



Fairfield County
Community Foundation



Trends in Nonprofit Mergers and Collaborations in Fairfield County

Report produced by
The Fairfield County Community Foundation's
Center for Nonprofit Excellence

A Summary of 2012 Survey Results

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About The Fairfield County Community Foundation

The Fairfield County Community Foundation works closely with donors, promoting the growth of community and regional philanthropy to improve the quality of life throughout Fairfield County. Individuals, families, corporations and organizations can establish charitable funds or contribute to existing funds focused on specific areas of need or communities in Fairfield County. The Foundation provides philanthropic advisory services, helps nonprofits develop endowment funds and develops and leads initiatives to tackle critical community issues. It is in compliance with the Council on Foundations' 41 national standards for community foundations. The Foundation has awarded over \$151 million in grants to nonprofits in Fairfield County and beyond. For more information, visit www.fccfoundation.org.

About The FCCF Center for Nonprofit Excellence

The Fairfield County Community Foundation created The Center for Nonprofit Excellence (CNE) to enhance the effectiveness of Fairfield County nonprofit organizations. The Center for Nonprofit Excellence:

- Offers high quality, affordable professional development workshops for Fairfield County nonprofit executive directors, senior staff and board members.
- Convenes nonprofit leaders from across Fairfield County, so they can learn from each other, exchange best practices, and explore collaborations to better serve the community.
- Awards special technical assistance grants to Fairfield County nonprofits, such as financial management assistance grants and grants to support individual nonprofit capacity building with qualified nonprofit consultants.
- Offers expert, one-on-one technical assistance to nonprofit executives and board members who call the Foundation with specific management questions. The CNE serves as a one-stop clearinghouse for nonprofit management information.
- Provides a community calendar for nonprofit fundraising events, a highly discounted subscription to the Foundation Center Online Directory, and free meeting space for Fairfield County nonprofits.

In addition to Foundation support, The Center for Nonprofit Excellence is generously funded by Albert and Helen Meserve Memorial Fund, Bluenose Fund at FCCF, Citizens Bank Foundation, Dana, Grace, Olivia and Al Nickel, First County Bank Foundation, GE Capital, JP Morgan Chase Foundation, Stephen F. and Ann S. Mandel Fund at FCCF, Newman's Own Foundation, Peoples United Community Foundation, Perrin Family Fund at FCCF, Pitney Bowes Foundation, Purdue Pharma, Savings Bank of Danbury Foundation, The Ruth Brown Foundation and The United Way of Western Connecticut.

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Learn more about The Fairfield County Community Foundation and its Center for Nonprofit Excellence at www.fccfoundation.org

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Survey Respondent

Fairfield County nonprofits are working together collaboratively. Programmatic partnerships, back office consolidation and full-scale mergers are all happening in our region.

Mergers and Collaborations

Funders talk about this. Nonprofits talk about this. Business leaders and policy makers talk about this.

Mergers are common practice in the business world and something we hear about every day. In the nonprofit world, the talk of merger and collaboration can be anxiety producing to say the least.

Given the current financial challenges facing nonprofits, there is a tendency to look specifically at mergers as the easy solution. In Fairfield County, nonprofits are merging and are considering merging, but it is not an easy fix to all of the challenges facing the nonprofit sector.

Through our survey research and on-the-ground work with nonprofits, we’ve learned that many Fairfield County nonprofit organizations are working together collaboratively. Programmatic partnerships, back office consolidation and full-scale mergers are all happening in our region.

