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Creating an Environment for Success:

Mergers and Other Partnership Structures for Environmental Nonprofits

Acknowledgements

This publication was written by Mary Jo Kaplan of Kaplan Consulting, LLC, an Institute for Conservation Leadership consultant.

Editing support provided by:
- Dianne Russell, Institute for Conservation Leadership
- Catherine Taylor, Lang Taylor, Ltd.

Guidance, suggestions and support were also provided by:
- Brad Webb, Institute for Conservation Leadership
- Peter Lane, Institute for Conservation Leadership
- Stacy Baker, Institute for Conservation Leadership

Thank you to the following leaders who shared their time, experience, and stories of partnerships and mergers through interviews:
- Margaret Belluci, Save the Bay, Rhode Island
- Nina Chambers, Sonoran Institute, Montana
- Rich Cochran, Western Reserve Land Conservancy, Ohio
- Tim Davis, Sonoran Institute, Montana
- Dennis Glick, (former) Sonoran Institute, Montana
- Lisa Kuffner, Save the Bay, Rhode Island
- Maura McCarthy, Friends of the Wissahickon, Pennsylvania
- Jonathan Stone, Save the Bay, Rhode Island

Introduction

All of us in the nonprofit world are confronting the effects of the harsh economic climate. Our operating budgets are depleted, our cash reserves are plummeting, and the prospect of bankruptcy looms for many. In a recent survey of 900 nonprofit leaders conducted by the Nonprofit Finance Fund (NFF), only 12 percent expect to end the current fiscal year with an operating surplus. In the previous fiscal year, 40 percent of the leaders reported ending their fiscal year with money on hand. Nearly two thirds of those surveyed by NFF said they only had enough money to get them through the next three months.

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And yet, this unsettled fiscal context is also prompting many nonprofit leaders to think in exciting new ways, seeking out new partners and pursuing strategic restructuring, including mergers, to take advantage of the unprecedented opportunities that now exist to advance their good work. According to a February 2009 report by The Bridgespan Group, competitive pressures, barriers to organic growth and the large number of small players in a crowded field make the sector ripe for consolidation. (*Nonprofit M&A: More than a Tool for Tough Times*, By A. Cortez, W. Foster and K. Smith Milway, 2/09). Financial stability can be a happy byproduct of strategic restructuring, but healthier enterprises are capitalizing on market turbulence to further their mission — expanding geographic reach, programs, and/or constituencies.

At the same time, a 2001 evaluation of The Strategic Solutions Initiative, a five-year project to broaden the sector's understanding and use of restructuring, indicated that nonprofits, funders, and consultants had limited knowledge, skills, and experience related to formal restructuring. (*Pulling Together: Strengthening the Nonprofit Sector Through Strategic Restructuring*, P. Connolly and P. York, 5/2002). The study further concluded that nonprofit leaders did not believe restructuring was relevant to their organizations, funders were unclear about their role in promoting the process, and consultants lacked skills to guide it.

Our scan of the nonprofit environmental and conservation community, conducted in spring 2009, suggests that the environmental sector may be especially slow to adopt mergers. While comprehensive data are not available, anecdotal evidence suggests that environmental groups may be taking a "wait and see" approach to formal restructuring. "Environmental groups tend to be parochial and may be less open to joining forces with groups outside their immediate area," according to Rich Cochran, the Executive Director of Western Reserve Land Conservancy, a merger of eight land trusts in northern Ohio.

"Environmental groups ... may be less open to joining forces with groups outside their immediate area"

— Rich Cochran, Executive Director of Western Reserve Land Conservancy

A look at the nominees for the Collaboration Prize, which recognizes collaborations among nonprofits that would otherwise provide the same or similar programs or services and compete for clients, financial resources, or staff, seems to indicate a reluctance on the part of environmental groups to restructure. While Jo DeBolt, Senior Manager with LaPiana Consulting, who managed the selection process for The Collaboration Prize, asserts that it would be difficult to find any sector that is not exploring and implementing strategic partnerships (*Five Myths About Nonprofit Partnerships*), only four percent of the 644 nominees for the 2009 prize were from the environment and natural sciences category (even though the winner – an impressive consolidation of The Dallas Children's Museum, The Science Place, and the Dallas Museum of Natural History was.) And 25 percent of the nominees had pursued formal mergers, in contrast to two percent of the environmental applicants. Even though environmental groups have a strong tradition of collaborating, they seem to lag behind other sectors in their pursuit of legal restructuring.

