determined in Negotiations**
- **Due Diligence and Financial Analysis**
- **Implementation Options for Corporate Structure**
- **Integration Best Practices**
- **Q & A**
- **Case Studies and Discussion**



# About La Piana Associates



- Consulting
- Training
- Research
- Tools and Resources



# Thoughts on Today's Economic Climate

“At Least 100,000 nonprofits nationwide will be forced to close their doors in the next two years.”

Paul Light

*Professor of Public Service, New York University*

“The current economic crisis is extraordinary in its magnitude and threat to the services that nonprofits provide for our communities.”

Glen O’Gilvie

*CEO, Center for Nonprofit Advancement*

“This is a time for nonprofits to think about ways to work together, improve efficiency, and stretch the dollar. It’s time to think about shared back office, shared marketing and PR, and consolidations. Better to work together than to limp along...we will have a stronger nonprofit sector when it’s all over.”

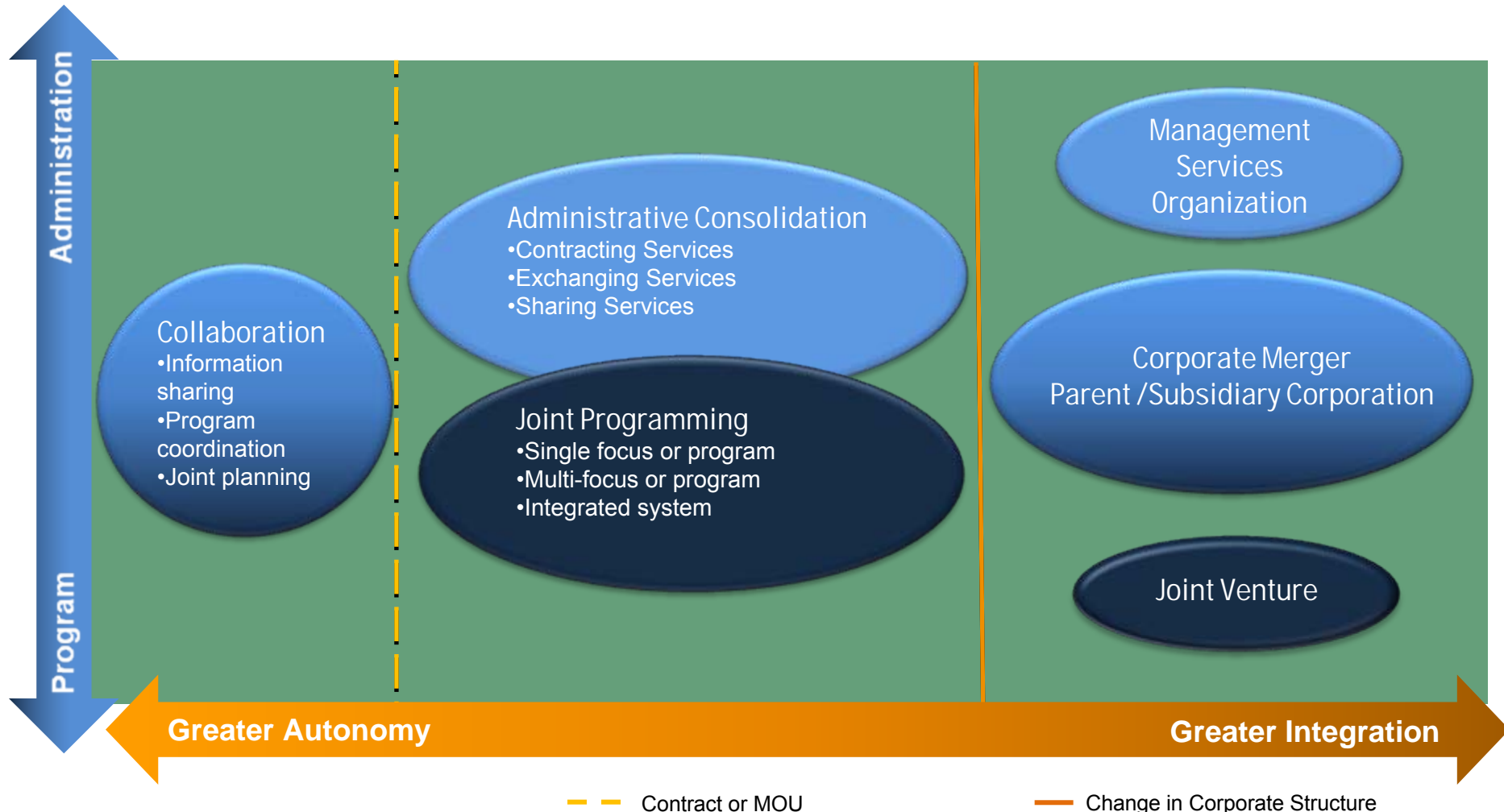
Alice Rivlin

*Senior Fellow and Director, Greater Washington Research at Brookings*

# What is Strategic Restructuring?

- Continuum of partnership options available to nonprofits
- Use of partnerships to more effectively achieve an organization's mission
- Different from collaboration: Change in the locus of control
- Valuable tool for nonprofit managers and consultants

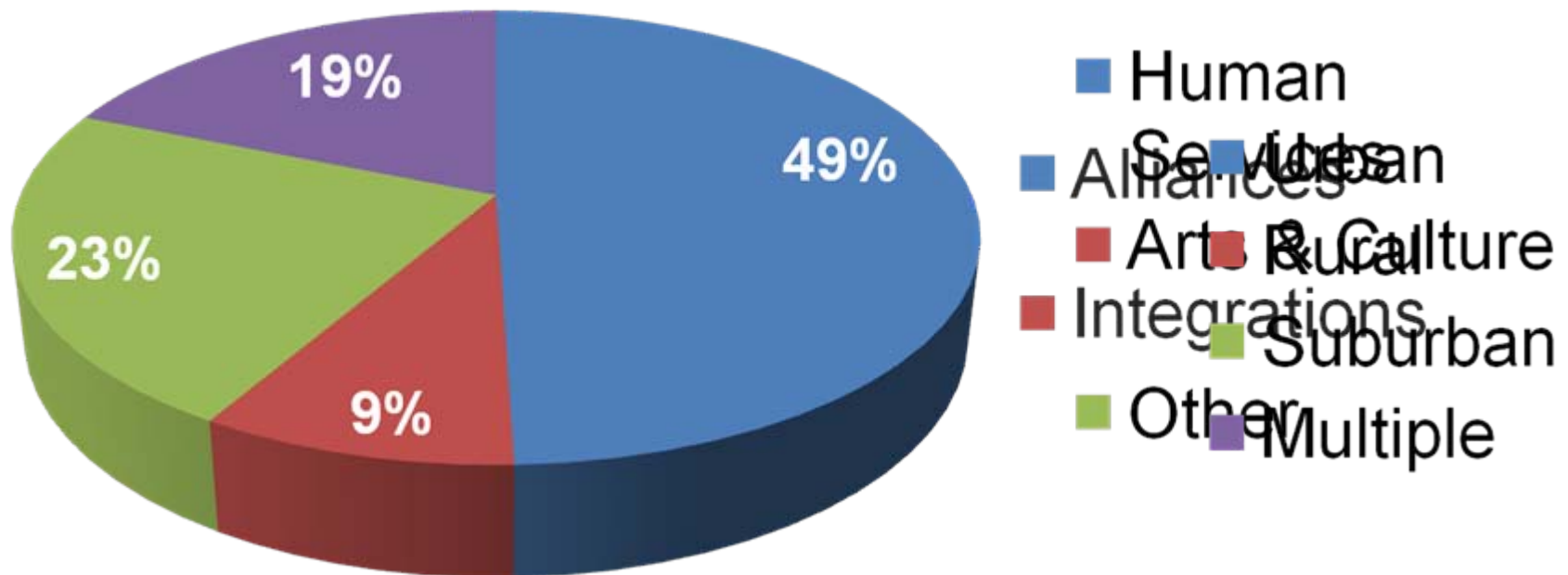
# The Partnership Matrix



# About Our Research

## Strategic Restructuring: Findings from a Study of Integrations and Alliances Among Nonprofit Social Service and Cultural Organizations in the United States

*Kohm, La Piana, and Gowdy, June 2000*



# Why Do Nonprofits Consider Strategic Restructuring?

- Internal decision to increase efficiency / efficacy of organization (83%)
- Increased competition for funding (60%)
- Increased overhead expenses (47%)
- Pressure from funders was mentioned least often (30%)

Source: ***Strategic Restructuring*** study; Kohm, et al.