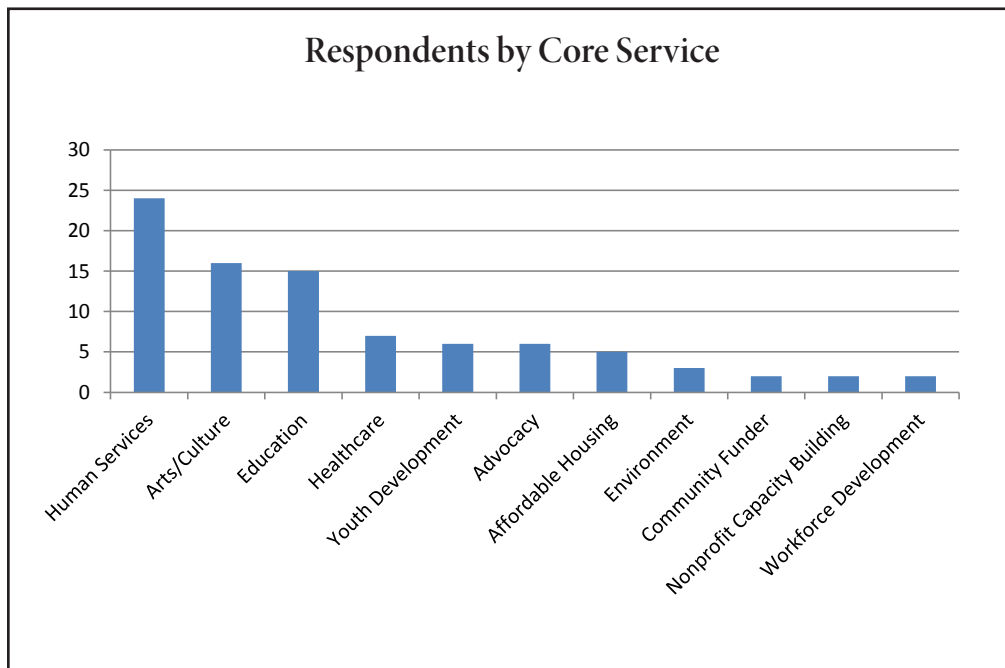
Over half of the respondents collaborate at the programmatic level and respondents indicate that these types of partnerships are increasing both the scope and quality of their services.

Mergers are the least common form of partnership among respondents. Of the respondents who had recently merged with another organization, nearly all of them were satisfied with the outcome of the merger and also reported an increase in the scope and quality of their services. Also significant is that mergers typically take a short time to complete, with most mergers being completed within a one year time frame.

Mergers are least likely to happen when the cultures of the organizations are too different, and when there is a questionable financial return on investment.

It is a complex decision when an organization considers partnering with another organization. Nonprofits must consider their internal capacity, how their clients will be served, and the return on investment.

Executive Summary



We set out to better understand this complexity in a survey we conducted in August 2012 of Fairfield County Executive Directors. Our research sheds light on questions like: Are nonprofit mergers and collaborations part of the solution to the current challenges in the sector? Why are nonprofit leaders considering mergers and other strategic partnerships? Are they successful? Do they affect the bottom line and how do they impact the quality of services provided?

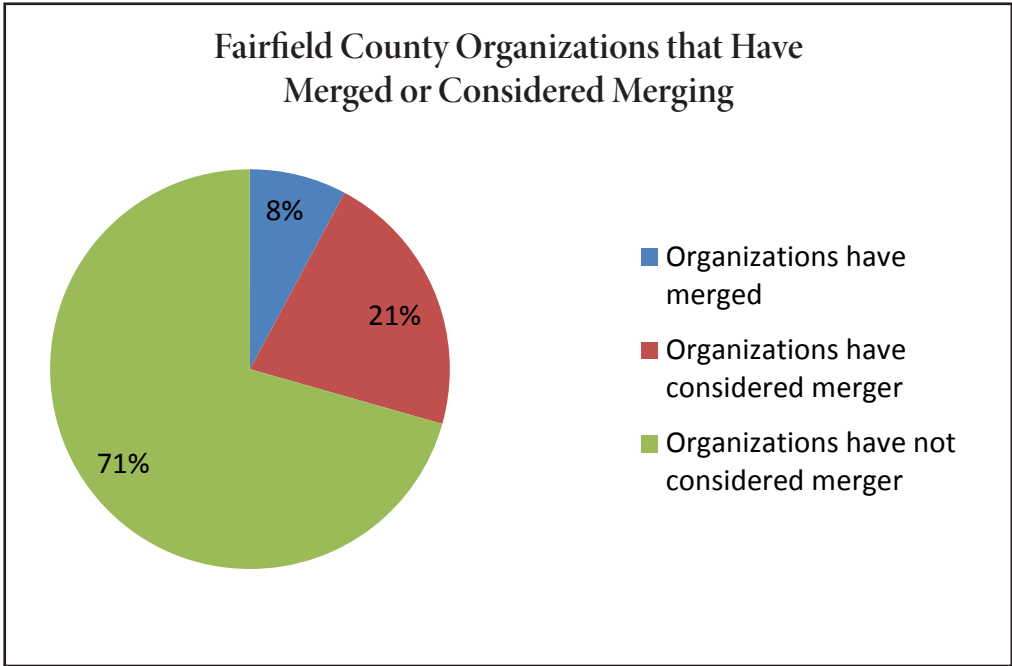
Our findings are based on the responses of 104 nonprofit leaders in Fairfield County - a 30% response rate.