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We created this monograph to help environmental and conservation leaders understand how strategic restructuring of your organization can offer more effective mission fulfillment, as well as financial stability. From a scan we conducted of partnership models within the environmental sector, we present to you four case studies as examples of different types of partnerships, how to form them and achieve agreements, and the benefits to be gained. These four stories give life to what is possible for environmental and conservation nonprofits. At the end of this paper, we summarize the lessons and practical suggestions to take away from a literature review and the case studies, to help you examine how your organization might move forward.

Four Success Stories

The following four cases illustrate different types of partnerships.

- **Friends of the Wissahickon** (FOW) in Philadelphia has developed partnership agreements with local, state, and national agencies that provide in-kind products and services as well as complementary expertise.
- The **Montana Smart Growth Coalition** was open to a merger based on long-standing, trusting relationships with the Sonoran Institute and the opportunity to focus intensely on program delivery and relinquish administration.
- Rhode Island's **Save the Bay** is experimenting with various types of joint ventures, fee agreements and fiscal sponsorship to maximize management efficiencies while extending service reach.
- In Ohio, the **Western Reserve Land Conservancy** consolidated eight organizations, defying naysayers, by focusing on shared interests, engaging professional expertise, and persevering.

We invite you to be inspired by the creativity, strategic vision, and skill demonstrated by the nonprofit leaders in each case as they pursue the practice of organizational partnership.

Case Study One: Friends of the Wissahickon (Pennsylvania)

Small Agency Gets Big Results Through Partnership Agreements

The creek waters sparkle, branches wiggle in the wind, and bikers whiz along the trail in the Wissahickon Valley in Philadelphia. Since 1924, Friends of the Wissahickon (FOW) has been the steward of the lower valley of this 64-square mile urban watershed that is surrounded by dense housing, busy roadways, and the myriad complexities and pollutants cities produce. Throughout those 85 years, homeowners and other volunteers have contributed countless hours and expertise to conserve and restore this precious green space. It is only since 2002 that a full-time director was hired. The current staff of three full-time and three part-time staff now contributes professional expertise to further harness the extensive network of citizens committed to preserving this urban haven, which has come to be enjoyed by one million people annually.

Partnership is an instrumental strategy FOW employs to maximize resources and extend impact.

Partnership is an instrumental strategy FOW employs to maximize resources and extend impact. For instance, FOW partners with the Chestnut Hill Historical Society (CHHS) to market and manage a joint easement program to persuade identified adjacent homeowners to limit development voluntarily. FOW targets priority properties and reaches resident, while CHHS has developed the expertise to manage these easements of small parcels. Since 1992, the joint venture has resulted in 33 easements that protect over 67 acres of open space and 12 historic facades — valued at over $10 million.

FOW formed another powerful partnership with Audubon PA to provide free backyard audits. Audubon had developed this program to guide homeowners to make habitat improvements so that properties would be more hospitable to dwindling bird and wildlife populations. These changes also mitigate flooding and storm water runoff, creating a major boost to the health of the creek and its tributaries. FOW is marrying its extensive community network with Audubon's nuts-and-bolts programming to ensure that the program is broadly known and used.

FOW also leads a number of collaborative restoration efforts in the Park that would be challenging to accomplish as a single group. One example is the Sustainable Trails Initiative (STI), a multi-stage commitment to make the 50 miles of trails environmentally and socially sustainable. FOW cemented a formal agreement with the International Mountain Biking Association (IMBA) to serve as contract manager for work that pairs professional trail builders with volunteer teams. This partnership saves up to $300,000 in direct costs while benefiting from IMBA's national profile. The City of Philadelphia is a major partner in these restoration initiatives as well – allocating no revenues, but instead contributing products and services. The City recently made an in-kind donation of excavated stone worth more than $250,000.

