ARTS INSIGHTS

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CAN COMMUNITY IMPACT BE STRENGTHENED BY MERGING?
THE RIGHT PROCESS REVEALS THE ANSWER

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Arts and culture organization Board and executive leaders continually focus on the needs of the ever-changing communities that they serve. They regularly evaluate how their organizations will deliver on their mission, manage capital resources, keep abreast of shifting demographics and giving trends, and plan for the increasing cost of doing business. What may have been adequate in the past or present may not be "enough" in the future. Creative and anticipatory changes, solutions and approaches are needed to stay relevant, impactful, inspirational, and sustainable. In some cases, shared resources or a full merger of nonprofit arts and culture organizations may be viewed as a logical and attractive move.

The promise of cost savings, reduced competition for scarce funding, consolidation of overlapping missions and programs, strengthened marketing and development efforts, combined "back office operations," and other outcomes may be the result of a successful merger. But in many cases, such desired outcomes may not be the best place to *begin* the conversation. Attempted mergers can fail. Sometimes what appears to be the best business decision may not take into account that organizational cultures and stakeholders are misaligned, closed to the concept, or confused about its potential benefits.

Whether faced with new challenges or new opportunities, arts and culture organizations that are exploring ways to collaborate and potentially join forces can benefit from a *formalized* process. A systematic approach is essential for gathering information, establishing relationships and trust and building consensus to ensure that decisions are informed, objective, and strategic. Undertaking merger "process" discussions between multiple organizations, and with major funders that support them, may actually be the best way to determine whether a merger or other strategic collaborations and partnership options might be possible.

In this edition of *Arts Insights*, we explore how organizations can strategically use such a formalized process to benefit their organizations and their communities, regardless of the outcome.

PREPARATION & EXPLORATION

Before considering any kind of collaborative partnership, having a thorough and current **organizational assessment** in place is key. By asking "Where are we now?" questions, stakeholders can come to the table with a clear understanding and consensus about the organization's current mission and vision, financial status, as well as available options to capitalize on its strengths and opportunities while mitigating internal weaknesses and external threats. Armed with such information, the various questions can be posed, including:

What is the best option that exists along the continuum of nonprofit strategic partnerships? The spectrum of options could include those listed below among others:

- *Collaboration*: No permanent organizational commitment - decision making remains with each organization
- *Strategic Partnership*: Administrative collaborations and/or joint programming with a formal agreement
- *Management Service Organization*: New organization responsible for administration with independent governance
- *Joint Venture*: New organization responsible for administration or programs with joint governance
- *Parent-Subsidiary*: Single organization governs the administration and programs of other(s)
- *Merger*: Integration of all administrative and programmatic functions into one entity

Is a merger the right choice for my organization? The deeper question behind this becomes: "Is a merger the best way to ensure our organization can best *serve our community*: our audiences and visitors, artists and other programming personnel, board and other volunteers, operating staff and the general public?"

What is the problem that needs to be solved? What is the catalyst for asking whether or not a merger is the best option? Is it because of an organizational weakness? A new opportunity? A community need?

Is the organization's vision/mission in alignment with another organization? Would a merger eliminate duplication of cost or services yet increase impact? Are real and ongoing cost savings achievable by combining forces when considering the cost of the merger itself?

Is there an expressed need or desire from the community for the programming being offered? Is the market saturated or have the demographics changed over time? Have we revitalized our business model to meet the changing face of our community?

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 implications for any planned gifts or permanently restricted endowment made to the existing organization?

What are the end-game options? Will one organization survive and the other(s) cease to exist? Will two or more organizations keep separate identities but share resources, or are they coming together to create a new entity?

BUILDING THE RIGHT COLLABORATIVE TEAM

It is typically best to **create a small and equally balanced Joint Committee** to discuss the types of questions listed above and to formalize and advance the decision-making process and timelines without the press of day-to-day management of the existing organizations. Selection of the appropriate Joint Committee participants is critical. This merger process will require a significant time commitment. It should include 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. It is these leaders from both organizations who will create the foundation for successfully working together at the earliest stages where trust and consensus are critical but often tenuous.