Our findings are just a snapshot of merger and partnership activity among nonprofits in Fairfield County, Connecticut. They are meant to shed light on this current trend in the nonprofit sector. It is not a statistically weighted, representative sample of the Fairfield County nonprofit sector. This topic is of special interest to the Foundation in light of our own merger with the Greater Bridgeport Area Foundation in 2008.

Survey Methodology

This report focuses on merger and collaboration activity among Fairfield County nonprofit organizations. Specifically, our survey research focused on three types of strategic partnerships: mergers, program level partnerships, and shared back-office functions. Our findings are based on the responses of 104 nonprofit leaders in Fairfield County - a 30% response rate.

Respondents represented organizations from human services to the arts and everything in between. The responding organizations represented a wide range of operating budget sizes, from under \$250,000 to over \$5 million.



The most common reasons for merging were to increase the financial sustainability of the organization and to increase the scale and quality of services provided

Mergers

A merger involves the combining of two or more separate organizations into one legal entity. With nonprofit mergers this means that program, administrative, and governance functions are all combined.

Of all respondents, 8% of organizations had merged with another organization in the past 3 years. The most common reasons for merging were to increase the financial sustainability of the organization and to increase the scale and quality of services provided.

Only 14% of these merged organizations experienced cost savings as a result of the merger, while 29% did not experience any cost savings and 57% still consider themselves too early in the process to tell. Research has shown that cost savings as a result of a merger are not usually seen in the short term, and often not in the long term either.

David La Piana, President of La Piana Consulting, contends, “Despite conventional wisdom, mergers themselves do not generate revenue or reduce expenses. In the short term, they actually require new money for onetime transactional and integration costs. Even in the long term, the act of merging itself did not lead to substantial cost savings for the vast majority of the mergers my firm has facilitated.” (*Stanford Social Innovation Review*, Merging Wisely, by David La Piana Spring 2010)

While cost saving is not always realized, our findings show that mergers can increase the breadth of nonprofit services. Over 60% of organizations that merged experienced an increase in services provided to the community. Even more significantly, **75% of organizations that merged reported a positive change in the quality of services provided.**

Findings

The top three reasons for deciding not to pursue a merger were:

- 1) The culture of the two organizations were determined to be too different*
- 2) There was a questionable financial return on investment*
- 3) Personnel considerations*

This finding is evidenced in the recent merger between the Dispute Settlement Center (DSC) and the Regional Youth Adult Social Action Partnership (RYASAP). Both of these organizations had programs that aimed to divert young people from the juvenile justice system and prevent them from committing repeat offenses. Within a few months of the merger, which was facilitated in part by a FCCF grant, DSC mediation services were integrated within RYASAP's Juvenile Review Board. As a result, mediation is now considered in every referral where there is conflict between two or more young people or families.