These are just a few examples of relationships that extend FOW's reach, creating win-win impacts that are truly more than the sum of their parts. "Each partner gets something it needs or wants that it can't obtain independently," explains Executive Director Maura McCarthy. "That added value can be expertise or in-kind resources, access, or credibility," adds McCarthy. "Our five formal partners and numerous informal collaborators give us leverage to deliver our mission far more expansively than we could achieve on our own. We focus on stable, measured growth for FOW while acting aggressively to protect this cherished resource."

Case Study Two: Montana Smart Growth Coalition

Giving Up Administrative Control For Greater Mission Control

Like so many mergers, the linkage of the Sonoran Institute and Montana Smart Growth Coalition (MSGC) started with an informal conversation between two long-time colleagues. "We were on a hiking trip when Tim shared about how much time he was spending on administrative issues. As we talked, we had an epiphany that both organizations could benefit from a merger," explained Dennis Glick, now the former Regional Director for the Sonoran Institute's Northern Rockies Program. "We (Sonoran Institute) relieved Montana Smart Growth Coalition of administrative burdens while gaining expertise to address state legislative issues," elucidated Glick. "We already had a symbiotic relationship."

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— Dennis Glick, Regional Director for the Northern Rockies office of the Sonoran Institute (former)

Montana Smart Growth Coalition comprised 30 organizations that had coalesced ten years earlier over a statewide focus on legislative issues related to growth management and land-use planning. The Sonoran Institute, founded in 1990, works across the rapidly changing West to conserve and restore natural and cultural assets and to promote better management of growth and change. The Institute takes a collaborative posture that emphasizes civic dialogue and public participation to make better land use decisions and forge effective and enduring conservation solutions. Eventually, a consolidation integrated the Montana state coalition and its one staff person, Tim Davis, into the Sonoran Institute, a large Western nonprofit with eight offices and a 26-member staff.

"I cannot over-emphasize the importance of personal relationships to help us work through problems."

— Dennis Glick, Regional Director for the Northern Rockies office of the Sonoran Institute (former)

When it came time to share the idea of a merger more broadly, it helped that Glick had his foot in both worlds: he was a founding board member of the Coalition and a member of the regional staff of the Sonoran Institute. Straddling both organizations, Glick was positioned to help each entity appreciate the value of a partnership. Davis agrees that the personal bond between him and Glick was instrumental at initiating the idea and navigating hurdles. Yet, the process was not without roadblocks.

From the Coalition's perspective, board members were wary of giving up independence. "We didn't want MSGC to go away; we wanted it to become a part of the Sonoran Institute," explained Davis. On the other hand, the Sonoran Institute was concerned that the Coalition's advocacy orientation could alienate more conservative local officials with whom the Institute had a longstanding rapport. Glick reiterated, "I cannot over-emphasize the importance of personal relationships to help us work through problems."

Once core issues were resolved, an attorney wrote up a memorandum of understanding. Staff roles and responsibilities were clarified as well as the role of the Coalition board, which continues to establish strategic priorities for MSGC. One condition of the MOU was fundamental — the Montana Smart Growth Coalition kept its name. "We have a strong profile in Montana and we wanted to build on our credibility and name recognition," explained Davis. "We got pushback from the communications staff at Sonoran Institute, but I think they have come to appreciate that local brands are powerful for state policy work," Davis added. The MOU outlined all the important guidelines. "We go back to it from time to time, and it still helps to resolve issues and clarify guidelines," Davis stated.