# Other Reasons Why Nonprofits Consider Strategic Restructuring

- Economics
- Opportunities
- Leadership challenges
- A tired board
- To better serve the community
- Reasons specific to each nonprofit



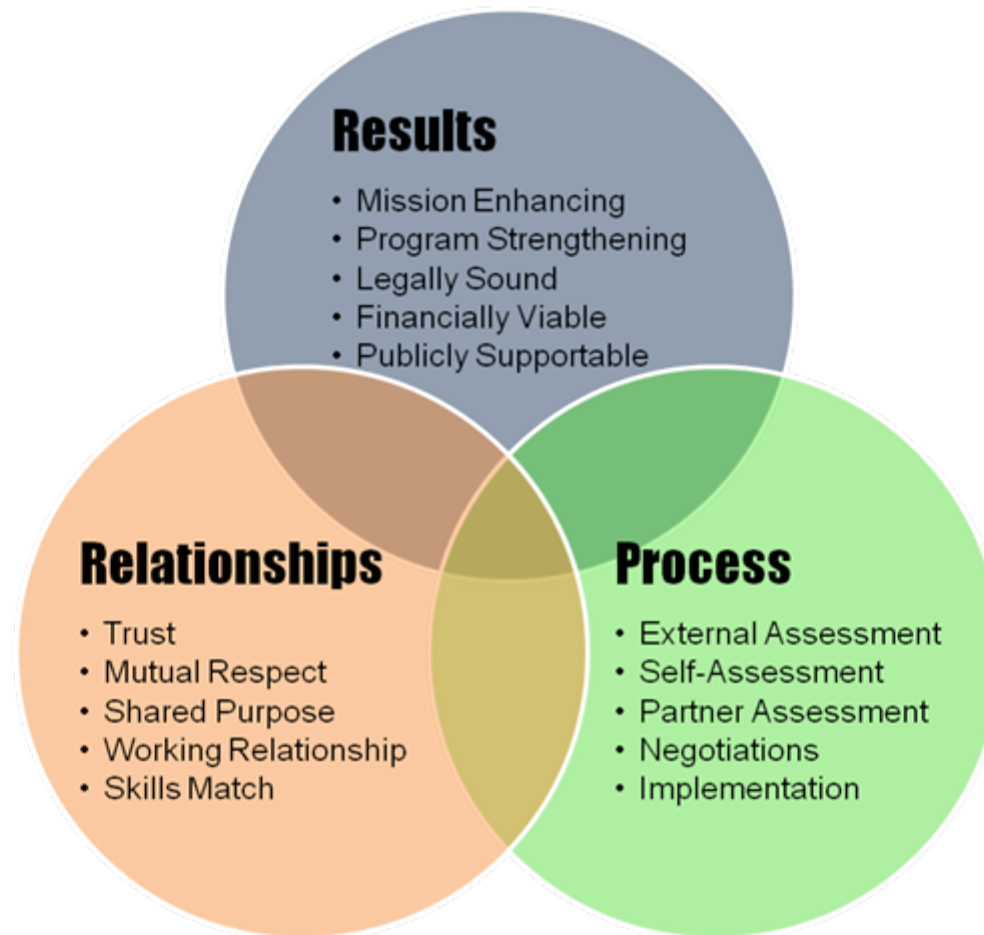
# Benefits of Strategic Restructuring



- ↑ Programmatic collaborations with partner organizations (74%)
- ↑ Services (67%)
- ↑ Administrative capacity / quality (63%)
- ↑ Market share / competitiveness (60%)

Source: ***Strategic Restructuring*** study; Kohm, et al.

# Managing a Strategic Restructuring



# Critical Success Factors

- Staff / board member championed the alliance (80%)
- Positive past experiences with collaboration (74%)
- Board support / encouragement (73%)
- Organization risk-taking / growth orientation (70%)
- Positive board-executive relations (64%)

Source: ***Strategic Restructuring*** study; Kohm, et al.

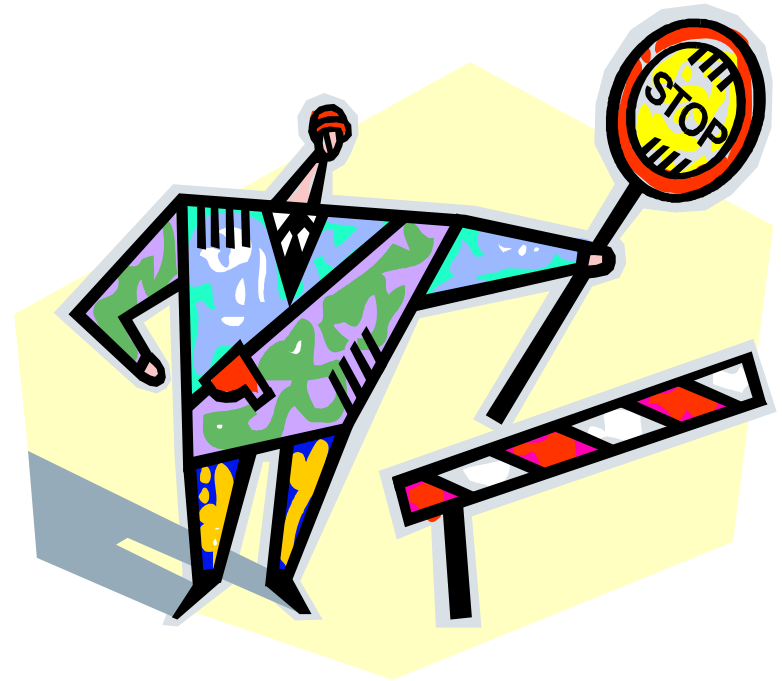
# Other Success Factors

- Mission focus
- Flexibility in pursuing mission
- Not in an immediate crisis
- A lack of divisiveness within the nonprofit
- Clarity regarding desired outcomes
- Positive relations with potential partners



# Roadblocks to Strategic Restructuring

- Autonomy concerns
- Lack of trust
- Self-interest
- Organizational culture



# Key Parameters

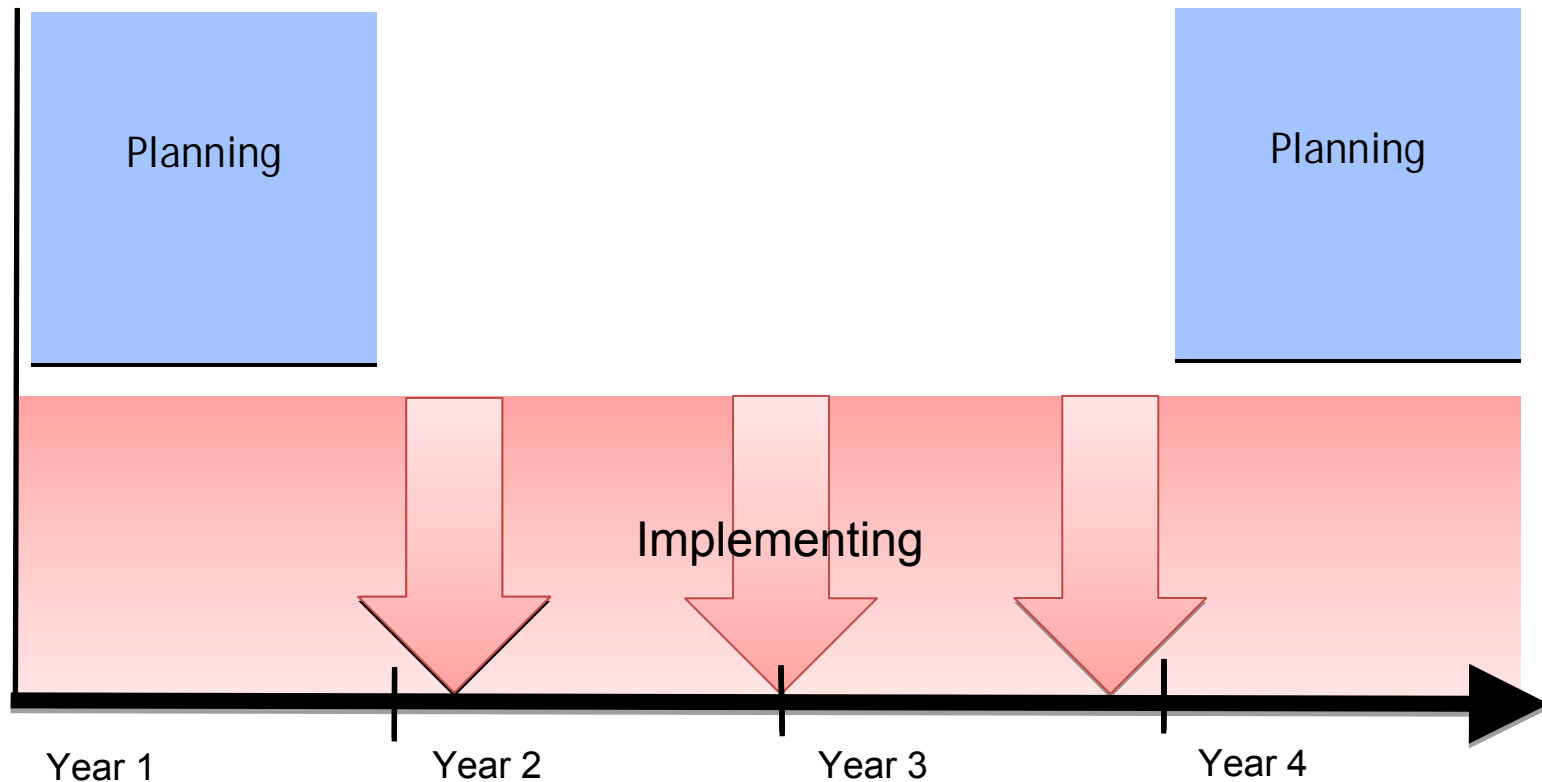
- Does it advance mission of the organizations?
- Does it have a greater impact on each organization's constituents and/or attract new customers/donors?
- Does it increase each organization's operating effectiveness/efficiency?
- Does it allow the organizations to do something that would be more difficult to do alone?

