

Success Factors for a Nonprofit Merger



A Case Study of
Big Brothers Big Sisters
East Central Wisconsin



CONTENTS

Big Brothers Big Sisters of East Central Wisconsin was formed by a nonprofit merger in January 2020. This case study highlights key success factors contributing to the organization’s merger process and describes its progress to date toward desired outcomes and strategic goals. Readers will learn what to consider and plan for when leading their own nonprofit through assessing, negotiating, and integrating an effective merger.

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EXECUTIVE SUMMARY

MARY STELLETTELLO, VISTA GLOBAL
SCOTT SCHAFFER, PUBLIC INTEREST MANAGEMENT GROUP

In July 2018, Big Brothers Big Sisters of the Fox Valley Region and Best Friends of Neenah Menasha, embarked on a path to explore how merger could enhance their organizational effectiveness and mission impact. With foundation support and consulting expertise from Vista Global Coaching & Consulting and Public Interest Management Group, they engaged in a thorough process to assess merger options, negotiate what a consolidated organization would look like, and integrate organizational cultures and systems. In January 2020, they legally merged to form Big Brothers Big Sisters of East Central Wisconsin.

Both provided services in the Fox Valley Region of Wisconsin and had built strong reputations and relationships in the community over five decades. However, they were also subject to the capacity and resource constraints common to small and midsize nonprofits. While they recognized that they could achieve more as a combined entity, they also knew that merger would be a substantial undertaking. The leadership of both organizations proactively sought foundation funding to engage experts to help them every step of the way.

The merging organizations pursued a systematic process of assessment, negotiation, and integration. This case study describes how they approached this merger and the key factors that enhanced its effectiveness in meeting desired goals.

While the longer-term results of the merger remain to be discovered, Big Brothers Big Sisters of East Central Wisconsin has already reported progress in expanding programs, increasing administrative efficiency, growing staff capacity, amplifying visibility and reach, and enhancing financial and volunteer resources.

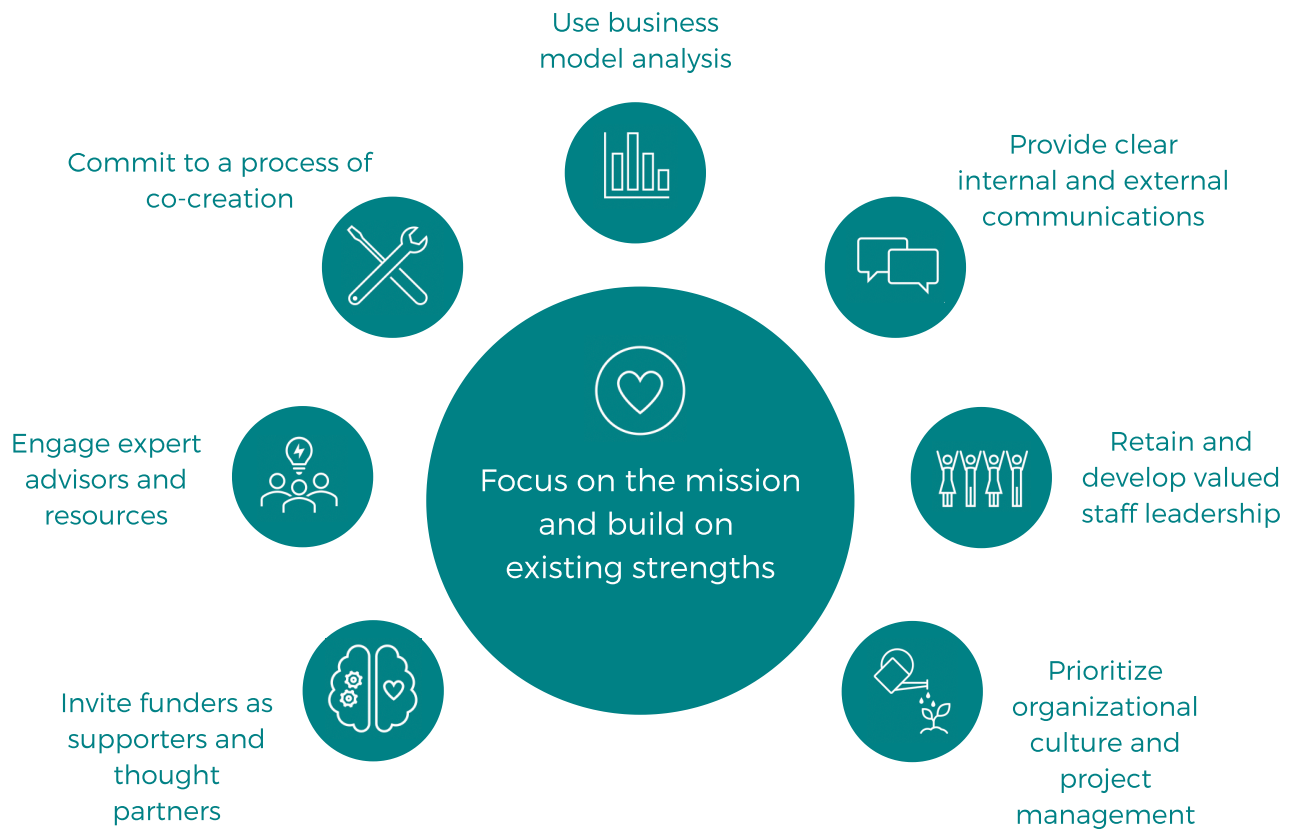
"We said: 'This is too big to do wrong. We don't have the internal capacity to do this ourselves; we are going to leverage experts to do this right.'"