The initial information-gathering phase can be used to explore the idea of making a recommendation on whether or not to merge. It can also identify the potential barriers/challenges to joining together and the information or action that is needed to fully assess whether or not such challenges can be overcome. Continued study and consideration continues through to the possible implementation phase and the creation of a new organization. The Joint Committee guides the process, determines the communications plan, and creates the plans and recommendations for each organization's Board to consider.

An additional added value can include **work with a neutral facilitator** who understands the unique dynamics of mission-driven, nonprofit organizations. To achieve success – whether the result is merger, collaboration, independence, or something in between - the process will establish rules of engagement and decision-making timelines to keep the Joint Committee on track and moving forward. A neutral facilitator allows each organization to advocate strongly for its own needs while building excitement through shared vision, emerging synergies, and consensus.

DREAM ABOUT THE IMPACT OF JOINING FORCES

Additional focal points in a formalized process become more apparent as it unfolds. A few of tips for maintaining momentum include the following:

Keep the larger vision constantly in view and articulated. Continue to brainstorm the anticipated long- and short-term positive outcomes that a successful merger could create. Spend time to jointly articulate the anticipated positive impact of any decisions. Such reminders of *why* the organizations are engaged in discussions are important to the process. They should be articulated clearly at the outset and reaffirmed at every meeting. Being excited about how joining together will positively impact the *community* will provide inspiration throughout the merger process. This is especially true as the Joint Committee begins to address the complex operational, governance, artistic, financial, and legal details of a merger.

Find areas of common ground. Do your organizations have shared goals, challenges, or opportunities? Does an exciting artistic or programmatic opportunity exist? Will a combined organization provide greater impact to combined audiences, stakeholders, or the community? In what ways can this happen? With new programming? Increased artistic quality? Expanded education programs? 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?

Interview key stakeholders in the community. Do your organizations know what your community wants and needs from a combined organization? How do you know this? Together, the merger candidates are able to investigate the central issues that are important. Similar to a feasibility study or community engagement process, gathering feedback from current and potential stakeholders not only provides important information and feedback, it can allow the organizations to create and effectively communicate unified and positive messages. Such interviews create an investigatory phase of the process and convey possibilities for the future. They are likely to uncover values shared by each organization's stakeholders while identifying potential barriers and challenges. In-person meetings, supplemented by later electronic surveys, can create a sense of excitement and community engagement. They can help to mitigate possible stakeholder feelings of worry, concern, and anxiety over a potential merger.

NAVIGATE TOWARDS A SUCCESSFUL OUTCOME

Once information is collected and analyzed, it is time to determine the next steps in progressing towards a mutually agreed upon outcome. These steps can include:

Create a decision-making plan and timeline. This agreed-upon plan should list checkpoints along the way to mark when key decisions need to be made, who will make them, who will be informed, when, and how.

Develop a strategic internal and external messages and communication plan. As is true for any organization going through possible change or transition, the instinct may often be to "wait until we solve the problem, or know the solution." However, using this process as a strategic opportunity to engage stakeholders through frequent communication and a transparent process that provides context of mission and vision, can be transformative. Such communication plans often provide the first opportunity for the organizations to work together on creating a unified message, case statements, joint press releases, web content, and the logistics of coordinating a carefully planned release of information. Transparency (balanced with confidentiality where appropriate) ensures that no one is blindsided or embarrassed. Announcing a 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 create barriers 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 because 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 both 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.

Considering a merger or any kind of transition is BIG NEWS, and the outcomes will potentially impact many constituencies. People are curious, and arts stakeholders in particular are passionate stewards of 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 of the Joint Committee, the potential for misunderstandings is sizable. Strategic and transparent messaging and communications throughout the process is a key to a successful outcome.