# What is Strategy ?

A **coordinated set of actions** designed to create and sustain a **competitive advantage** in achieving a nonprofit's **mission**.

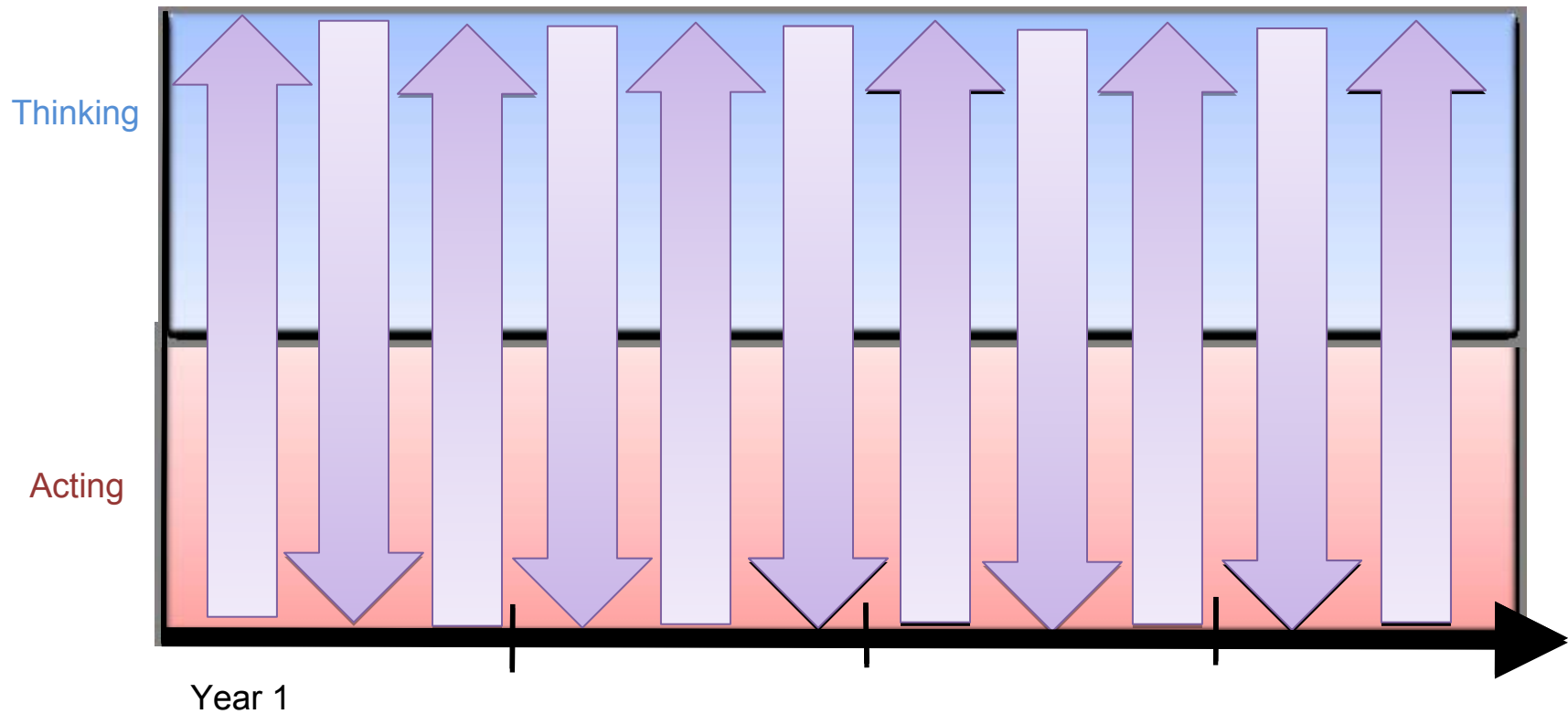
# Limitations of Traditional Planning

## Traditional Strategic Planning

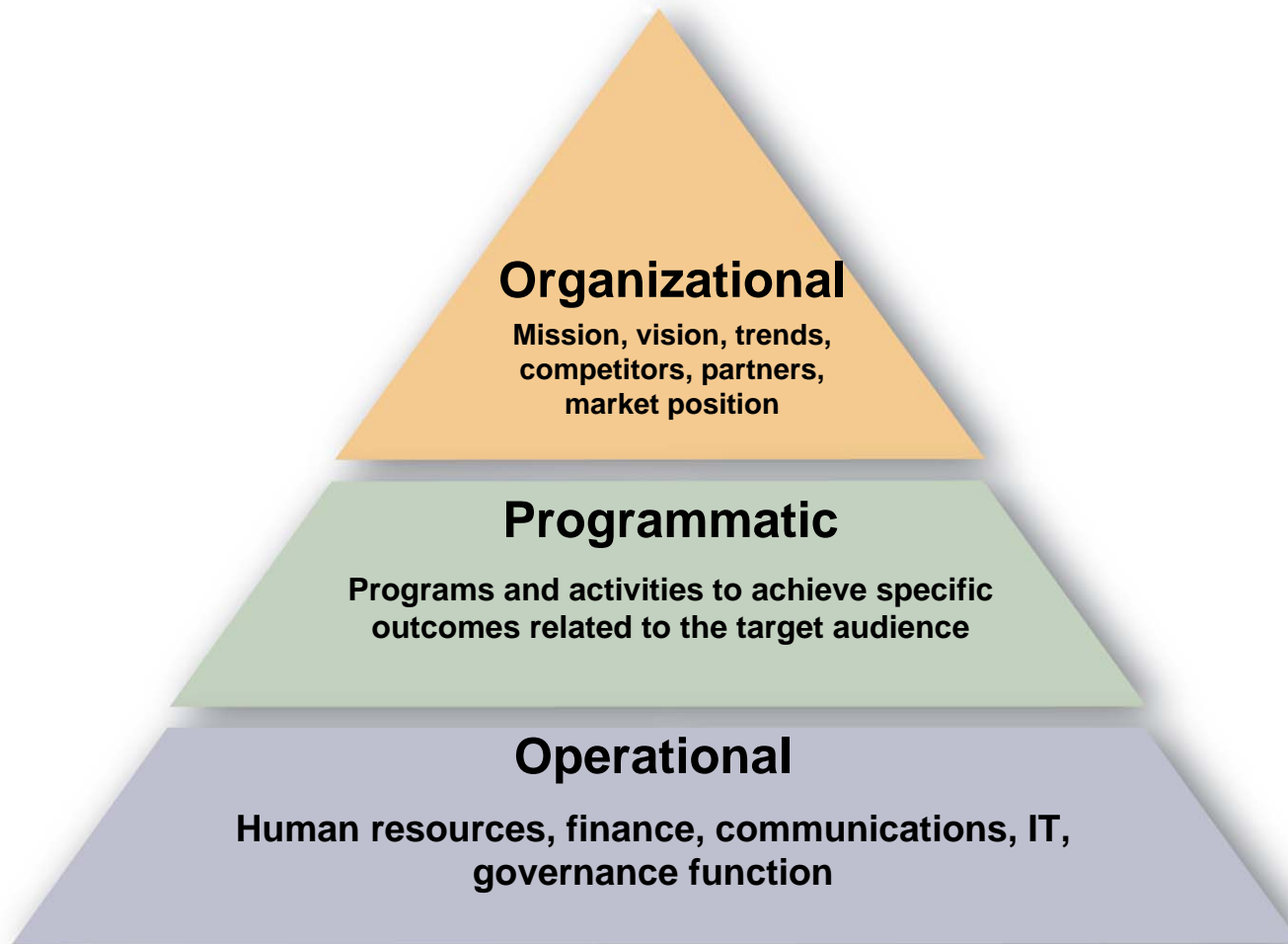


# vs. Today's Rapid-Response World

## Real-Time Strategic Planning



# The Strategy Pyramid



# Is Your Strategy Working ?

- You should consider a new strategy when:
  - Your current strategy isn't achieving results
  - Environmental trends (political, policy, demographic, regulatory) are affecting you
  - Your business model is threatened
  - New opportunities emerge
  - You have new competitors

# What To Consider ?

In reassessing your strategies, consider:

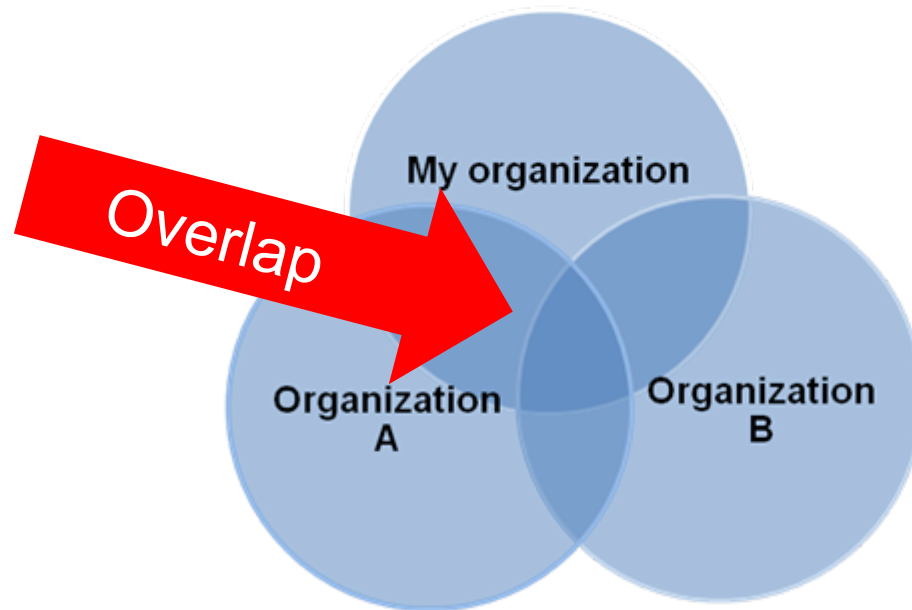
- Your business model
- Market in which you work
- Your competitors and
- Your competitive advantage(s)

# Business Model

- Who you are (mission and identity)
- What you do (programs and services)
- Who you serve (constituents or consumers)
- Where you work (geographic area you serve)
- How you support your work (funding)

# Competition and The Market

- Which organizations are most related to you?
  - Offer same/similar programs and services
  - Have geographic or “consumer” overlap
  - Seek funding from the same sources
  - Compete for media attention, staff, or board members



# Defining Competitive Advantage

*Your ability to produce social value using a unique asset, outstanding execution, or both.*



# Compete or Partner ?

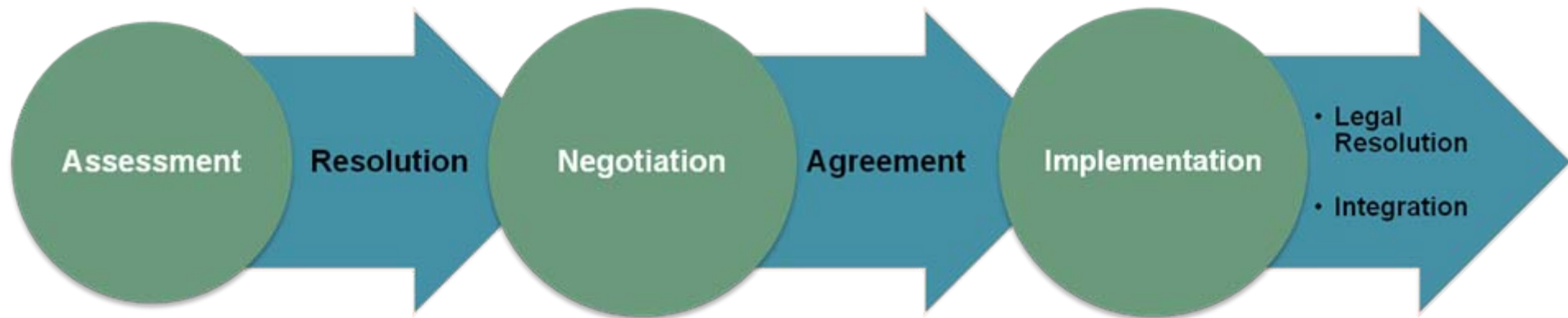
## ■ Compete when:

- Your competitive advantage allows you to achieve better results
- You have the capacity to exercise your competitive advantage
- You can consistently deliver superior results
- You can serve diverse populations and needs well
- You can consistently innovate

## ■ Partner when:

- You can create better programs and services
- You can create a critical mass of skilled staff to better deliver services
- You can gain capacity
- You can better position yourself to compete
- You can achieve a more diverse and sustainable funding stream
- You can achieve scale