—Lindsay Fenlon, Chief Executive Officer,
Big Brothers Big Sisters of East Central Wisconsin
(formerly of Big Brothers Big Sisters
of the Fox Valley Region)

The two organizations shared similar missions and programs, serving a combined 600 youth each year by matching them with caring adult mentors.

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Paying attention to the success factors both ensured smooth execution of a complex change process and built trust among stakeholders who continue to support the newly merged organization and its mission.



I. INTRODUCTION

Big Brothers Big Sisters of East Central Wisconsin was formed in January 2020 when two youth mentoring agencies merged to amplify their organizational effectiveness and life-changing impact. Big Brothers Big Sisters of the Fox Valley Region (BBBS) and Best Friends of Neenah Menasha (BF) each had long histories providing similar services in the region that had earned them strong reputations. However, the two nonprofits were competing for visibility, recognition, funding, mentors, and other resources essential to their missions. Both organizations experienced the strains of limited capacity and funding and saw the potential of a merger to capitalize on their respective assets and achieve more together.

The boards of directors had discussed the idea of a partnership in the past, but timing had not been ideal, for a variety of reasons. Now that both organizations were led by relatively new executive directors unfettered by “how things have always been” and emboldened by their respective boards’ openness, they decided to actively pursue this opportunity. Lindsay Fenlon, executive director of BBBS and Jaime Kriewaldt, executive director of BF developed a comprehensive merger budget and secured funder support for three key phases of activity, including a partnership assessment, guidance in negotiating an agreement, and support through organizational integration.¹

See Figure 1 below, for an overview of the process.

FIGURE 1: THE MERGER PROCESS



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This holistic approach, supported by committed funder partners and guided by consultants from Vista Global Coaching & Consulting (Vista Global) and Public Interest Management Group (PIM Group), ensured the smooth implementation of a complex change process, resulting in a strong and resilient Big Brothers Big Sisters of East Central Wisconsin. The new organization is poised and positioned to provide services of the highest quality in a changing world.

Learn More

Join us for two podcast episodes on “Minutes with Mary,” regarding mergers. In Episode 4, we take a closer look at elements to a successful merger. In Episode 5, we talk with the organization’s leaders.