Since the consolidation in 2004, both parties view the merger as a success. The Sonoran Institute has replicated the model, evidence that integrating state policy groups into their fold is a successful way to broaden legislative capacity. They have developed partnerships with statewide policy groups in Wyoming, Colorado, and Arizona. "We started these efforts primarily because Tim and MSGC have been so successful, and we increasingly see the benefits of policy reform to reinforce our work," stated Nina Chambers, Director of Programs for the Sonoran Institute. For the Sonoran Institute, one of its original concerns had been turned on its head.

With no back-office responsibilities, Davis is able to provide undiluted focus to policy work, resulting in eight smart growth bills in Montana last year and seven in the most recent legislative session. For Davis, there are never enough hours in the day to influence policy. "If I can focus 100%, I am freed up to concentrate on delivering policy results, and that's a great outcome."

Case Study Three: Save The Bay (Rhode Island)

Testing the Waters on Joint Ventures

For nearly 40 years, Save the Bay in Providence, Rhode Island has worked to protect, restore, and understand Narragansett Bay and its watershed. It is one of the most prominent environmental groups in the state with a stellar reputation for its efforts in advocacy, habitat restoration, and education. Given its size, brand identity, and sophisticated management systems, it is no surprise that Save the Bay has been approached by smaller groups to develop partnerships.

What may be surprising is that a state government agency reached out to explore an innovative affiliation. "Each partnership represents a unique situation, so we're experimenting with different models that address those specific needs," explains Executive Director Jonathan Stone.

One example is the Ocean State Environmental Education Collaborative. This joint venture is made up of Save the Bay; the Norman Bird Sanctuary, a nonprofit wildlife refuge; and Roger Williams Park and Zoo, owned by the City of Providence. The Collaborative provides environmental education to local schools, primarily targeting disadvantaged youth in urban school systems. Each entity employs AmeriCorps members to staff their programs. Separately, none of the agencies is large enough to meet the criteria for state selection of the AmeriCorps program. But by joining forces six years ago, they were able to meet the 15-member staff threshold needed to hire these educators.

The centralized approach confers the benefits of a larger team, such as the opportunity for members to learn from each other and to develop a collegial network. The coordination through Save the Bay, which serves as fiscal agent and assumes responsibility for administration, frees up staff to focus on program delivery. The coordinator, Lisa Kuffner, can give her full attention to recruiting and supporting a top-notch education team for all three organizations. "We're applying for a new cycle and we're bringing in a fourth partner. Plus we had a first meeting of the Executive Directors that led to discussions about expanding the model to other areas such as conservation," commented Kuffner. "I just don't see any down side to this approach."

"This is a natural... By handling their administrative needs, we can free them up to get their boats out on the water and gain momentum on clean-up efforts."

— Jonathan Stone, Save the Bay Executive Director

A variation on the fiscal sponsorship model is an agreement that Save the Bay recently completed with Clean the Bay, a nonprofit created with federal grant support to remove over 500 tons of large marine debris from the Bay and surrounding waters. Save the Bay organizes its own clean-up activities along the shoreline, and both operations rely heavily on volunteers. When Clean the Bay reorganized its board of directors, it seized the opportunity to reach out to Save the Bay and explore opportunities for synergy. "This is a natural," said Stone. "By handling their administrative needs, we can free them up to get their boats out on the water and gain momentum on clean-up efforts." "We can maximize outreach by doing joint marketing and we can deploy volunteers when and where they are able to contribute," adds Margaret Bellucci, controller for Save the Bay. For this arrangement, Save the Bay not only plays a fiscal agent role but also handles operational tasks through a fee-for-service agreement. Bookkeeping and marketing are managed by Save the Bay along with volunteer coordination.

Most recently, a state agency approached Save the Bay about replicating its approach with the AmeriCorps collaborative. The agency anticipates an influx of new funds as part of the federal stimulus package. Given the urgency to deploy grants, it makes sense to off-load the administration of AmeriCorps recruitment and management to an agency that has demonstrated expertise.

"It's a little unusual to have a state agency pursue a nonprofit to play this type of role," explains Stone. "Circumstances may dictate that it's a smart approach. We need to keep probing for innovative solutions that capitalize on superior management and on-the-ground quality programs."