# The Strategic Restructuring Process



# Readiness Assessment

- **Self-Assessment**
- **Partner Assessment**



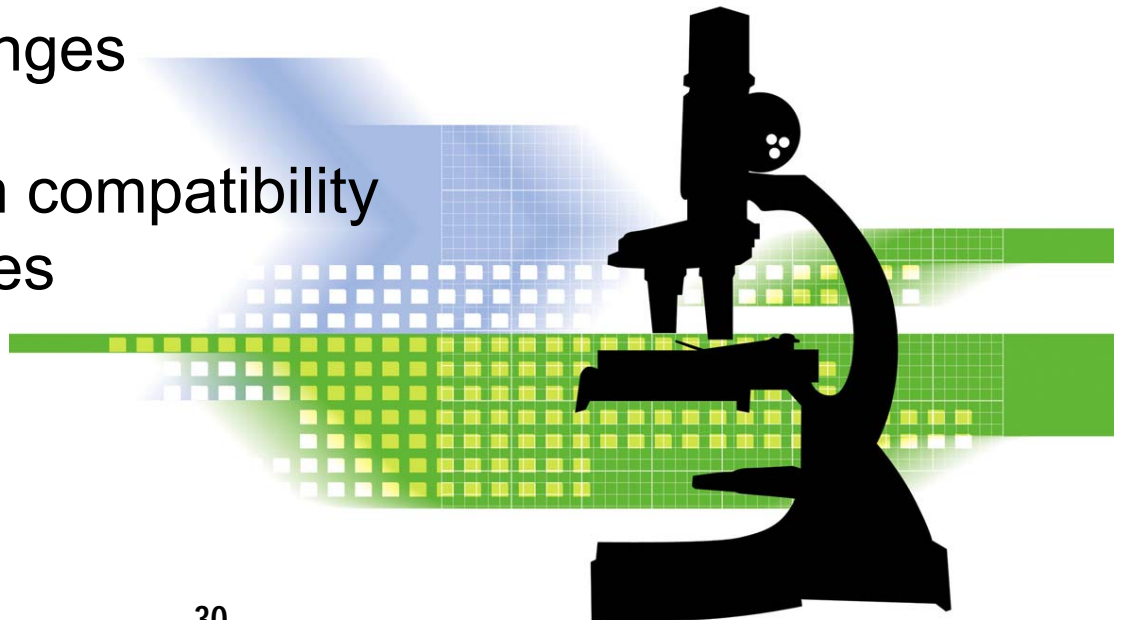
# Self-Assessment



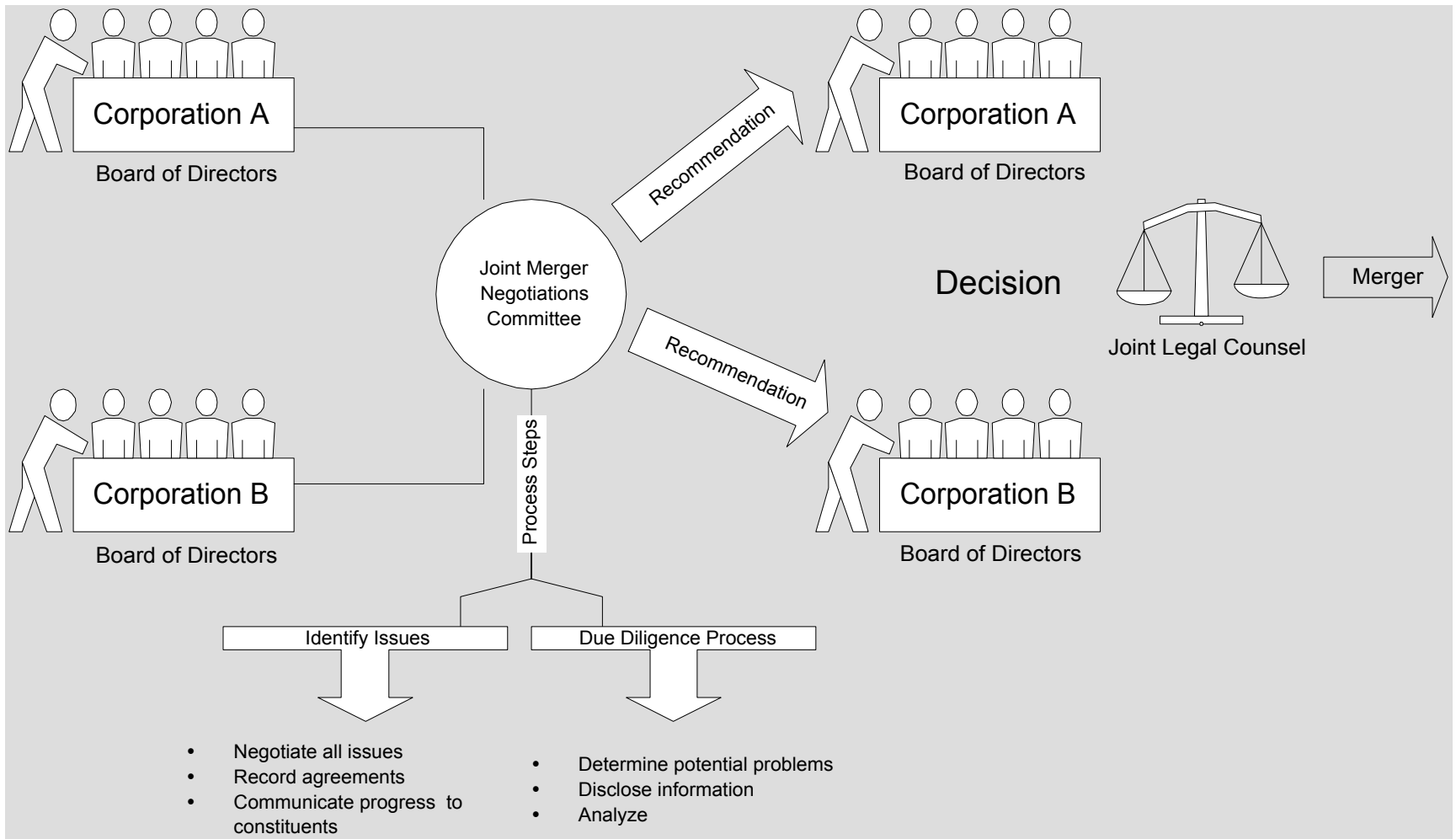
- Motivators
- Desired outcomes
- Critical issues
- Organizational factors: “red flags”
- Financial assessment

# Partner Assessment

- Level of trust
- Past experiences
- “Usable” skills and assets
- Cautions and Challenges
- Mission and program compatibility and complementarities
- Financial condition



# The Negotiations Process



# Issues to be Negotiated in a Merger

- Governance
- Financial
- Human resources
- Capital
- Programmatic
- Communications



# Governance

- Size and composition of the board
- Selecting the board
  - Initial board versus on-going
- Board leadership
- Initial selection of board leadership
- Board recruitment, selection, orientation, assessment

# Financial

- Fiscal Year
- Financial systems
  - Cost and timing of migrating data
- Financial processes and procedures
- Budget process
  - Who is involved, timing, format
- Controls – check signing, review of payments, donations

# Human Resources

- Staff leadership
- Personnel policies
  - Performance reviews, pay scales
- Benefits
  - Timing / parallel systems
- Retention during and immediately following integration
- Analyze cost and impact on both people and budget

# Capital / Major Assets

- Facilities (owned and leased)
  - Copies of mortgages and/or leases
- Equipment and vehicles (owned and leased)
- Management of assets
- Disposal of assets
- Intellectual capital, licenses, endowments

# Programmatic

- Programs that compete and/or complement
- Criteria and timetable for evaluating programs
  - Expand/improve programs
  - Opportunities to better utilize facilities, staff, financial resources
  - Reduce or eliminate programs
  - Change program sites
  - Funding requirements
  - Program utilization

# Communication - Internal

- People aren't comfortable with change
- Communicate early and often with staff
  - Two way
  - Transparent
  - Coordinated
- Regular updates for the board
- eNewsletters, weekly memos, in person meetings

# Communication - External

- Joint communication
- Early communication with key stakeholders
  - Funders (go together to shared funders)
  - Customers (meetings, surveys, focus groups, interviews)
  - Others
- Prepared press statements
- Celebrations and promotion

# Due Diligence

## Documents to review:

- Organizational



Others:

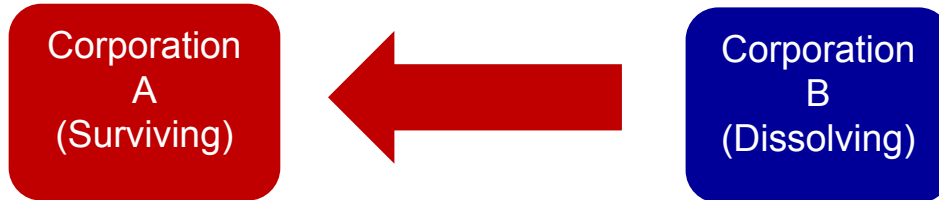
# Financial Impact and Analysis

- Financial Comparison
  - Statement of Financial Position
  - Statement of Activities
  - Analysis of Financial Health
- Human Resource Comparison
- Budget Development
  - Projection for combined budget
  - Cost / savings analysis
- Donor Comparison