Find both on SoundCloud at:
<https://soundcloud.com/vista-global-cc>



II. ASSESSMENT

A pre-partnership assessment can help organizations articulate the compelling *why* of a merger (or if a merger is even advisable) and identify key issues for negotiation. BBBS and BF recognized the value of going through a facilitated assessment, viewing it as a feasibility study that would clarify risks and benefits and communicate options to their boards, while also giving them a sense of the process ahead. The assessment, conducted between July and October 2018, brought greater clarity about their respective strengths and how these might complement one another in a merger, both through the consultants' objective analysis and—importantly—through the eyes of some of BBBS' and BF's key stakeholders.

The consultants reviewed documents and data from both organizations, conducted stakeholder interviews and surveys, and facilitated discussions with the organizations' representatives to develop a clear-eyed understanding of the specific challenges and opportunities at play.

Interviews elicited a range of perspectives from BBBS and BF staff and board leaders, funders, and other community-based organizations about community needs and assets, organizational strengths and weaknesses, and issues to address in exploring a merger.

The Assessment Phase

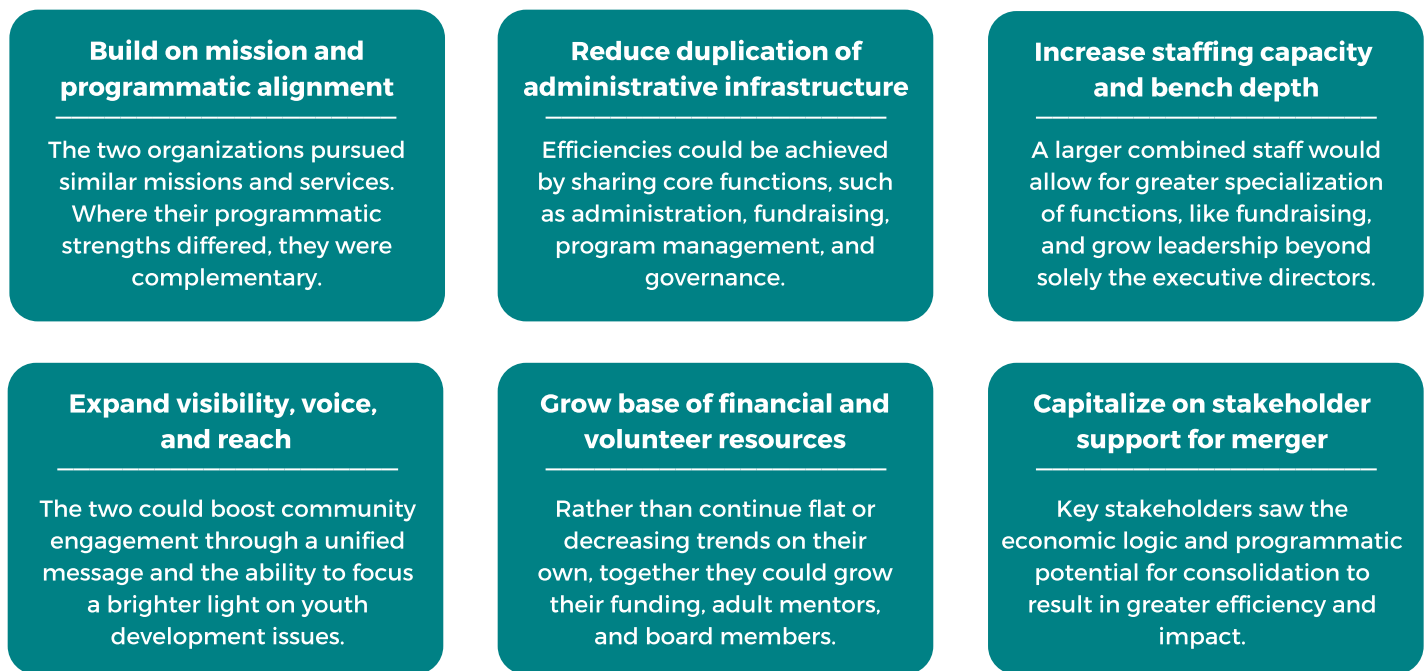
- Clarifies the motivations for a partnership
- Identifies its potential benefits and risks
- Explores the different forms or structures it might take