Dorothy Adams, the former Executive Director of the Dispute Settlement Center, and Bob Francis, the Executive Director of RYASAP, firmly believe that programming has been enhanced because of the merger. When reflecting on the outcome of the merger, Ms. Adams stated, "The merger between DSC and RYASAP did something that goes beyond just an improved quality of service. By integrating the conflict resolution skill building and mediation process into other processes, it is bringing a whole new paradigm into being."

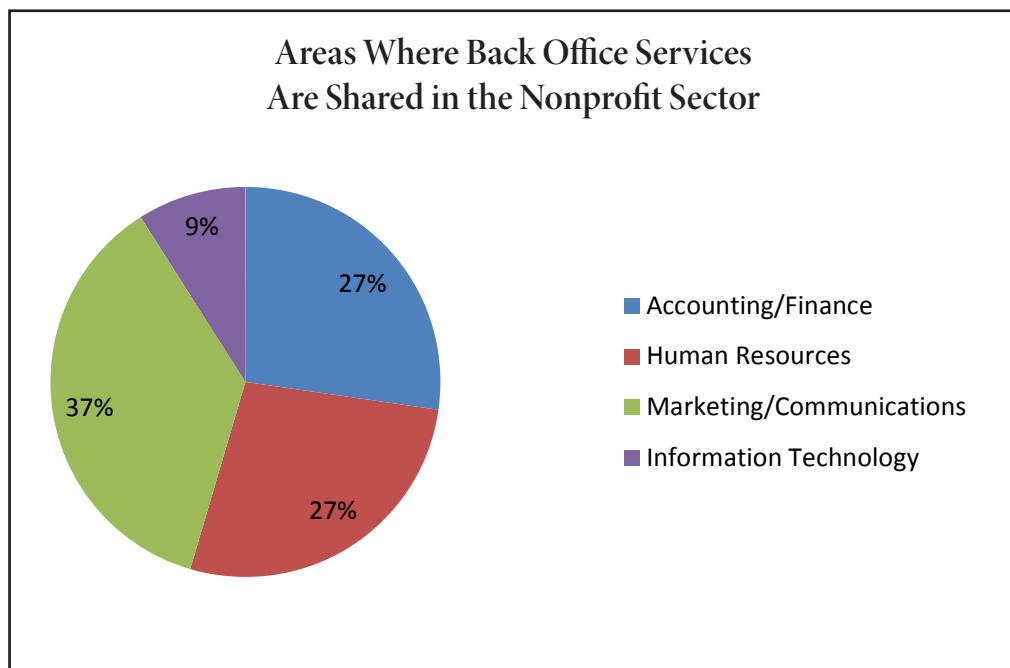
88% of mergers took less than one year to complete from initial conversation to actual legal merger of entities.

As a whole, 88% of organizations that merged were satisfied with the outcome of their merger. Additionally, most mergers took a relatively short time to complete. 88% of mergers took less than one year to complete from initial conversation to actual legal merger of entities. This is important as it is often the perception that mergers can take a long time, when in actuality it is short-term intensive work.

25% of organizations that have gone through a merger received outside financial support. Outside funding can support activities such as hiring a consultant to facilitate the merger, or one-time integration costs such as integrating information technology or accounting systems. Providing this type of financial support can be an important role for local foundations to play.

21% of respondents considered a merger with another organization over the past two years. 45% of these organizations decided not to pursue the merger after consideration. The top three reasons for deciding not to pursue a merger were: 1) the culture of the two organizations were determined to be too different, 2) there was a questionable financial return on investment, 3) personnel considerations.

As a foundation interested in nonprofit merger activity in Fairfield County, we have tracked transactions that have not resulted in a merger and noted that these top three reasons are accurate. Further research on the barriers to nonprofit merger is clearly needed in Fairfield County and Connecticut.



Shared Back Office Services

Back office services enable a nonprofit to carry out their charitable activities. These functions typically include: finance, human resources, information technology, marketing, and development.

Nonprofit organizations often share back office services to reduce costs and improve processes. In our survey, 10% of respondents share back office services with another nonprofit organization. Of these respondents, 63% have seen a cost saving as a result of sharing back office services. 33% of these organizations have seen an increase in services provided as a result of sharing back office services, while 66% have seen a positive change in their services provided.

