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TO MERGE OR NOT TO MERGE? THE RIGHT PROCESS REVEALS THE ANSWER

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Whether in good times or during economic downturns, the merger of nonprofit arts and cultural organizations can seem like a logical and attractive move to many people. Combining artistic, cultural, and educational programming, boards, management, and legal entities can appear to be a sensible mechanism to increase the efficiency and effectiveness of two or more organizations. Boards or donors may suggest the option of merger as a way to reduce competition for scarce funding, consolidate overlapping missions and programs, combine “back office operations,” or winnow out weaker organizations. Although these goals and other outcomes may be the result of a successful merger, they are not always the best place to *begin* the conversation.

The successful merging of nonprofit arts and cultural organizations is neither a foregone conclusion nor the result of a sudden decision or a quick action. More times than not an attempted merger fails not because it isn't the best “business decision,” but because organizational cultures and people are not in alignment or can't embrace the concept. Undertaking merger “process” discussions between multiple organizations may actually be the best way to answer the ultimate questions regarding whether to merge or to determine if other strategic collaboration options might be available.

Whether faced with challenges or new opportunities, arts and cultural organizations that are exploring ways to collaborate and potentially join forces require a formalized process. A systematic approach is essential for gathering information, establishing relationships and trust, building consensus, defining deal breakers, and making informed, objective, and strategic decisions with other organizations who share similar missions, artistic goals, or operational resources. The process can be a unique opportunity to explore why a merger might be (or not be) the best solution and, if so, how it can be done successfully.

PREPARATION STAGE

If your organization is considering a merger, the first question to consider is: “Is a merger the right choice for your organization?” Of course the deeper question behind this becomes: “Is a merger the best way to ensure the organization can best *serve its community*: audiences and visitors, artists and other programming personnel, the board and other volunteers, management, administrative, and operating staff, and the general public?”

Before considering any kind of collaborative partnership with others, your board and staff should complete a thorough and up-to-date organizational assessment. They must come to the table with a clear understanding and consensus about your organization's current mission and vision, current financial status, and the organization's strengths, opportunities, weaknesses, and threats. There should be an initial sense of the pros and cons of merging with other organization(s). A few additional questions to be answered include:

- What is the problem that needs to be solved and what is the catalyst for asking whether or not a merger is the best option? Is it because of an organizational weakness or a new opportunity?
- Is a shared vision/mission in alignment with another organization and thus could remove duplication of services?

- Is there an expressed need or desire from the community for the programming being offered?
- Do you have a belief that there are real and ongoing cost-savings to be achieved by combining forces?
- Has a funder suggested merger as a possible option? If that's the case, what motive is driving that suggestion and what priority should be placed on that suggestion? What happens to this or any funder's long-term grants or gifts that are legally tied to one organization?
- What are the end-game options? Will one organization survive and the other cease to exist? Are two organizations keeping separate identities but sharing resources, or are two or more organizations coming together to create a new entity?

Each organization involved can answer these and many other pivotal questions through a formalized process of rigorous and objective assessment, respectful negotiation, and timed decision-making with strategic and consistent communication to stakeholders throughout. The result may or may not be a merger, but the organization will know that it has made the decision with objective data that will resonate with its stakeholders. The outcomes of the process may result in a new organization, a new partnership or collaboration, or sharing of certain resources. In the end, however, it may simply provide a better understanding and affirmation of the strengths and direction of the current organizations as they continue to operate independently. Whatever the outcome, such an effort will have been valuable and worthwhile.

BUILDING THE RIGHT COLLABORATIVE TEAM

Create a small and equally balanced Joint Committee to formalize the process, starting with the working hypothesis about the merger option. Explore the initial information-gathering phase with the idea of making a recommendation on whether or not to merge. Continue this study and consideration through to the possible implementation phase and the creation of a new organization. This Committee of board members, key staff, and stakeholders from each organization guides the process on a day-to-day basis and creates the plans and recommendations for each organization's Board to consider.

Selection of the appropriate Joint Committee participants is critical. This merger process will require a big time commitment. Board and community members who are respected by their organizations, are committed to the process, are visionary thinkers, and understand the importance for confidentiality and coordinated communication will help ensure success. Through this process, leaders from both organizations create the foundation for successfully working together at the earliest stages where trust and consensus are most critical and often tenuous.

Work with a neutral facilitator who understands the unique dynamics of mission-driven, non-profit organizations. To achieve success at the end – merger or independence or something in between - the process must establish rules of engagement and help the Joint Committee keep itself on track and moving forward. An independent voice can help maintain boundaries, keep passionate egos in check, ensure stakeholders' needs are met, and cultivate trust and respect. A neutral facilitator allows each organization to advocate strongly for its own needs while building excitement through a shared vision and emerging synergies.