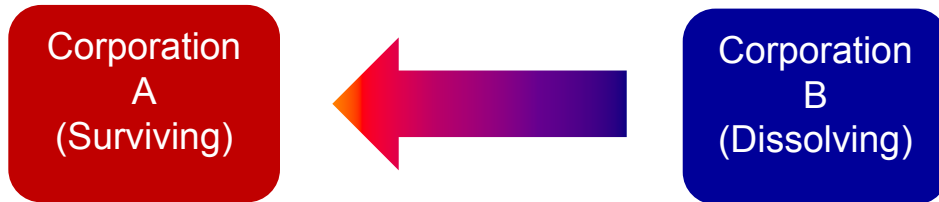


# Implementation Options

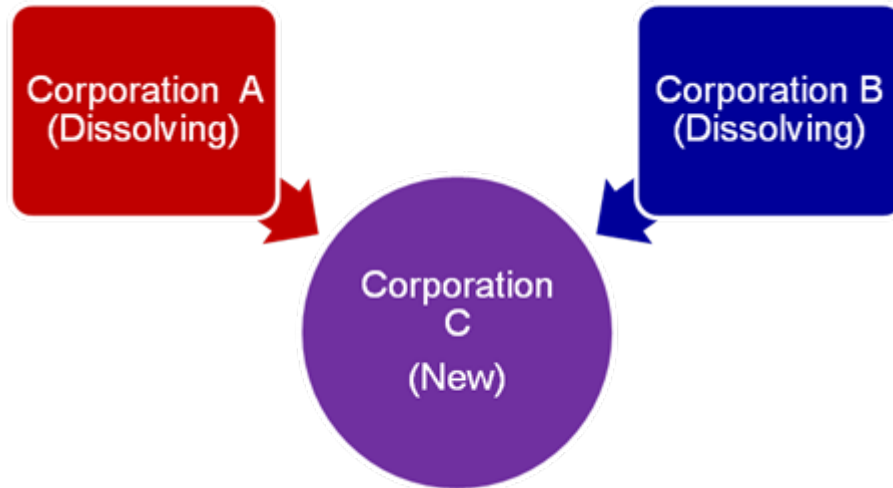
1



2

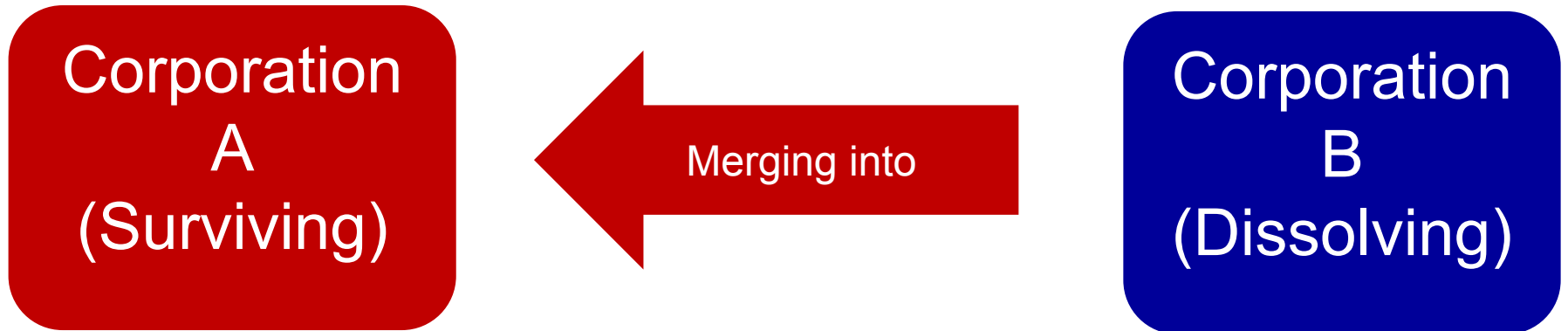


3



# Implementation Option 1

Merger by “dissolution into”



# Implementation Option 2

Merger by dissolution,  
with assets left to the surviving corporation after  
liabilities are disposed of

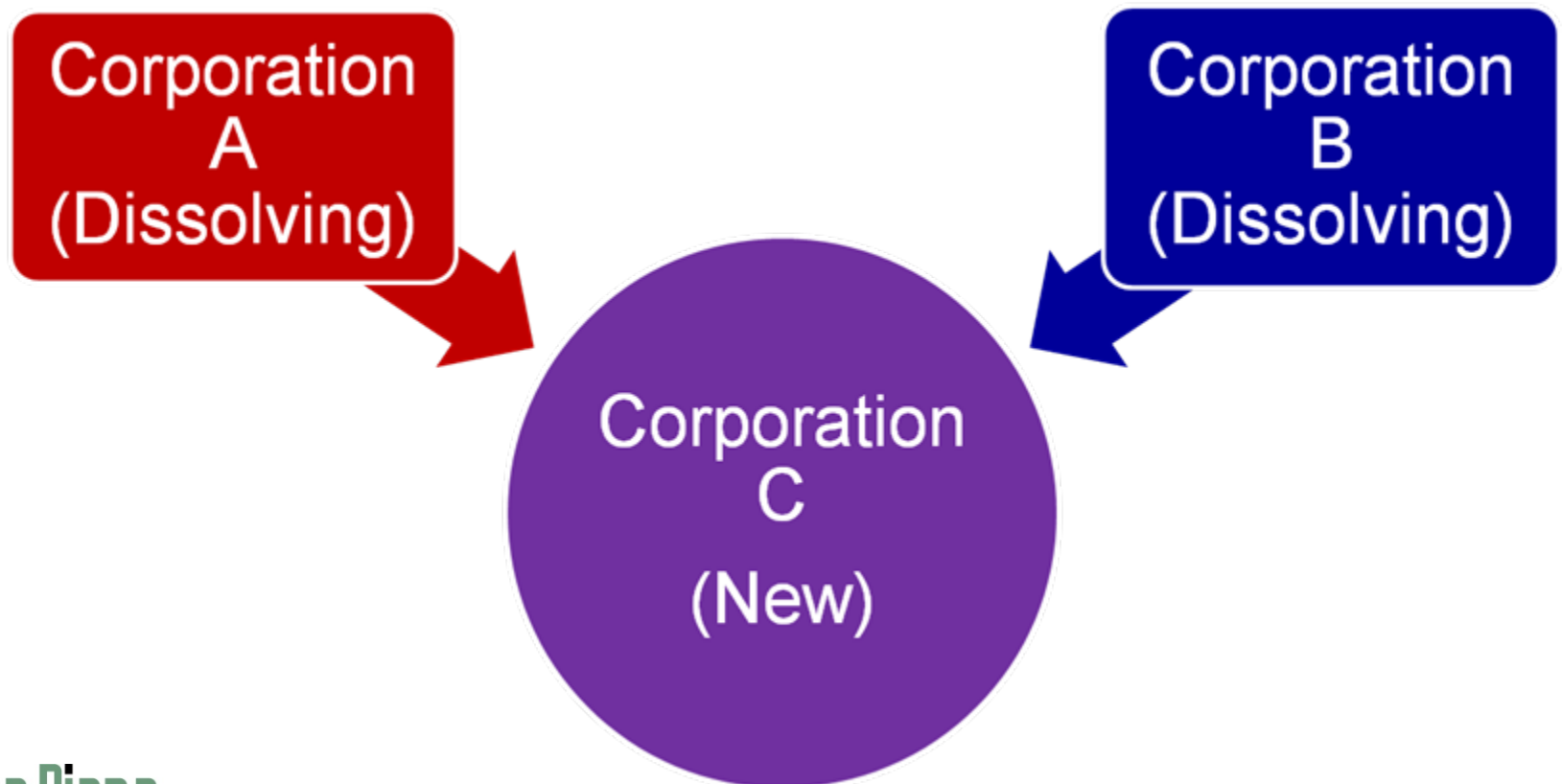
Corporation  
A  
(Surviving)



Corporation  
B  
(Dissolving)

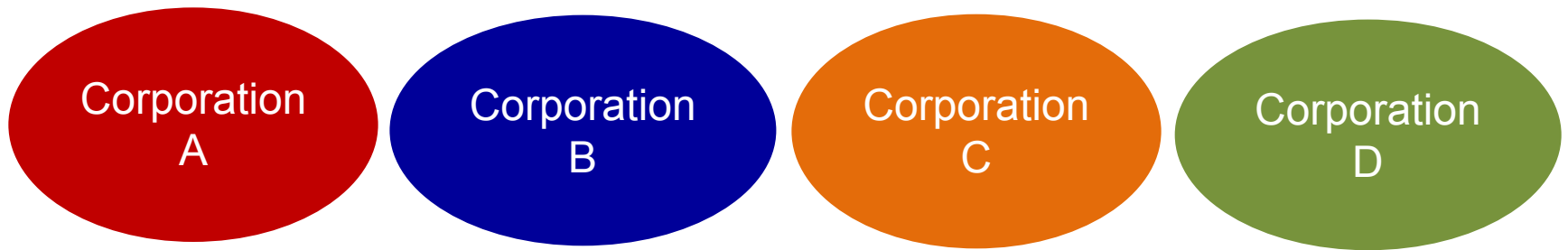
# Implementation Option 3

Merger by "dissolution into,"  
with both parties dissolving into a new corporation