Based on its track record, Save the Bay anticipates more opportunities for partnerships and will carefully assess the pros and cons of each new possibility as it presents itself. Regardless of structure, the key to success will be clearly articulated goals for the partnership, terms that provide value for each partner, and measures to determine whether the partnership is a better way to meet the strategic goals of each entity.

Case Study Four – Western Reserve Land Conservancy (Northeast Ohio)

When Bigger – And Fewer — Is Better

There were approximately 450 local and state land trusts in the United States in 1982; by 2009, that number had exploded to 1700. While the increase might suggest progress, there are some leaders that argue that the pace and scope of conserved acreage might be more successful with fewer, more robust organizations. This was precisely the goal Chagrin River Land Conservancy had in mind when, confronted with the alarming pace of sprawl in the greater Cleveland area, it initiated a process in 2002 to bring the entire Northeast Ohio region up to its level of conservation activity, without diminishing local efforts. That process ultimately resulted in formation of the Western Reserve Land Conservancy, a merger of eight land trusts – the largest land trust merger ever undertaken.

Being by far the largest land trust in the area — it protected eight times as much land as the other seven land trusts combined — Chagrin had to proceed very cautiously so as not to stir up fears that it simply wanted to gobble up the other agencies. "The other land trusts were skeptical and somewhat fearful of our intentions," says Executive Director Rich Cochran in an interview. "It could have been toxic" to raise the possibility of consolidating.

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— Rich Cochran, Executive Director
Western Reserve Land Conservancy

The leadership of Jim Spira, the Chair of Chagrin's strategic planning committee – which was full of strong people — was essential to the success of the idea of merging. His executive, strategic and team-building expertise as President of American Greetings Corporation was critical, as were his connections: he was able to secure the pro bono consulting support of Boston Consulting Group (BCG).

During the process that led ultimately to the merger, Spira and BCG held Chagrin and other interested parties to a strategic structure that emphasized mission — "It's about the land!" — and that insisted upon trust, respect, and the elimination of ego. The approach balanced momentum with bringing others along.

"BCG was our Switzerland," said Cochran. After hearing the "unvarnished story" from all stakeholders, "their staff built a lot of trust, analytical savvy and tremendous commitment." The Chagrin board approved the establishment of a regional model and invited the small neighboring agencies to join a Steering Committee to negotiate merging. According to a presentation by Rich Cochran, "The premise was simple: Define the plan that will best advance regional conservation efforts in Northeast Ohio without sacrificing the strength built in the Chagrin."

During the process, [all] parties [were held] to a strategic structure that emphasized mission — "It's about the land!" — and that insisted upon trust, respect and the elimination of ego.

The negotiation process took 6 months. A laser-like focus on the goal of conserving more and more land, forceful leadership combined with democratic input, a willingness to suspend disbelief, and some plain good luck were the keys to moving the process forward. For example, major, unexpected catalytic funding — $500,000 — came at exactly the right time to spur momentum. A project manager was hired and each organization was given board and staff representation in a process notable for its both its clear structure and its social and celebratory culture. A number of talented individuals from outside of the process – Rich Cochran calls them "reinforcements" – helped to keep the effort on track at critical moments, including Jon Jensen of the Gund Foundation; Tom Stanley, founder of Russell Land Conservancy; and Rand Wentworth, President of Land Trust Alliance.

The merger was completed on December 31, 2005, and a systematic integration plan took place in 2006 to build board and staff cohesion, improve operational efficiencies, and diversify funding. From the outset, the land trust was focused on specific outcome goals, and the metrics at the end of 2008 document clear success. First and foremost, over 6,000 new acres were preserved on 61 properties since the merger, a 70-percent increase over a 20-year aggregate total. The agency is now actively pursuing an additional 5,000 acres.

