

# *CREATIVE SUSTAINABILITY: JOINT VENTURE TO MERGER*

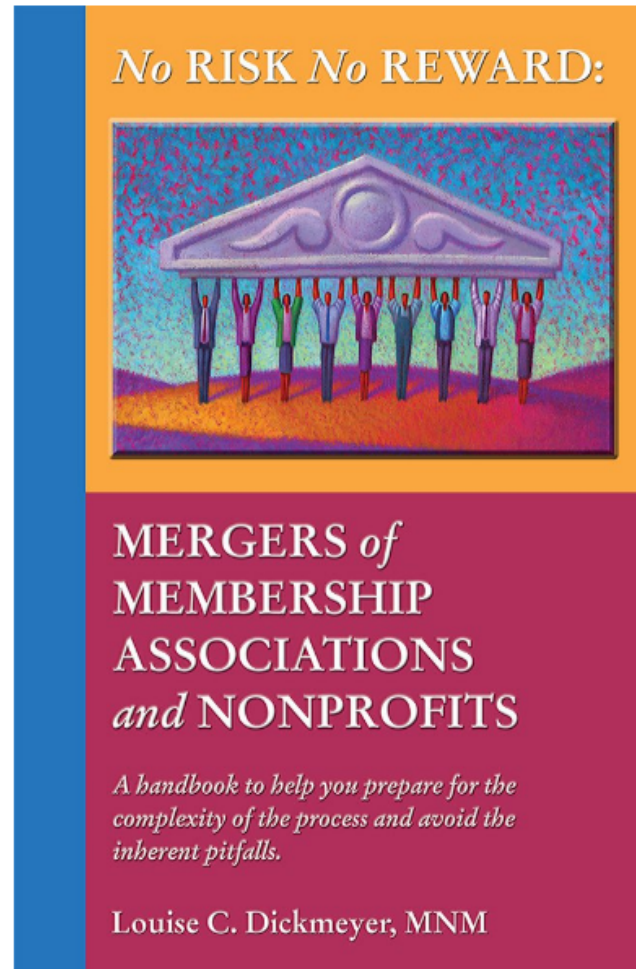
*LEVERAGING PARTNERSHIPS FOR SUCCESS!*



Resource Conservation & Development for  
Healthy Communities, Ecosystems & Enterprises

## WORKED FOR:

- ✓ Multiple Listing Service
- ✓ Mankato Area Board of REALTORS®
- ✓ Valley Industrial Development Corporation
- ✓ Valley Opportunities
- ✓ Scholarship America
- ✓ Greater Minneapolis Chamber of Commerce
- ✓ Minneapolis Regional Chamber of Commerce



## SERVED ON:

- ✓ Southern MN Housing Board
- ✓ Greater Mankato United Way  
– Board and Exec Committee
- ✓ South Central College  
Foundation Board & Exec  
Committee
- ✓ Sts. Peter & Paul Parish Council
- ✓ Business Advisory Council,  
College of Business, MSU,  
Mankato
- ✓ Wireless Institute

## SERVE ON:

- ✓ Mankato Area Foundation  
Board of Directors  
– Chair Strategy &  
Governance Committee

- Introductions!



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# 1.5 MILLION

- According to the National Center for Charitable Statistics (NCCS), more than **1.5 million** nonprofit organizations are registered in the U.S.
- This number includes public charities, private foundations, and other types of nonprofit organizations, including chambers of commerce, fraternal organizations and civic leagues.

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# US NONPROFIT GROWTH

- Meanwhile, the number of US nonprofits actually grew 7 percent between 2007 and 2011 to 1.58 million, an average of nearly 40 nonprofits per US zip code.<sup>2</sup>

- <sup>2</sup> Sarah Pettijohn, “The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering,” Urban Institute.org, 2013; Thomas Pollak et al., “The Nonprofit Sector in Brief: Public Charities, Giving, and Volunteering,” Urban Institute.org, 2009.