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An anonymous survey gathered similar input from all staff and board members of both organizations. The consulting team also analyzed each organization's programs, systems, structures, and cultures, and completed a business model analysis to examine how merger would impact operational budgets and reserves, informing the negotiation process to follow. Figure 2 below, highlights six desired outcomes surfaced through this assessment.

FIGURE 2: DESIRED OUTCOMES OF A MERGER



BUSINESS MODEL ANALYSIS

Also called “financial-operational modeling,” business model analysis is a systematic examination of a combined organization’s operations and financial structure, with emphasis on testing the conditions required for achieving desired mission and financial outcomes. This process presents the key information needed to lead and manage a merged organization. It answers the question: If we merge, what will it take to have a sustainable business model? It helps inform major negotiation points about staffing, compensation, locations and facilities, and other investments in infrastructure. Business model analysis also looks at reserves and paths to achieving a desired financial position. In short: it provides data to decision makers as a counterweight to collective assumptions or intuition.

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For BBBS and BF, this analysis shed light on consolidated revenue and operating reserve needs and identified financial constraints for staffing. Both parties voiced a strong preference for maintaining positions for all current staff. Specific questions this analysis sought to answer included: Can we afford to keep all current staff, and if so, what adjustments would we need to make? This work revealed that maintaining all staff on a combined payroll at current compensation levels would not be possible without overly optimistic fundraising assumptions.

"I was rather skeptical on day one about hiring a consultant...but [our consultants] quickly established a level of trust and led us through the process in a respectful and professional manner...this framed the direction of our team and the level of commitment we each had for the successful transition."

—Board Member serving on
Negotiation Committee

Without this data, the organizations might have either negotiated a decision they would be compelled to roll back later or burned through cash too quickly during post-merger years, thus compromising successful integration. Figure 3 below, details how business model analysis tested some initial assumptions.

FIGURE 3: KEY TAKEAWAYS FROM BUSINESS MODEL ANALYSIS

What Partner Organizations Expected/Assumed	What We Learned
A consolidated organization can maintain or create positions for all current staff, while achieving a satisfactory bottom line through increased fundraising.	Some personnel expenses had to be cut in order to create a new leadership structure and reach a sustained positive bottom line.
The combined financial position will be strong, with adequate cash reserves for the foreseeable future.	The financial position will be moderate upon merger, with operating surpluses needed to elevate it to "strong" status in the near term.
Fundraising growth is likely, due in part to increased capacity and scale of operations.	Increased scale will allow greater specialization and focus on major giving, particularly within the CEO's role.
New structural costs will be small and overshadowed by economies of scale.	Some ongoing costs will increase; economies of scale will dominate these increases, but only after several years of budget growth.
Transitional fundraising will be adequate to support process and integration costs.	Transitional fundraising will cover all direct and some indirect costs, making assumptions about increased operating fundraising more plausible.

III. NEGOTIATION

Merger negotiation involves decisions about every aspect of organizational life: governance, leadership and staffing, financial and capital issues, programs, fund development, and public relations. Working with Vista Global and PIM Group, a negotiation committee of board members and executive directors from both organizations met on an ongoing basis from January through July 2019, engaging as co-creators of the future organization. Due diligence, the exchange and review of both parties' confidential legal and financial information, identified technical issues around liabilities and provided transparency to both parties. Consultant facilitation ensured continuity and momentum for the process of working through key issues and helped to resolve sticking points in developing agreements for recommendation to the full boards.² Two key areas of this negotiation were: leadership and staffing structure; and geographic/community presence.