DREAM ABOUT THE IMPACT A NEW ORGANIZATION WILL HAVE

Begin working together through a formalized process of sharing information, defining what success might look like, and gathering information to determine whether or not a merger is the right thing to do. Openly share the current challenges and opportunities each organization is facing. Identify the potential barriers/challenges to joining together – what information or action is needed to fully assess whether or not they can be overcome or will prevent a merger? And, perhaps most importantly at the initial meetings, begin to brainstorm the anticipated long- and short-term positive outcomes that a successful merger could create.

Find areas of common ground. Do our organizations have shared goals, challenges, or opportunities? Does an exciting artistic or programmatic opportunity exist? Will a combined organization provide greater impact to our combined audiences, stakeholders, or the community? In what ways can this happen? With new programming? Increased artistic quality? Expanded education programs? Or indirectly, by creating cost savings in operating budgets, thus freeing up new funds for programming? Would these opportunities be compelling to current and new supporters?

Keep the larger vision constantly in view, with frequent reminders of why you're in these discussions. Spending time to jointly articulate the anticipated positive impact is important to the process and must be done early on, and then recalled at every subsequent meeting. Being excited about how joining together will positively impact the *community* provides much-needed inspiration throughout the merger process. This is especially so as the joint Committee begins addressing complex operational, governance, artistic, financial and legal details of a merger.

Interview stakeholders - jointly. Do your organizations know what your community wants and needs from a combined organization? How do you know this? Together, the merger candidates should investigate the central issues that are important. Similar to a feasibility study or community engagement process, interviewing stakeholders in a variety of ways not only provides important information. Joint stakeholder interviews provide the organizations an effective method of creating unified and positive messages. They announce the investigatory phase of the process and convey possibilities for the future, uncover values shared by each organization's stakeholders, and identify potential barriers to overcome. In-person meetings, supplemented by electronic surveys, can create a sense of excitement and community engagement. They help mitigate possible stakeholder feelings of worry, concern, and even anxiety over a potential merger.

NAVIGATING TOWARDS A SUCCESSFUL OUTCOME

Create a decision-making and communications plan and timeline. The agreed-upon plan lists checkpoints along the way to mark when key decisions need to be made, who will make them, who will be informed, when, and how. Detailed joint communication plans for different internal and external stakeholders are key and often provide the first opportunity for the organizations to work together on creating a unified message, case statements, joint press releases, web content, electronic surveys, speeches for community events, and the logistics of coordinating the carefully planned release of information. Transparency while balancing confidentiality ensures that no one is blindsided or embarrassed. Announcing "the merger" before the deal is finalized can be a tragic mistake that damages credibility for all organizations and people involved.

From the earliest point, the way in which the participants describe and communicate the process and potential collaboration will set the stage for acceptance – or challenges to acceptance. Stakeholders need confidence that all questions, caveats, due diligence, and scenarios have been deeply considered. The choice of words is also critical. Are you "joining together" to create a new organization with increased impact? Or is one organization "taking over" another since they are struggling financially? The facilitator may hear comments from one side like: "We don't want to be absorbed. We have a long legacy of doing good work in the community and a sense of responsibility to our stakeholders." A proper process enables the organizations to address these issues with sensitivity and objectivity, acknowledge what is important to each organization, and create messages and policies that resonate and honor them both.

Begin to create the building blocks for the merged organization. Create the blueprint for a new organizational structure starting with a new, *draft* mission and vision statement, informed by the data gathered from the stakeholder interviews and surveys. Then begin to outline the specific organizational structure and budget needed to support the new goals. Where are the strengths, the talent, the expertise, the resources, and the leadership going to come from? How will the new board, staff, and artistic leadership be selected? How will each organization feel represented? Is it important for each of the existing organizations to have equal representation moving forward? Why?

Looking together into the future, will Year 1 need a different approach and structure from Year 2, and beyond? What is the resulting multi-year operating budget? Where will the offices be housed? What will the new by-laws include? How will donor benefits be transitioned and honored? How will all these decisions be made and communicated? Will an interim or transitional structure be needed?

Keeping all these conversations based in objectivity helps to maintain the discussions on a professional level. Shaping the new organization's performance or exhibition season will entail great mutual sensitivity and respect. Instead of discussing which people will fill new roles, the Joint Committee defines the characteristics of the organization's new positions and structure. Guided by the context of the new vision and mission, the Committee's decision-making becomes much easier and more focused.