Revenues soared. Trustees raised $1 million for a Regional Bridge Fund with 100 percent participation. More than $10 million was secured in new federal funds, unprecedented foundation support, and a 60-percent increase in annual fund revenues, now at more than $2 million per year. Total annual revenues grew to more than $12 million in fiscal year 2008, and net assets grew to $5.6 million, a 100-percent increase. And Director Cochran attested to terrific new energy and vision among the 25 full-time staff — two of whom were newly recruited from California — and board. A sound, inclusive process, a clear goal, strong leadership, and luck combined to bring about astonishing results in the new Western Reserve Land Conservancy.

Lessons for Your Nonprofit Organization

How to Explore Strategic Partnerships and Restructuring.

In August, the Independent Sector convened nonprofit leaders from across the country to assess and envision the future of the sector. They posed the question: How should we work differently to grow and harness the immense resources and talent of this sector to achieve the greatest possible impact? The answer: No less than transformation is required to address the scope of needs facing the nation and the ability of nonprofits to deliver quality results.

For leaders considering partnership options, here are some guidelines based upon the February 2009 report on consolidation efforts by the Bridgespan Group.

1. Engage board and staff in ongoing dialogue about alliances that are working well and the potential for exploring more formal partnerships that can meet strategic goals.
2. Conduct an internal management assessment to consider weaknesses in program links that might be better delivered through a management services arrangement.
3. Initiate conversations with funders to brainstorm opportunities and invite them to help make connections.
4. Schedule meetings with nonprofits, consultants and other experts in your community to identify models that are working successfully and resources that may support your organization to pursue partnership exploration.

Strategic Restructuring Can Take Many Forms

While mergers grab the headlines, nonprofit leaders have a number of restructuring models to choose from. It is prudent to consider them all, and assess which options fit best for your organization's efforts to enhance strategic goals and expedite results.

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LaPiana Consulting cites four distinct models for corporate integration: merger, joint venture, parent-subsidiary restructuring, and management services organization. We would add a fifth, fiscal sponsorship, to the list. All five forms of restructuring, which are described below, can be termed "mergers," yet their purpose, process, and results vary considerably.

Merger describes the dissolution of a legal entity to be fully transferred to and integrated with another organization. This kind of consolidation is most effective when there is cultural fit and the union meets a strategic goal to extend reach, share expertise, and/or gain efficiencies. The comprehensiveness of a merger means that it can take quite a long time to identify a partner, conduct due diligence, consummate the agreement, and realize results. In today's turbulent environment, the process of seeking a merger agreement can detract from core programmatic work and management demands. Mergers often face major hurdles arising from liability concerns, organizational history, brand loyalty, and commitment to retain staff or board members. On the other hand, a merger can be transformative when it has sound strategic benefit, leaders of both organizations are fully committed, the merger is well resourced and cultures are compatible. Western Reserve Land Conservancy is an example of such a transformative consolidation.

A **joint venture** is a legal entity formed between two or more parties to undertake a common objective for their mutual benefit (example: Nonprofit Law Blog). Such ventures aim to raise capital, gain expertise, or seize opportunities to advance organizational mission that is otherwise unavailable. Pursuit of a joint grant is a simple example of a joint venture. The Education Collaborative described in the Save the Bay case is a joint venture, as are several of the partnerships entered into by the Friends of the Wissahickon.

Parent-subsidiary restructuring results in varying levels of administrative consolidation and programmatic integration. The goal of centralized administration is to increase efficiencies as well as improve quality. This pooling of management functions also aims to liberate program staff to focus more keenly on service design and delivery. Increased competition for funds is motivating some small agencies to pursue a stable "parent" organization. The reverse is also evident: organizations with great prominence in the market are actively pursuing smaller agencies to expand their reach and maximize their administrative capabilities, often perpetuating the brand identity of subsidiaries to capitalize on well-established programs and community engagement. The Montana Smart Growth Coalition exemplifies this kind of restructuring.

A **management services organization** integrates administrative functions to increase efficiencies. It is a model that is often used in other sectors but not often seen among environmental nonprofits. Management services organizations offer agencies pooled expertise in areas such as accounting, financial management, board recruitment, or fundraising that they could not afford to develop internally. Professional associations often serve as management services organizations.