LEADERSHIP AND STAFFING STRUCTURE

One of the most sensitive issues that can arise in a merger is the ongoing roles, if any, of current CEOs and other staff. Negotiation committees must address questions like: Should either leader be the CEO of the combined organization, or should we conduct an outside search?

In this case, Lindsay Fenlon and Jaime Kriewaldt saw themselves playing different roles in the merged organization and today, Lindsay is the chief executive officer and Jaime serves as the chief program officer. However, this solution was not immediately apparent, nor was it up to the executives to decide but their boards; it required the consultant's skilled third-party diplomacy with both individuals and their respective boards to resolve the question gracefully.

The Negotiation Phase

- Surfaces any legal or financial issues
- Defines what a merged organization would look like
- Documents recommendations for board approval

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Similarly, there were questions to be answered about the rest of the staffing structure. While most nonprofits try to minimize staff layoffs in mergers, they cannot afford duplication of roles and difficult decisions must be made. Apart from determining who would be asked to stay and in what roles (essentially drawing a new organizational chart), the negotiation committee had to determine what the salary and benefits structure would look like. This work was pivotal for the merged organization because, while there was a strong desire to retain all staff, business model analysis showed no way of making this feasible without adjustments to organizational structure.

GEOGRAPHIC AND COMMUNITY PRESENCE

Another common challenge in nonprofit mergers where partner organizations serve different geographies or client populations is the fear that consolidation will mean some stakeholders get “left behind.” For BF, which was deeply rooted in the Neenah and Menasha communities of Wisconsin’s Winnebago County, merging with a BBBS serving a broader four-county area elicited concerns: Would staff be able to maintain strong relationships with local communities? Would these communities feel they still had a voice in the organization? Could BF lose mentors or donors?

Jaime Kriewaldt describes how these questions were addressed during the six-month period between the board vote on the merger and the official merger date: “With support from the board, we met with individuals in small or larger group sessions to allow people to share their voice, to hear their concerns, and to provide accurate information.” During the assessment phase, leaders had considered creating an advisory committee as an adjunct to the board to ensure stakeholders that Neenah-Menasha would be represented. BBBS also made the strategic decision to relocate the main office from Appleton to Neenah, demonstrating the commitment of the new organization to that community.



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COMMUNICATIONS PLAN

Merger negotiations present the challenge of being largely confidential while in progress and require clear communication with multiple stakeholders during the process and following the boards' decision. BBBS and BF developed a robust strategy, initiated during negotiation, guiding internal and external communications throughout this phase and into the integration phase that followed. Their approach included communication statements approved by the negotiation committee; meetings with families, volunteer mentors, and other external stakeholders; and weekly internal updates for board and staff members. Clear and consistent communication built trust in the process and helped to assuage the uncertainties inherent to such a major organizational change.

"One of the great things about the Fox Valley community is, if people know each other, they are willing to come together to hear from each other. In the end, we didn't lose any partners or relationships; we really made sure we were all on the same page."

—Jaime Kriewaldt, Chief Program Officer,
Big Brothers Big Sisters of East Central Wisconsin
(formerly of BF)

Negotiation committees may see their work being complete when the respective boards approve the merger and the legal documents are filed. However, this is really just the initial step in the integration process. Once a final merger plan is approved, the work of integration begins: not only to build the systems and infrastructure of the consolidated organization, but to forge the relationships and create the shared culture necessary for it to succeed and flourish.



IV. INTEGRATION

Integration entails a multifaceted process of combining, reinventing, or creating all the systems and structures necessary to support the new organization. This work is overseen by executive leadership, often with the support of an integration team (much like the negotiation committee, but with first-hand knowledge of programs and operations) and function-specific work groups that engage a broader range of staff and board members. This phase also frequently involves vendors and specialized services in areas like information systems, marketing, and benefits administration. BBBS and BF ensured that their integration was supported by doing intentional work on organizational culture and having a project manager dedicated solely to integration activities. This phase commenced in August 2019 and developed an implementation plan for the subsequent 18 months.