# SERVICE AREAS

- Arts, Culture and Humanities
- Education and Research
- Environment and Animals
- Health
- Human Services
- International
- Public, Societal Benefit
- Religion



# PARTNERSHIPS

- Joint Venture
- Cooperative
- Merger / Acquisition

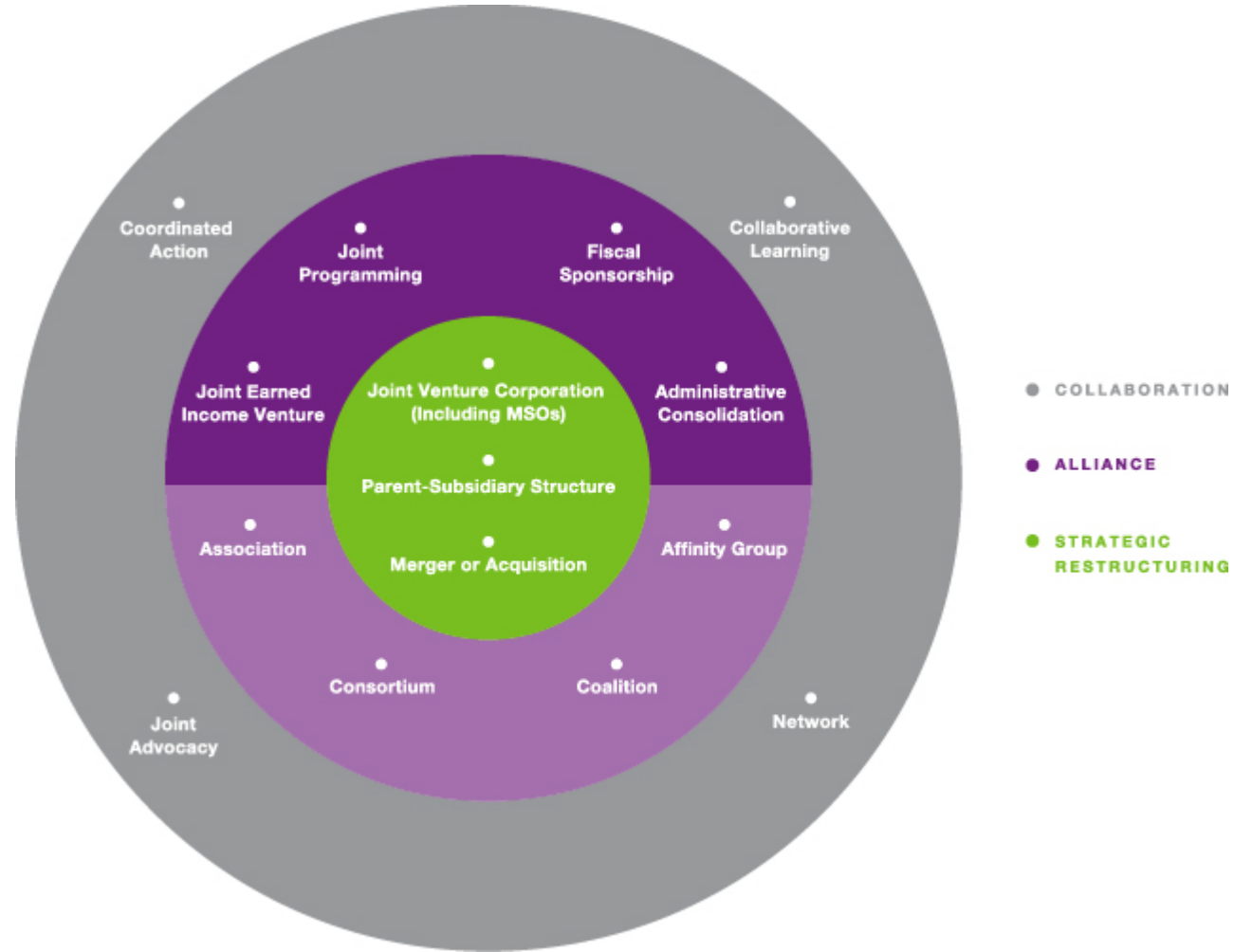




# STRATEGIC ALLIANCES

- Partnerships and collaboration are strategic alliances between nonprofits that are intended to **achieve greater impact than any organization could generate on its own.**
- These alliances exist along a broad spectrum of approaches, ranging from **less integrated associations and coalitions to more highly integrated** joint programming, shared services, and legal mergers.