Fiscal Sponsorship is a fifth model that we suggest can help nonprofits focus on program delivery, by transferring fiscal and legal compliance to an incorporated organization. Fiscal sponsorship is a cost-effective way to implement new programs and test new approaches, especially for initiatives that are not incorporated. Fiscal sponsors receive charitable donations and grants on behalf of sponsored projects and assume legal and financial responsibility.

The Tides Foundation, based in San Francisco, California and Third Sector New England (TSNE), based in Boston, Massachusetts are examples of two of the largest organizations that have established fiscal sponsorship programs as part of their mission. The New England Grassroots Environment Fund exemplifies a fiscal sponsor that offers that role exclusively for its grantees, typically small organizations. Groups must meet certain criteria such as mission fit, minimum funding levels and a commitment to remain a fiscal sponsor for approximately one year. Fiscal sponsors provide administrative services ranging from financial management, human resources management, payroll, grants management, and capacity building.

A nonprofit also can serve as fiscal sponsor on a case-by-case basis, as Save the Bay does for Ocean State Environmental Education Collaborative. According to Jonathan Spack, TSNE Executive Director, "Fiscal sponsorship is a tried and true shared-services option for prospective – and existing – nonprofit groups who want to devote their time to their mission-based work rather than to administrative tasks. At Third Sector New England we're seeing a surge in inquiries as groups explore new ways to reduce costs and improve efficiency."

Points to keep in mind as you consider various partnership structures for your organization.

The four case studies in this article offer a number of lessons that are important for you to apply to your own situation.

1. Mission Comes First.

A nonprofit's first consideration when contemplating a restructuring is whether and how doing so might enhance the mission. Possible operating savings should NOT be the driving force and, indeed, should be calculated conservatively. As asserted in the Bridgespan Report, nonprofits should start with the question of how best to fulfill their mission, strategy, and fiduciary responsibility rather than simply ask whether or not to pursue a merger. The tail should not wag the dog.

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Many non-strategic anticipated benefits of nonprofit mergers, including cost-effectiveness, do not materialize, according to a 2006 study by Hillel Schmid, published in Nonprofit Management and Leadership, 2006. Leaders at The Nonprofit Finance Fund (NFF) also caution that cost savings are not easily achieved. "The jury's out on mergers. No matter how much the gods on Mount Olympus may wish to line up all the nonprofits and decree who should get together, the nonprofit sector is really no better than the private sector at combining cultures. And there are rarely cost savings," states Clara Miller, President and CEO of NFF (excerpted from *onPhilanthropy*, Susan Dempsey). "The most persistent myth about nonprofit mergers is that they will save administrative costs," adds Thomas A. McLaughlin, director of consulting services for NFF.

"Many pressures already keep administrative spending low, so trimming even a small slice of that amount is nearly a heroic accomplishment." (Merger Myths, Thomas A. McLaughlin, *The Nonprofit Times*, April 1, 2009).

The investment of time, especially early in the (merger) process, allows for the exploration of costs and benefits to be done well.

2. Personal Relationships and Trust Matter.

Nonprofit mergers typically emerge from personal conversations between leaders whose organizations have a history of working together. Even the most complicated mergers begin with a conversation (*Tropman Report* Volume 6, Study 2, 2007). The Bridgespan report noted that merger conversations are often initiated inadvertently at cocktail parties and conferences. Since the trigger is usually relationship-based and informal, it is important to engage a broader circle of stakeholders into the process early on to gauge more comprehensive and diverse perspectives.

Each of the case studies in this article highlights personal relationships and trust as key factors that helped the partnership start and develop.

3. Time and Timing Are Crucial.

Mergers need to be given time; they cannot be rushed or forced. Early conversations about a possible merger often take place years before the merger ultimately happens. Many factors conspire to make the timing right for a successful merger. There need to be shared benefits among the stakeholders. Leadership must be open to restructuring. And mergers work best if they are entered into from a position of strength, or at least stability. The investment of time, especially early in the process, allows for the exploration of costs and benefits to be done well. But once these factors are in place, and the work has been done well, it is important to jump. Timing is everything.