ORGANIZATIONAL CULTURE

Every organization has its own unique set of shared values, behaviors, and norms that make up its culture, or how it is experienced by the people in it and served by it. When organizations merge, they must bring together their cultures, just as they would their programs, HR systems, and finances. Even the most well-thought-out merger will fail to realize its full promise if the people in the combined organization are still holding different sets of expectations and can't effectively work together. In this merger, the two executive directors both recognized that their organizations had very different personalities and sought to ensure that cultural awareness and culture change would be part of the merger process. This included seeking specialized assistance to assess and integrate their respective organizational cultures.

Working with organizational culture consultants, they approached culture from a change management perspective. Surveys and interviews were used to develop a profile of each organization's change readiness and gauge their perceptions of each executive director. This confirmed that leadership had the confidence of staff, but that attention would be needed to build staff members' trust in one another.

The Integration Phase

- Implements the new organization's structures, functions, and programs
- Ensures a united organizational culture is created and reinforced

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Using their expertise in how group culture is built and reinforced, the consultants helped the organization find alignment on objectives for the new culture and create action plans to get there. Frequent, transparent communication, such as weekly merger updates, played a key role throughout the integration phase in building trust and shaping a new shared culture and organizational identity.

PROJECT MANAGEMENT

Merger is a consequential project for any organization, shaping its operations and programming for years to come. Nonprofits cannot hit a “pause” button on their regular work while executing a merger, so all this activity is happening on top of their everyday commitments. With all the moving parts involved in the merger integration phase, project management—the effective planning, organizing, securing, and managing of resources to bring about a project’s successful completion—is essential. However, organizations may lack the staff capacity or expertise to dedicate to this project management role, so a skilled project manager can provide needed support.

BBBS and BF recognized a need for a dedicated project manager. Leadership secured funder support for a contract project manager position with a sole focus on integration. Vista Global met with the integration team on a monthly basis and liaised with the project manager to break down silos and ensure a cohesive effort.

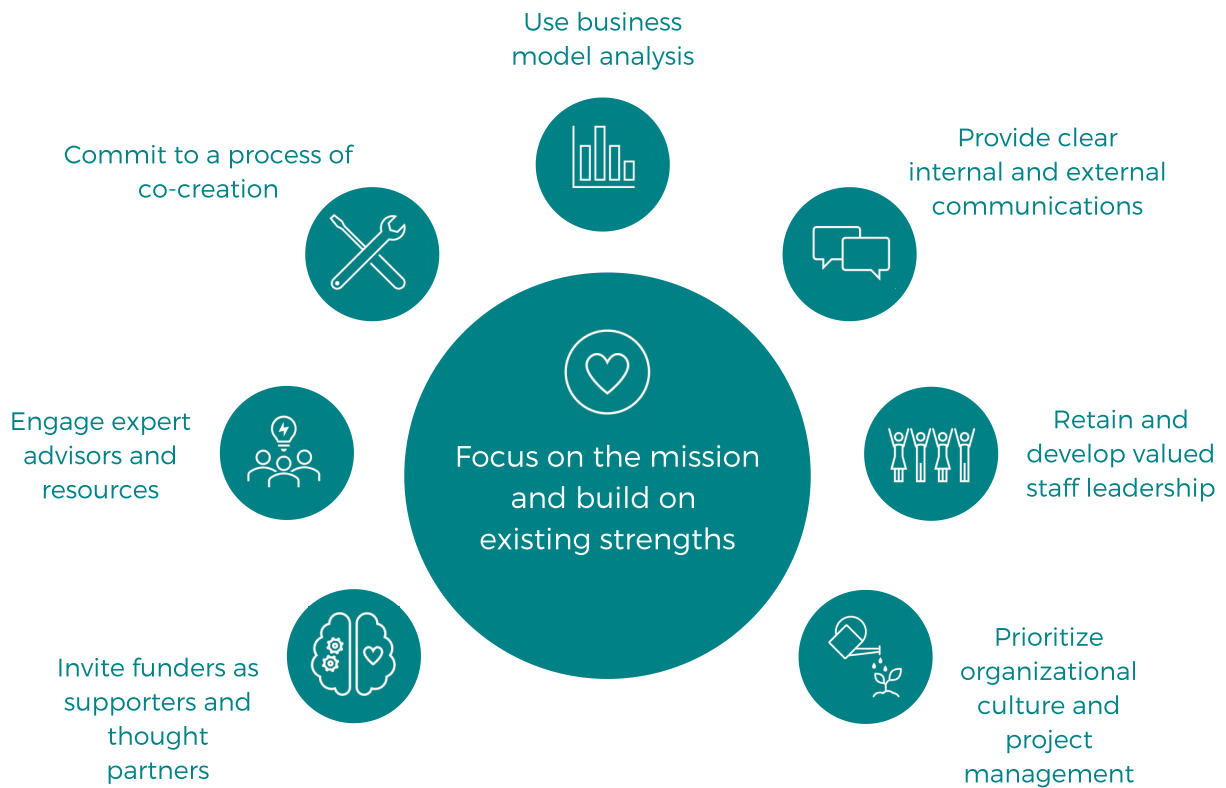
Work groups interfaced with key vendors, and the project manager provided crucial support, continuity, and overall accountability to the lengthy list of integration activities that had to be accomplished for the merger to meet its goals and objectives.