While back office sharing is often beneficial for cost effectiveness, many organizations face barriers when exploring these options. Issues often include finding the right partner organization, concern over confidentiality, resistance by employees, and lack of control over administration.

Program Level Partnerships

According to our research, program level partnerships were the most common form of collaboration, with 57% of respondents having a program level partnership with another nonprofit organization or organizations. Nonprofits often choose to partner in this way in order to share resources, reduce costs, and reach a more diverse population with expanded services. 98% of respondents are satisfied with the outcome of the program-level partnership, with 46% experiencing a cost saving and 80% seeing an increase in services provided.

Recommendations

The top six reasons nonprofits consider mergers:

- 1) Increase Services Provided*
- 2) Financial Sustainability*
- 3) Improve Quality of Services Provided*
- 4) Board Interest*
- 5) Duplication of Services*
- 6) Staff Leadership Transition*

Recommendations

Through our research we've learned that Fairfield County nonprofit organizations are working together collaboratively on many fronts. The majority of nonprofits collaborate at the programmatic level, while administrative collaborations are less common.

Our research also shows that when nonprofits collaborate, typically the scope and quality of programs increases.

While mergers are the least common form of partnership among nonprofits in Fairfield County, of the respondents who had recently merged with another organization, nearly all of them were satisfied with the outcome of the merger.

Many in the funding community believe that mergers are the answer to our current challenges in the sector. Clearly, the answer is not that simple. Funders can play a role in forging partnerships since they have a unique perspective on the nonprofit landscape. As an outside, potentially neutral entity, funders can help get a transaction done. Funders also may have access to skilled consultants who can facilitate the merger. However, it is critical that funders not pressure nonprofits to pursue a merger in which the parties do not fully buy in to the concept.

While the majority of organizations do partner and work collaboratively, many still do not. There is a clear need for more information about ways in which nonprofits can collaborate. Through the FCCF Center for Nonprofit Excellence (CNE), we will launch programming in Spring 2013 about strategic partnerships based on the needs identified in this study. The CNE will also continue to bring organizations together to enhance nonprofit collaboration in Fairfield County. The Community Foundation will continue to financially support strategic partnerships where the outcomes will significantly impact our community.

Of the respondents who had recently merged with another organization, nearly all were satisfied with the outcome of the merger.

Additional Insights on Nonprofit Mergers

by Karen R. Brown, M.P.A.
Vice President of Programs

Most of the mergers in Fairfield County involve the closure of a small organization and the transition of its flagship programs into the larger organization. What have we learned about mergers from this work?

Importantly, the retirement or resignation of the executive director often opens the window for discussion of a merger among the board of directors. In some cases, the executive director's planned retirement forces boards to start thinking about potential mergers far in advance. This advance thinking is extremely smart, as mergers can take time. A study of nonprofit mergers in Minnesota in fact found that for 80% of the successful mergers, an executive director had recently resigned or was soon to retire in at least one of the pre-merger organizations (Success Factors in Nonprofit Mergers, July 2012).

The support of the executive director of the smaller organization is also key. In many cases, these executive directors actually championed the merger opportunity with their board of directors. They realized that their operating budget could not adequately support their administrative "overhead" and that continuing as a "stand-alone" nonprofit would not be in the organization's best interests. These executive directors were also more interested in seeing that their services continue, rather than the organization itself. This can happen when the services of the smaller nonprofit continue post-merger as a program or division in the larger nonprofit. Many executive directors of smaller organizations are also compelled to consider mergers because they see the opportunity for achieving greater impact and scale as part of a larger organization.

The aforementioned Minnesota nonprofit merger study also noted that communication with, buy-in from, and involvement of non-administrative staff prior to the merger were all associated with a significant number of positive outcomes following a merger, such as service quality and/or expansion and the alignment of staffing with client needs. This is an important finding, because nonprofit mergers most often involve the chief executive and board of directors.

