We Welcome You to the:

Learning Session on Strategic Restructuring
Learning Session on Strategic Restructuring

SAN FRANCISCO NONPROFIT IMPACT ACCELERATOR
NONPROFIT SUSTAINABILITY INITIATIVE

La Piana Consulting
Bob Harrington, Partner
“If you want to go fast, go alone
If you want to go far, go together.”

- African Proverb
The Multiplier Effect

Collaboration enhances the capacity of participating organizations for mutual benefit and to achieve a common purpose.
The Collaborative Map

- Collaboration
- Alliance
- Strategic Restructuring
Collaboration

- Coordinated Action
- Joint Advocacy
- Collaborative Learning
- Network
Alliance

- Administrative Consolidation
- Fiscal Sponsorship
- Joint Programming
- Joint Earned Income Venture
- Affinity Group
- Coalition, Consortium, and Association
Strategic Restructuring

- Joint Venture Corporations (including MSOs)
- Parent-Subsidiary Structure
- Merger or Acquisition
Case Study: Joint Programming
Ready Set Parent!
Case Study: Management Services Organization
MACC CommonWealth
Case Study: Administrative Consolidation
The Chattanooga Museums
Case Study: Joint Programming
Domestic Violence Programs and Federally Qualified Health Centers
Success Factors

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

- Autonomy concerns
- Lack of trust
- Self-interest
- Organizational culture
The Strategic Restructuring Process
Self-assessment

- Motivators
- Desired outcomes
- Critical issues
- Organizational factors or “red flags”
- Financial assessment
Partner Assessment

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

Corporation A
Board of Directors

Negotiations Committee
Tasks:
- Negotiation of Issues
- Due Diligence Process

Corporation B
Board of Directors

Corporation A
Board of Directors

Decision

Corporation B
Board of Directors

Decision

Implementation

Integration

Learning Session on Strategic Restructuring
Issues to be Negotiated in a Merger

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

Documents to review:

- Organizational
- Tax
- Insurance
- Personnel
- Financial/Funding
- Capital/Real Estate
- Others?
Legal Implementation

- Vote by boards of directors
- Finalize Agreement and Plan of Merger (or similar guiding plan)
- File documents with government agencies
Areas to be Integrated

- Board
- Management
- Staff
- Program
- Marketing & Communications
- Systems

Culture
Cultural Integration

- Be intentional about the process
- Maintain two-way communication
- Celebrate successes
- Resolve disagreements immediately
- Make communication/decision-making style explicit
- Monitor internally and externally
Integration Pitfalls

Mergers do not fail because organizational leaders can’t integrate their financial systems or IT...

Mergers can fail because people tend to hold onto their individual cultures and identity rather than create a new organization.
Lessons Learned
Be Prepared

- The process will take time
- People may leave
- There are both costs and benefits (intermediate and long-term)
- Reach out to donors, supporters, membership early on
**Success Factors**

- A champion
- Shared mission
- Positive experiences with collaboration
- Board support/encouragement
- A risk-taking/growth orientation
- Positive board-executive relations
Build Change Management into Culture

- Change is hard
- Change creates both excitement and anxiety
- Talk openly about the needed changes
Managing a Strategic Restructuring

**Relationships**
- Trust
- Mutual Respect
- Shared Purpose
- Working Relationship
- Skills Match

**Process**
- External Assessment
- Self-Assessment
- Partner Assessment
- Negotiations
- Implementation

**Results**
- Mission Enhancing
- Program Strengthening
- Legally Sound
- Financially Viable
- Publicly Supportable
Questions and Comments
Thank you.

harrington@lapiana.org
Panelists

- Joelle Gomez, former CEO
  Women’s Center,
  Youth and Family Services

- Dori Rose Inda, CEO
  Salud Para La Gente,
  Watsonville Law Center
Panelists

- Brett Andrews, CEO
  Positive Resource Center,
  AIDS Emergency Fund,
  Baker Places

- Sharon Miller, CEO
  Renaissance
  Entrepreneurship Center
Questions and Comments
## Impact Accelerator Timeline and Process (subject to change)

<table>
<thead>
<tr>
<th>Date</th>
<th>Task &amp; Process</th>
<th>Time Commitment</th>
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<tbody>
<tr>
<td>May 15 and 16</td>
<td>Learning sessions</td>
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<tr>
<td>May 24</td>
<td>Distribute Strategic Restructuring Assessment Tool (SRAT) application link and Phase 2 information</td>
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<td>June 16</td>
<td>Deadline for nonprofits to determine whether they want to apply for the SRAT process and submit application</td>
<td>20-30 minutes to complete application</td>
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<td>July 7</td>
<td>Final decisions and notification on SRAT participation</td>
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<td>July 7 – September 8</td>
<td>Distribute and allow organizations time to complete the SRAT. 3-5 Board Members and senior staff leadership (CEO/ED, CFO/Financial Manager, Senior Program Staff, Senior Development Staff) take the SRAT together. One person fill’s out SRAT responses on the computer during the session.</td>
<td>~2 hours</td>
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<td>September 8</td>
<td>Deadline to complete the SRAT</td>
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<td>August – November</td>
<td>La Piana consultant meets with each organization to debrief SRAT process, discuss critical issues related to a potential partnership, and determine next steps. Participants should include as many of the individuals as possible who participated in taking the SRAT.</td>
<td>2-3 hours</td>
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<td>Mid-September, ongoing</td>
<td>Partnership exploration and negotiations</td>
<td>TBD based on partnership</td>
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