V. SUCCESS FACTORS

Big Brothers Big Sisters of East Central Wisconsin's merger success is a result of not only a systematic process but its own proactive stance and recognition that it need not walk this path alone. From start to finish, this merger benefited from partnership among engaged and committed organizational leaders, process and content experts, and funders who understood the value proposition. Figure 4 below, highlights key factors that went into making this merger a success.

FIGURE 4: SUCCESS FACTORS



The J.J. Keller Foundation played a lead role as a funding partner and champion of the work. Lindsay Fenlon says, “I invited them not only as a funder but as a thought partner; they were aware of other resources in the community and urged other funding partners to invest.” She credits funders’ willingness to trust the organizations to be good stewards of their support: “It was key to find a funding partner that understood what we were trying to do...understood the vision... and why it was going to cost that amount.” The two merging organizations also contributed funds to this work and received some pro bono support in key areas of expertise.

VI. RESULTS

While it may take years to learn whether a merger will result in sustained improvement in organizational performance, Big Brothers Big Sisters of East Central Wisconsin has already made strides in several key areas. When BBBS and BF assessed the feasibility of this merger, they identified six major opportunities: mission and program alignment; administrative efficiency; increased staff capacity; visibility and reach; expanded financial and volunteer resources; and stakeholder support. To date, the new organization has demonstrated success in many of these areas—and more.³

MISSION AND PROGRAM ALIGNMENT ✓

The merged organization now has more ways to meet its mission, the consolidation of programs broadening the scope of ways mentors can be of service and ensuring the consistent application of best practices for safety and quality. The merged board is moving forward to advance the mission with strong cohesion, sense of purpose, and clarity about their roles, responsibilities, and goals.

ADMINISTRATIVE EFFICIENCY ✓

All critical operational systems were merged and migrated to secure, cloud-based platforms, updating and streamlining infrastructure for more effective operations and connectivity across multiple service sites. Economies of scale realized through merger have reduced pressure on cash flow, resulting in stronger budget performance.

INCREASED STAFF CAPACITY ✓

The organization's commitment to retaining as many staff as possible through the merger and its investment in building a shared organizational culture has led to high satisfaction and morale. Adding more management positions has built a deeper bench of leadership necessary to propel the larger, consolidated organization forward.