Complete the initial due diligence phase of the process. Review the findings gained from the Joint Committee's work, assess the current health of each organization, and analyze the consolidated results of the community and stakeholders surveys. The Committee is now able to address the heart of the matter: IS a merger the best solution? What will it take to do it? And, can we do it?

After reaching consensus on whether or not to proceed with the merger, the Joint Committee makes a formal recommendation to the respective boards along with a detailed action plan and timelines. The goal is to have the boards make an objective decision and be able to articulate the reasons for that decision. It allows them to maintain good standing in the community with each respective organization and its stakeholders, no matter what the outcome.

There will still be hurdles to overcome, but now you're moving as a united team with a common goal!

THE FINAL STAGE

Implementation Begins! With the approval of both boards now secured, the Committee's work focuses on implementing the action plan. The result of an effective process is that the "hard" part, the unpredictable and emotional part, should be over for the Committee. Their task now is to help others see the vision, so the Committee works to maintain its momentum and leadership during the "merger transition" period. Although the Committee will have all put in many hours leading up to this point, the implementation phase calls for careful planning and management to ensure success.

Depending on the situation, some organizations find it impossible for the same board leadership and management to be responsible not only for running their current organizations but also for getting the new, combined organization off the ground. Each merger is different. Some are accomplished with existing leadership and staff. Others benefit from an outside "Transition Manager" whose job it is to prepare the new organization for its new structure. In either case, the process continues as the Committee and new joint sub-committees finalize all the details identified during development of the recommended structure.

The transition involves the implementation timeline and action plan, new vision/mission, budgets, artistic and administrative staffing, season planning, operations, governance structure and policies, new by-laws, and development and marketing plans. Not least is the consideration of the name change. In some cases, organizations create a new "doing business as" name while keeping one of the existing legal names for continuity and grant eligibility. Choosing a new name presents a golden, once-in-a-lifetime opportunity for community involvement and messaging through contests, surveys, announcements, and more.

The newly formed organization can strategically leverage and maximize development and marketing opportunities throughout the entire process. Look for ways to celebrate and acknowledge the legacies each organization has in the community, special donor listings in the new programs, and special recognition events surrounding the Inaugural Season. Seize the moment!

GROUP DYNAMICS ALONG THE WAY

Frustration with the formal process itself can occur early and at any stage along the way. Passionate leaders may want to "just DO it!" without going through the lengthy discovery and due-diligence phase. However, these steps are critical not only to ensure that the organizations uncover all the potential risks, but they also build consensus and develop trust as a new culture arises and a group of ambassadors for the new organization emerges.

Ideally, the Joint Committee will bond through a shared vision and commitment to the process during the earliest stages of merger planning. At first, Committee members may be the only ones who will understand the merger's potential and believe that it CAN actually work and work well. If the merger is ultimately approved after a multi-month process, their responsibility moves from "protecting" their respective organizations to advocating for a strong, unified, new organization. Other constituents, out of lack of understanding or old (and new) fears, may try to pull the process backwards in order create obstacles. Committee members can help reverse the naysayers with consistent and mutually agreed upon talking points at the end of each meeting and must do so unequivocally in order for success to occur.

One never knows, however, where emotional surprises will occur. Conversations can be moving forward about which organization's equipment to keep, for example, when suddenly that minor discussion becomes a trigger for deeper feelings of loss of the old organization, worry about the future, perceived power struggles, or worse. Keeping all eyes on a clearly defined "Why" for the merger can make all the difference during these moments of doubt.

Considering a merger is BIG NEWS, and the outcomes will potentially impact many constituencies. Human beings are curious, and arts stakeholders in particular are passionate about their organizations and community. Given the evolving nature of these discussions, and the fact that only a few people will have the benefit of the full context of the meetings, the potential for misunderstandings is sizable.

CONCLUSION

With so much at stake, a systemic process is the only way to ensure that a successful merger occurs OR that the end of the due diligence process results in a deeper understanding of the reasons why NOT to merge. In either situation, the goal should be to leave relationships intact and strengthened rather than weakened. Whether your organization is considering merging, collaborating, or forming another type of strategic alliance, investing in a formalized process will help objectively identify risks, challenges, and opportunities. Within the context of positively impacting the community your organization(s) serve, this kind of process will take time and money, both being particularly scarce resources for many organizations. But there are few times when short-circuiting the process with the hope of saving time or money will result in success. No matter what the result, the journey is ultimately beneficial to all involved, as it builds strong consensus, renews brand identity, creates value, and validates the focus within an organization and for the entire community it serves.

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