4. Brand Retention is Possible – and Desirable.

Nonprofits fear loss of identity through restructuring. This resistance is short-sighted and should not derail negotiations. Most restructuring models allow for multiple organizational brands to exist side by side. As shown in the case of Montana Smart Growth Coalition, a name change would have been a deal breaker. By keeping its brand, the organization capitalizes on its local credibility and visibility. The change has been seamless to external parties.

Negotiated written agreements help avert and resolve conflict.

5. Put It In Writing.

Many nonprofits engage in collaborative relationships that are not guided by formal agreements, and the effectiveness of these less formal relationships varies enormously. Formal restructuring warrants more prescribed agreements, although we have noted many cases of restructuring without robust written delineation of terms.

Montana Smart Growth Coalition leaders pointed to the clarity of the Memorandum of Agreement, and stated that they referred to this document periodically. Organizations such as Tides and Third Sector New England have developed templates from which to establish formal agreements with programs. The Western Reserve Land Conservancy example showed how the fact that everything was put in writing at every step of the merger negotiations led to clarity and trust among the stakeholders. Organizations that fail to work through agreements and document the details often find that misunderstandings surface and the partnership is threatened. Negotiated written agreements help avert and resolve conflict.

The Role Of Donors And Foundations

Finally, we want to acknowledge the role that donors and foundations often play in guiding the environmental and conservation nonprofit sector toward greater effectiveness and financial soundness. They can be crucial to the success of a partnership. Many funders do actively encourage partnerships and as noted in the case studies, can play a very important role in connecting people and providing support. Funders can also sometimes unintentionally get too far out in front of the nonprofit leaders they seek to support, and unwittingly create less favorable conditions for successful partnerships and mergers.

We encourage donors and foundations to be especially sensitive to the dynamics within and among organizational leaders, as well as the mission, brand, and culture of the nonprofits as they explore options.

In all choices, funders need to work to remain mindful of the power dynamics inherent in the grantor/grantee relationship. We encourage donors and foundations to be especially sensitive to the dynamics within and among organizational leaders, as well as the mission, brand, and culture of the nonprofits as they explore options. Some options for funders include:

- Stay abreast of emerging success stories, models, and tools
- Allocate grants for due diligence, merger agreements, and integration
- Provide forums and tools for agency leaders to gain access to merger resources
- Invest in intermediaries that can help guide interested nonprofits to weigh strategic options, scan for potential partners, and analyze business models to achieve restructuring goals

Conclusion

We hope that you have been inspired by the four case studies in this article to look at your own organization and its environment in a new way, and can make use of the lessons they offer to further your critical mission of conservation. We have shown you a number of restructuring options — merger, joint venture, parent-subsidiary restructuring, management services organization, and fiscal sponsorship. We have emphasized the importance of mission, personal relationships and trust, time and timing, brand retention, and the clarity of written agreements. And we have outlined the conversations for you to have and observations you need to make, both internally and externally, as you explore the idea of a merger.

Now we encourage you to take a small, first step. For instance, enter into a joint venture, where you can begin to learn how to be creative with partnerships. As your experience and comfort level grow, you will be able to entertain more complex partnership possibilities.

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Resources

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Compasspoint Nonprofit Services, **http://www.compasspoint.org/**

Fieldstone Alliance, **http://www.fieldstonealliance.org/**

Independent Sector, **http://www.independentsector.org/**

Institute for Conservation Leadership, **http://www.icl.org**

Independent Sector, **http://www.independentsector.org/**

LaPiana Consulting, **http://www.lapiana.org/**

MAP for Nonprofits, **http://www.mapfornonprofits.org/**

The Nonprofit Finance Fund, **http://www.nonprofitfinancefund.org/**

The TCC Group, **http://www.tccgrp.com/**

The Tides Center, **http://www.tidescenter.org/**

Third Sector New England, **http://www.tsne.org/**

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