Of course, engaging the board of directors - for both organizations - is absolutely critical. In some cases, larger nonprofits interested in mergers have adopted merger subcommittees of the board. The board subcommittee works with the executive director to regularly scan the nonprofit landscape and begin meeting with similar, albeit smaller, nonprofits for exploratory conversations. Some of these conversations do not result in mergers, but often do result in other important collaborations. The conversations usually happen board to board.

The board governance aspects of nonprofit mergers are potentially tricky. Often, the smaller nonprofit merging into the larger organization will request that 2-3 board members join the board of the larger organization.

As The New York Merger, Acquisition and Collaboration Fund notes, focusing upfront on critically important big-picture issues – such as mission alignment, cultural fit and control – rather than delving prematurely into legal issues or organizational structure is often essential. They also note that it is important that the parties be careful with the language they use with one another during the merger exploratory period (The New York Merger, Acquisition and Collaboration Fund, May 1, 2012, page 20).

Nonprofit management consultant Thomas A. McLaughlin perhaps said it best in his article entitled “Merger Myths”: “Form should follow function. Decide what you want the merger to accomplish and be clear about your shared assessments and desires. Only then it is worth having a discussion about structure.”

It is often important that an organization embarking on merger conversations receive outside consulting assistance. These consultants provide an objective, expert perspective on the merger process and can help staff and board members with the considerable work involved in getting to merger.

Finally, it is critical that the smaller nonprofit not wait until the 11th hour to starting thinking about mergers. Smaller organizations are only attractive for mergers with larger organizations when they are still relatively financially viable and strong. When they are three months away from going out of business, the larger organization is not likely interested in talking merger. We have seen this happen in several cases in Fairfield County.

An earlier version of this article was originally published in the National Executive Service Corps Fall 2012 newsletter

How You Can Help

Support The Center for Nonprofit Excellence

The impacts of the economic downturn will be long-lasting, and the challenges facing nonprofits in Fairfield County will only grow. In order to meet the changing landscape of dwindling government funding and the increasing demand for services by those in need, nonprofits will need to be well-managed, flexible and proactive.

DONATE ONLINE

Support The Center for Nonprofit Excellence today. Giving online is fast, secure and easy and you'll be confident in the knowledge that your gift will be used in the most effective way possible.

TO MAKE A DONATION

Go To: fccfoundation.org

Click: "Donate Now"

Select: The Center for Nonprofit Excellence

Choose: Your gift amount

Your tax-deductible gift will join donations from other like-minded philanthropists looking to make a meaningful difference close to home.

Support The Center for Nonprofit Excellence

The Center for Nonprofit Excellence at the Fairfield County Community Foundation is focused on improving and strengthening the nonprofit and philanthropic communities throughout the region.

The strength and health of our communities is directly tied to the strength of our region's nonprofit sector.

The Center for Nonprofit Excellence provides resources, training and support to our nonprofit, community and philanthropic leaders, ensuring a strong and vibrant community where all have the opportunity to thrive.

Learn more about The Center for Nonprofit Excellence and the work being done to improve and strengthen our region's nonprofit sector at: www.fccfoundation.org.



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The Center for Nonprofit Excellence

Mergers & Collaborations

Resources and Recent Examples



Resources on Mergers & Collaborations

Connecticut Association of Nonprofits **www.ctnonprofits.org**

Member of National Council of Nonprofits. Largest membership organization in the state dedicated exclusively to working with nonprofits in Connecticut. Offers group purchasing opportunities to nonprofits.

Foundation Center **www.foundationcenter.org**

Extensive resources on nonprofit collaboration including a searchable database of 670 collaboration profiles that detail participants, missions, motivations, successes, and lessons learned.

La Piana Consulting **www.lapiana.org**

National consulting firm specializing in strategic restructuring in nonprofit sector. Relevant research, articles and resources on mergers and collaborative partnerships.

David La Piana. Merging Wisely. (Stamford Social Innovation Review, 2010.)