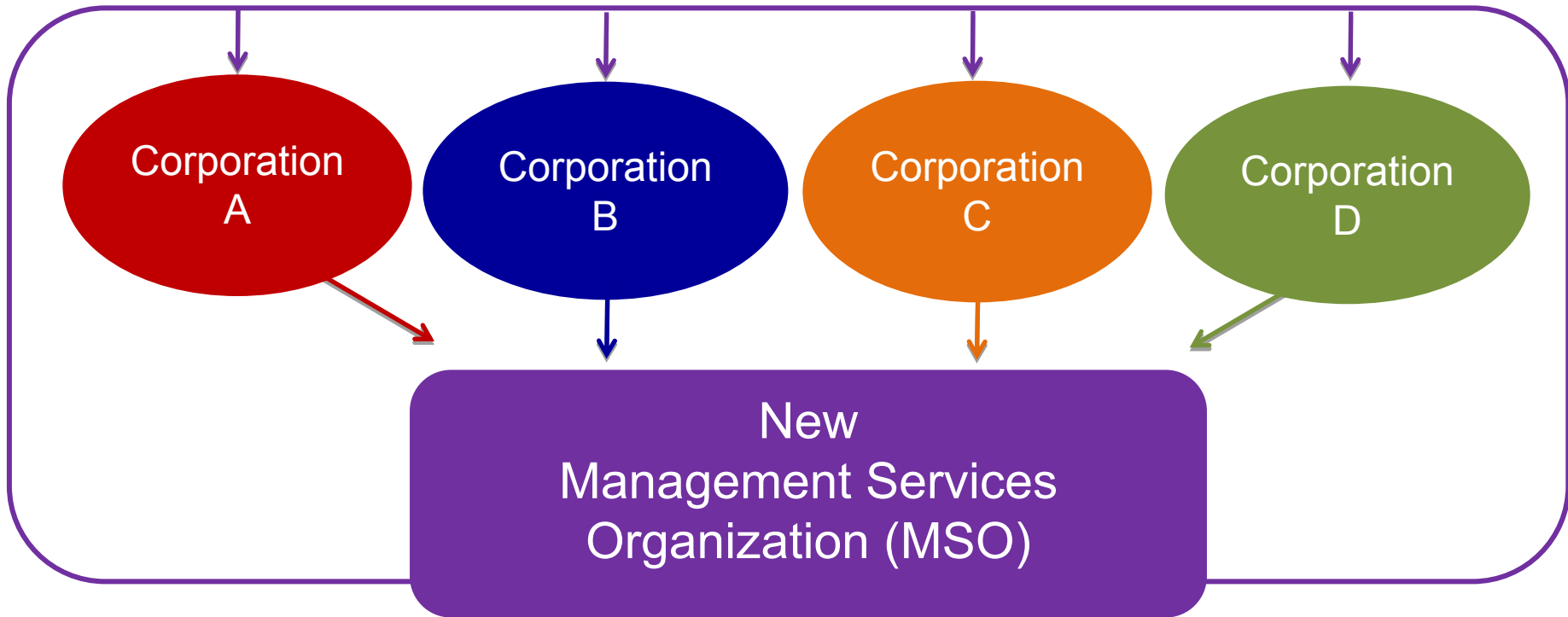
# Management Services Organization Relationship

Before



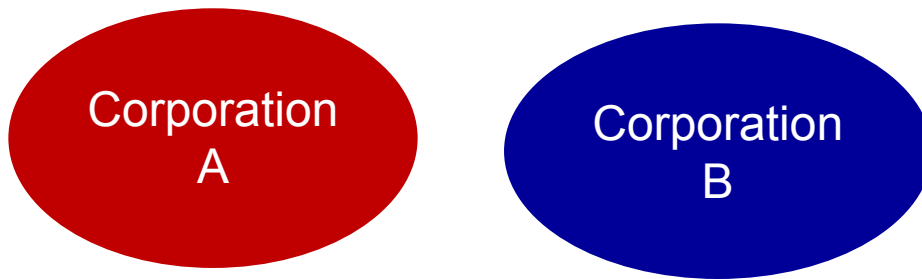
# Management Services Organization Relationship