# REALITY

- Multiple constituents – all have voices
- Legacy way of doing things
- Staff fear losing their role
- Loss of control



# REALITY - NONPROFIT PROFESSIONALS

- Politically Adept
- Independent
- Creative
- Economizing
- Bold
- Sure-minded
- Passionate
- Resourceful
- Brave
- Multitaskers



# EXERCISE!

- Inward
- Backward
- Outward
- Forward



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- Courtesy of Healey Foundation Consulting

# I'M WRITING ONE CHECK

- “You figure out how to use it.”

Greater Twin Cities  
United Way



# WHY NONPROFIT MERGERS CONTINUE TO LAG

- Despite growing support for nonprofit mergers, promising combinations often stumble over three emotionally charged issues:
  - **getting the boards aligned**
  - **finding roles for senior staff**
  - **blending the brands**
  - **OTHERS?**

# WHY NONPROFIT MERGERS CONTINUE TO LAG

- **Creating a due diligence process that overcomes these hurdles can increase the likelihood that a merger will succeed.**

- [https://ssir.org/articles/entry/why\\_nonprofit\\_mergers\\_continue\\_to\\_lag](https://ssir.org/articles/entry/why_nonprofit_mergers_continue_to_lag)





# MISSION FIRST



# KEY AREAS IN DUE DILIGENCE

- Finance
- Governance / Operations
- Communication, Marketing and Expansion of New Entity
- Staffing & HR
- Programs & Services
- Strategic Direction



# KEY AREAS IN DUE DILIGENCE

- Finance
  - Assumption of debt & liabilities
  - Capital asset ownership
  - Disposition of major assets
  - Insurance
  - Staff compensation
  - Pricing of services
  - Dues schedule
  - Reporting structure/frequency



# KEY AREAS IN DUE DILIGENCE

- Governance/Operations
  - Board structure and composition
  - Board member nomination procedures
  - Election of Officers of new entity
  - Leadership appointments
  - New board member terms



# KEY AREAS IN DUE DILIGENCE

- Communications, Marketing & Expansion of New Entity
  - Initial market area or constituency to be served
  - Expansion plan – additional markets to be served
  - Related communications and marketing efforts
  - Name of new entity



# COMMUNICATION STRATEGIES FOR NEW PARTNERSHIPS

- Board Members
- Staff
- Volunteers
- Members
- Funders
- Competitors
- Clients
- Customers
- Founders





# WHY MERGERS FAIL

- Mergers hold far more potential to create value in the nonprofit sector than most people realize.<sup>4</sup> **But at least four barriers were preventing that potential from being achieved:**
  - A lack of knowledge about when and how to think about mergers and acquisitions.
  - A dearth of funding for due diligence and post-merger integration.



# WHY MERGERS FAIL

- A lack of matchmakers to **create an efficient “organizational marketplace”** through which nonprofits could explore potential merger options.
  - **A tendency to look at mergers reactively, as a route out of financial distress or leadership vacuums instead of proactively as an effective growth strategy.**
- 
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# INDICATORS OF MERGER SUCCESS

- Improved image, reputation, or public support
- Improved, expanded, or preserved services
- Increased quality of operations



# INDICATORS OF MERGER SUCCESS

- Increased efficiency of operations
- Improved financial stability
- Development of a positive organizational culture
  - MAP for Nonprofits



# ■ DISCUSSION

## ■ Q&A



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# CREATIVE SUSTAINABILITY

- Partner, Partner, Partner
  - Think Big
  - Get your Governance Right!
    - Who leads, how the board functions, lifecycle – where are you now?.....Keep track and make sure your board is aligned
  - Drop old laggard programs
  - Ask young people what they want!
  - Think carefully about staff and openings and if you really need to replace that person
  - Cross train
  - Let go of the reins....you'll gain more than you will lose





# THANK YOU!

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