GREATER VISIBILITY AND REACH ✓

The reputations and relationships of both partner organizations, along with intentional and consistent stakeholder communications throughout the merger process, have contributed to the new organization's successful launch. The merger has given the new organization a new story to tell and will enable it to touch more young people's lives.

EXPANDED FINANCIAL AND VOLUNTEER RESOURCES ✓

Institutional funders provided crucial support to the merger process itself, demonstrating confidence in the organization that continues to this day. Thoughtful planning and communication ensured the continuity and retention of donor and volunteer relationships, and the new organization is building on this combined resource base.

STAKEHOLDER SUPPORT FOR CONSOLIDATION ✓

Staff, board members, funders, and community members continue to signal their support for the merged organization and its mission.

VII. CONCLUSION

This case study presents the key success factors that nonprofit leaders can consider and plan for, depending on each organizations' needs. The merger process reviewed here created space for assessing options, negotiating what the new organization will look like, and successfully integrating cultures and systems. This process has resulted in a strong and resilient Big Brothers Big Sisters of East Central Wisconsin that is on track toward exemplifying what a well-resourced and supported merger can achieve.

"There was an opportunity to explore what the potential was and there was a will—and we wanted to support that. This is exactly what funders are always asking nonprofits to consider: ways to work more strategically with each other to better deliver impact for the community."

—Heidi Dusek,
Executive Director, J.J. Keller Foundation



¹ A merger assessment does not always lead to a negotiation, nor does negotiation inevitably result in a merger. Rather, each phase is conditional upon both boards' approval to proceed, pending the results of the process up to that point.

² BBBS is one of the country's well-known nonprofit networks, or federations, in which there is a national organization that has local or regional affiliates that must adhere to a common set of standards of operation and service. This poses a unique set of issues when an affiliate seeks to merge with a nonprofit outside the network. For this merger, the negotiation committee had to ensure that the new organization would meet all BBBS standards, such as the way in which adult mentors are matched and monitored, to continue to be recognized as a BBBS and reap the benefits of being part of the federation.

³ Surfacing just three months after the merger was official, the COVID-19 crisis has been an early test of Big Brothers Big Sisters of East Central Wisconsin's resilience. To date, it has adapted nimbly, pivoting to 100% virtual programming, applying for and receiving a Paycheck Protection Plan small business loan, and ensuring employee retention and paid leave benefits for staff. CEO Lindsay Fenlon credits the merger for the organization's speed in transitioning to socially distanced services and support and that this experience has built confidence in its ability to continue to successfully navigate the changing environment.

ACKNOWLEDGMENTS

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Lindsay Fenlon, Chief Executive Officer, Big Brothers Big Sisters of East Central Wisconsin (formerly executive director of BBBS)

Jaime Kriewaldt, Chief Program Officer, Big Brothers Big Sisters of East Central Wisconsin (formerly executive director of BF)

Heidi Dusek, Executive Director, J.J. Keller Foundation

[Vista Global Coaching & Consulting](#) offers coaching and consulting services in the areas of leadership development, training, facilitation, governance, and organizational transformation in the nonprofit, philanthropic, and corporate sectors, both domestically and internationally. Vista Global partners with individuals and organizations to create the world we want to live in. For more information about Vista Global Consulting & Coaching and to access the Podcasts regarding this merger, visit www.vistaglobalcc.com or contact Mary Stelletello, Principal, at mary@vistaglobalcc.com.

[Public Interest Management Group](#) delivers strategic management consulting services to nonprofit organizations. PIM Group's approach integrates financial analysis and organizational development tools to drive impact, growth, financial health, and sustainability. For more information about PIM Group, visit www.pimgconsulting.com or contact Scott Schaffer, Principal, at scott@pimgconsulting.com.

[Big Brothers Big Sisters of East Central Wisconsin](#) helps children realize their potential and build their futures by creating and supporting one-to-one mentoring relationships that ignite the power and promise of youth. For more information about Big Brothers Big Sisters of East Central Wisconsin, visit www.bbbsecw.org.