After

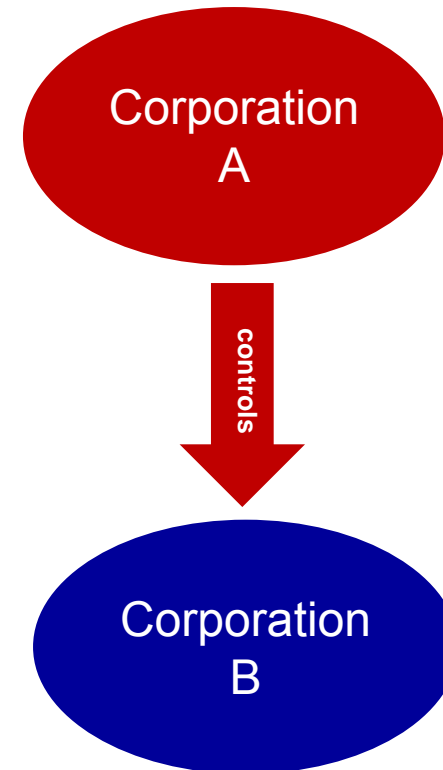


# Parent-Subsidiary Relationship

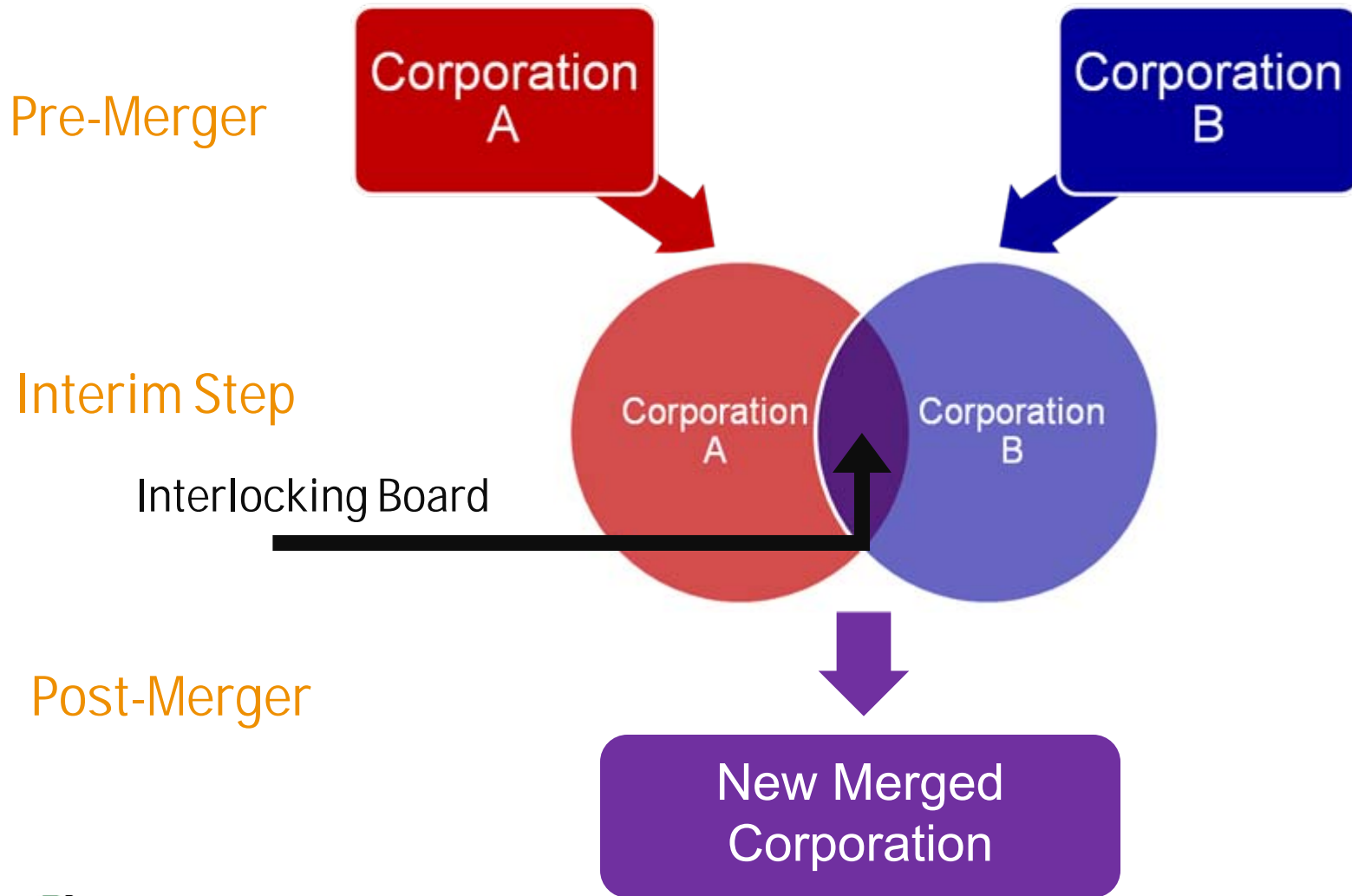
Before



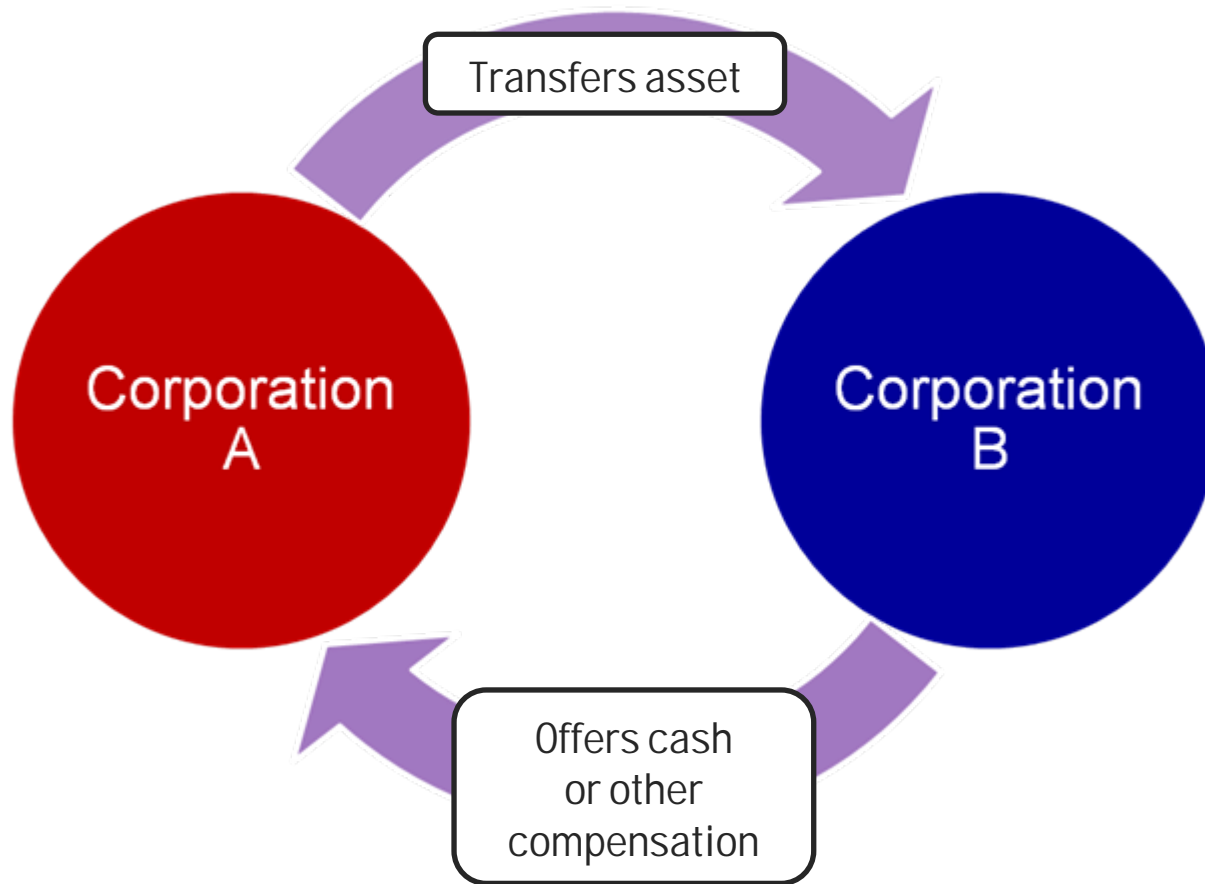
After



# Interlocking Boards



# Asset Transfer



# Integration

## Areas to be integrated:

- Culture
- Board
- Management
- Staff and volunteer
- Program
- Communications and Marketing
- Systems
  - Finance
  - Fundraising
  - Human resources
  - Technology
  - Facilities



# Merger Integration

**Mergers do not fail because organizational leaders can't integrate financial systems or IT, they fail because people tend to hold on to their individual cultures and identity and fail to create a new organization.**

# Lessons Learned: Integration

- **Address feelings of power imbalance early on**
- **Begin as soon as the negotiations committee makes the decision to recommend the partnership and you believe your Board will approve**
  - Staff Meetings
  - Joint board gathering
- **Create integration team(s) with responsibility to shepherd the process**
- **Have clearly defined leadership in place from the decision point onward**
- ***Strategic Alliance*: Involve the affected staff in the partnership's design**

# Cultural Integration

- **Intentional process**
  - Specific events, opportunities, times to reflect and create
  - Respect the time needed to move through this process
- **Maintain open two-way communications**
- **Celebrate small and large successes**
- **Resolve disagreements/problems immediately**
- **Determine communication and decision making style early**
- **Monitor internally and externally**

# Expect



- Investment of time
- People may leave
- Outcomes will improve
- Programs will be more robust
- Systems will be stronger

# Feasibility Studies

- The consultant's full-employment act.
- May be needed for an administrative consolidation and/or MSO but not for most mergers.
- Can make things worse.