David La Piana. The Nonprofit Mergers Workbook: The Leaders' Guide to Considering, Negotiating and Executing A Merger. (St. Paul, MN: Amherst H. Wilder Foundation, 2001.)

Pro Bono Partnership **www.probonopartnership.org**

Free legal assistance for nonprofits in tri-state area, including assistance with mergers and collaborations.

The Nonprofit Centers Network **www.nonprofitcenters.org**

Information and resources about developing collaborative nonprofit work space.

Shared Services: A Guide to Collaborative Solutions for Nonprofits.

The Nonprofit Times **www.nptimes.com**

Thomas A. McLaughlin, Merger Myths (The Nonprofit Times, April 1, 2009, Vol. 23, No.7)

Seachange Capital Partners **www.nymac.org**

S. New England Nonprofit Consultants Directory **www.sneconsultant.org**

Directory of nonprofit consultants in Southern New England and information about the process of hiring a consultant.

Support Center for Nonprofit Management **www.supportcenteronline.org**

Third Sector New England **www.tsne.org**

Wilder Research **www.wilderresearch.org**

Success Factors in Nonprofit Mergers: A Synopsis of a Study of 41 Direct Service Organization Mergers in Minnesota, 1999-2010 (July 2012)



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Recent Mergers in Fairfield County

Those mergers noted with an asterisk (*) were specifically assisted with a FCCF merger grant.

Ability Beyond Disability/Interlude: Interlude is now a program of Ability Beyond Disability*

Aging in Place/Gallivant: Merger between two organizations, with new organization named Aging in Place+Gallivant

Care To Care/Health Care Connections: Now programs of Family Centers, Inc.

CTE, Inc/NEON: CTE programs now operating under the NEON umbrella

Danbury Hospital/New Milford Hospital: New name is Western Connecticut Health Network

Domus/Future 5: Future 5 is now a program of Domus

Fairfield County Community Foundation/Greater Bridgeport Area Foundation: Merger of two place-based community foundations

Family Centers/Center for Hope: The Center for Hope is program of Family Centers, Inc.

Family and Children's Aid/Danbury Regional Child Advocacy Center (DRCAC): DRCAC programs are now part of Family and Children's Aid

New Canaan Community Foundation/United Way of New Canaan: United Way of New Canaan went through a corporate dissolution process. Its charitable work is being carried out through a new program created within the New Canaan Community Foundation

Nursing and Home Care/Visiting Nurse of Mid-Fairfield: New name is Visiting Nurse & Hospice Care of Fairfield County

Person to Person/ Christian Community Action (CCA): CCA is now a program of Person to Person*

Planned Parenthood of CT/Planned Parenthood of Rhode Island: Merger between two organizations in two different states becoming Planned Parenthood of Southern New England

Regional Youth-Adult Social Action Partnership (RYASAP)/Dispute Settlement Center: Dispute Settlement Center is now a division of RYASAP*

The WorkPlace/Dress for Success of Mid-Fairfield: Dress for Success is a program of The Workplace, Inc.*

The Volunteer Centers of Western CT and Southwestern Fairfield County/United Way of Western CT: Two Volunteer Centers are now a program of the United Way of Western CT

United Way of Stamford/United Way of Housatonic Shepaug/United Way of Northern Fairfield County: Merger of United Ways in Fairfield County and one in Litchfield County, with new organization named United Way of Western CT

United Way of Eastern Fairfield County/United Way of Norwalk & Wilton/United Way of Westport-Weston/United Way of Darien/United Way of New Canaan: Merger of five United Ways in Fairfield County, with the new 12-town organization named United Way of Coastal Fairfield County.

Voluntary Action Center: Previously a program of the Human Services Council, VAC is now run by the United Way of Coastal Fairfield County

“Incorporating the newly merged staff is already causing integrations with our 5 other divisions.

Because of the strength of the leadership staff added, we will increase opportunities for fund-raising, organizational efficiencies and new program creativity.”

Nonprofit Leader