Establish the building blocks for the merged organization. Creating the blueprint for any new organizational structure should also fall within the Joint Committee's scope. In the case of a merger, start with a new, *draft* mission and vision statement that is informed by the data gathered from the stakeholder interviews and surveys. Then begin to outline the specific organizational structure and budget needed to support new goals. Where are the strengths, talents, expertise, resources, and 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 and why?

Looking together into the future, will the first year need a different approach and structure from the second year, 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 management team or transitional Board leadership structure be needed? Instead of discussing which people will fill new roles, the Joint Committee can define 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 will be 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 stakeholder 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? Can we do it? After reaching consensus on whether to proceed with the merger or some other form of strategic partnership, the Joint Committee makes a formal recommendation to their respective boards with timelines and a detailed action plan. The goal is to have the boards make objective decisions and articulate the reasons for that decision. This allows the board to maintain good standing in the community regardless of the outcome. There will still be hurdles to overcome, but now you are moving as a united team with a common goal!

THE FINAL STAGE

Implementation and Transition Begin! With the approval of both boards now secured, the Joint Committee's work focuses on implementing the action plan. The result of an effective process is that the "hard" part, the unpredictable and emotional elements, should be over for the Committee. The task of Committee members is now to help others see the vision. Their focus will be on maintaining momentum and leadership during the "merger transition" period. Although members will have put in many hours leading up to this point, the implementation phase will also call for a significant time commitment to ensure success.

Depending on the situation, some organizations find it impossible for the existing 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 also involves the implementation of timelines and action plans, the 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 any 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, create special donor listings in new programs, and organize 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 a lengthy discovery and due-diligence phase. However, the steps outlined above are critical not only to ensure that the organizations uncover all the potential risks, but that 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 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, whether out of lack of understanding or fear of change, may try to pull the process backwards in order create obstacles. Committee members can help assuage the naysayers with consistent and mutually agreed upon talking points at the end of each meeting. Such unequivocal support for moving forward can be a vital contribution to eventual success.

One never knows 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, worries 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.

CONCLUSION

Now more than ever, stewards of arts and culture organizations have the obligation to evolve, change, and adapt. Mergers or other strategic partnerships may provide strong community benefit. With so much at stake, a systemic process is the only way to ensure that a successful merger occurs OR that a deeper, reasoned understanding of the reasons NOT to merge is reached. In either situation, the goal should be to leave relationships intact and strengthened for the greater good of the many stakeholders with whom the organization interacts and impacts.

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. Such a systemic process will help to ensure that any new partnership has a positive impact on the communities your organizations serve. This kind of process will take time and money, both being particularly scarce resources for many organizations. But short-circuiting the process with the hope of saving time or money will seldom result in success. No matter the outcome of joint discussions, the journey toward a positive outcome can be beneficial to all involved. A process that builds strong consensus, renews brand identity, creates value, and strengthens the organization's ability to impact its community and achieve its mission and vision will leave a lasting legacy.

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Ms. Martin is an experienced arts manager, leader and collaborator with over 25 years' experience leading arts and culture organizations and mentoring individuals. Since joining ACG in 2003, Ms. Martin has helped organizations strategically move through periods of transition and increase their earned and contributed income by bringing clarity and focus to their efforts. Ms. Martin is known for her ability to create & implement plans and "road-maps" that increase organizational effectiveness, and revenue. In her Interim Executive Director roles she has lead UCSD's ArtPower!, Malashock Dance Company, San Diego Performing Arts League, Starlight Theatre, and San Diego Center for Jewish Culture. In 2009, she facilitated the successful merger process that created the San Diego Gay Men's Chorus. From 1998-2003 she was SummerFest La Jolla General Manager and Managing Director at the La Jolla Music Society, coming from eight years with the Department of Music, University of California San Diego overseeing capital improvement projects and production of over 250 events annually. Ms. Martin serves on the Board of Directors of the Association of California Symphony Orchestras, and holds a B.S. degree from Shenandoah Conservatory in Arts Management with an emphasis in Viola performance and a certificate in Business Studies.

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