# Relating to Funders

- Foundations support strategic restructuring!
- Organizations should go to funders with whom they normally work or those involved in organizational effectiveness.
- Consider a two-phase proposal process that includes negotiations and integration.



# Current Trends in Strategic Restructuring

- Strategic restructuring as a competitive strategy
- Significant increase in interest and activity across sectors
- Dramatic increase in mental health and social services sectors
- Significant increase in interest among national organizations
- Increased interest in administrative consolidation and MSO development



# Questions?



# Case Study: Integrated Transportation Services

## Organizations Involved

- **Stratford Meals on Wheels & Neighbourly Services**
- **Town & Country Support Services**
- **Midwestern Adult Day Services**
- **Community Outreach Services – Milverton**
- **St. Marys & Area home Support Services**
- **St. Marys Mobility Bus**
- **VON Perth-Huron**

## ■ Presenters

- **Wendy Orchard – Stratford Meals on Wheels & Neighbourly Services**
- **Kathy Scanlon – Town & Country Support Services**
- **Anne Rollings – Midwestern Adult Day Services**

# Case Study: Waterloo Wellington LHN Voluntary Integration of Community Based Services

## Community Support Connections – Meals on Wheels and More

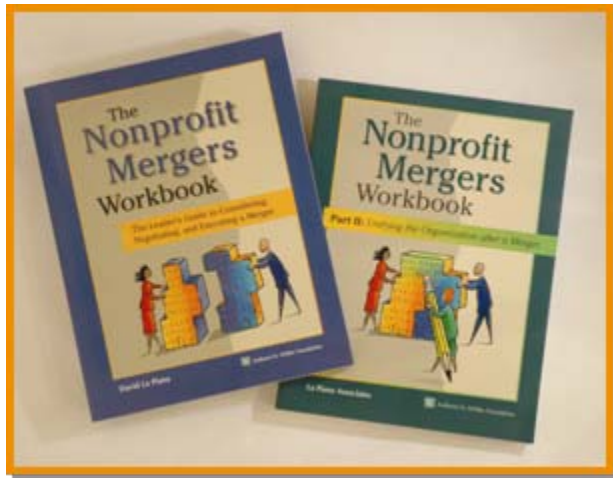
### Organizations Involved

- **Kitchener-Waterloo Friendship Group for Seniors**
- **Meals on Wheels of Kitchener-Waterloo**
- **Meals on Wheels and Community Support (Cambridge)**
- **RAISE Home Support for the Elderly**

### Presenters

- **Dale Howatt, Executive Director – Community Support Connections**
- **Blair Philips, Program Lead – Health System Transformation, Waterloo Wellington Local Health Integration Network**

# Thank You



**For more information  
about La Piana Associates  
visit us online at**

[www.lapiana.org](http://www.lapiana.org)

