Research Article

Merging Ahead, Increase Speed: A Pilot of Funder-Driven Nonprofit Restructuring

Robert L. Fischer – Case Western Reserve University
Diwakar Vadapalli – University of Alaska Anchorage
Claudia Coulton – Case Western University

Nonprofit agencies face increasing competition for scarce funding resources. Many agencies are considering ways to restructure themselves, often via mergers and acquisitions, as a way to become more effective and competitive. This case study examines a pilot initiative in Cleveland, Ohio, in which philanthropic funders invited and supported nonprofits in the pursuit of significant restructuring efforts. Health and human service nonprofits were recruited into a three-phase facilitated pilot that assisted the agency executive directors and boards in determining what type of restructuring was feasible and desirable. Overall, 75 nonprofits participated in some part of the pilot, 17 of which formally explored a restructuring opportunity within the pilot year, and eight of which ultimately consolidated. The study highlights key learnings from the initiative and the implications for the nonprofit sector in the promotion of restructuring discussions.

Keywords: Merger, Nonprofit Restructuring

Across the nonprofit sector, agencies are faced with increased competition for finite resources, along with increased scrutiny from funders and other stakeholders regarding their efficiency and effectiveness. One avenue that has been pursued to deal with this changing environment is the examination of a range of restructuring options, from collaboration to corporate merger (Kirkpatrick, 2007). Done well, these restructuring efforts result in agencies being better able to deliver on their core mission and often with enhanced sustainability. Though collaboration and consolidation have long been seen as effective methods for enhancing nonprofit performance, too often their use by nonprofits has been confined to times of financial hardship and organizational difficulty. A focus of this study was to examine an initiative to help nonprofits explore restructuring from a position of strength, rather than when organizational pressures lead to it as required option.

Review of the Literature

The study of organizational restructuring within the nonprofit sector has undergone dramatic growth since the 1990s. Though the broader literature on consolidation, merger, and integration is dominated by for-profit examples, there has been an emergence of research and studies specific to the nonprofit sector. In fact, the overall merger rate among nonprofits (1.5%) has been found to be comparable with the merger rate shown in the for-profit sector, reaching a high of 7% among some nonprofit subsectors such as child and family services (Cortez, Foster, & Milway, 2009). The concept of strategic restructuring has come to be inclusive of a set of approaches available to nonprofits to increase organizational effectiveness and sustainability. They include mergers, alliances, joint ventures, and other forms of strategic partnerships (The Forbes Fund, 2003). In the nonprofit sector, where individual organizations are incorporated based on a founder-defined mission, restructuring can be viewed as risking identity and independence. However, the potential benefits to better serving the underlying mission are a major opportunity present in successful restructuring (La Piana, 2010).

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Attention to the particular dimensions of nonprofit consolidations has been guided by research specifically built on the examination of real-world nonprofit case examples (e.g., Gillock, Smith, & Pilan, 1986; Golensky & DeRuiter, 2002; Kleinman, 2012; Kohm, La Piana, & Gowdy, 2000; Pietroburgo & Wernet, 2004; Ricke-Kiely, Parker, & Barnet, 2013; Singer & Yankey, 1991; Snavely & Tracy, 2000; Toepler, Seitchek, & Cameron, 2004; Wernett & Jones, 1992). As more nonprofits have undertaken restructuring efforts and the experience base has widened, research has been synthesized, and more detailed guidance has become available for nonprofits exploring the concept (Bailey & Koney, 2000; Davis, 2002; La Piana, 1998; Pietroburgo & Wernet, 2008; Yankey, Jacobus, & Koney, 2001). Recent estimates suggest that more than one in five nonprofits is actively examining opportunities to merge (Foster, Perreault, & Sable, 2009).

On the specific topic of nonprofit collaboration there has been focused work on the correlates of organizations undertaking collaboration (Guo & Acar, 2005) and specifically the benefits of collaboration as perceived by nonprofit managers (Sowa, 2009). Other research has focused specifically on the motivations for nonprofits to pursue mergers and the process of undertaking restructuring for organizational change (Campbell, 2008; Ferris & Graddy, 2007). In the current environment, there is emphasis on the use of restructuring as a mechanism to strengthen and better fulfill organizational missions in the nonprofit sector (Cortez et al., 2009; La Piana, 2010; Reed & Dowd, 2009). There are also good practice-based recommendations available on how nonprofits can best manage the merger process (Benton & Austin, 2010).

Throughout the research on nonprofit consolidation, funders are often noted as an external influence or a stakeholder to the nonprofits involved (Bunger, 2013; Campbell, 2009; Chen & Krauskopf, 2012). This characterization may understate the influence that funders can and do have on the decisions of nonprofits to both consider and undertake restructuring plans of some type. There is an established theoretical framework for understanding consolidations as being driven by six related constructs: necessity, asymmetry, reciprocity, efficiency, stability, and legitimacy (Oliver, 1990). The degree to which funding partners place emphasis on these features in the funding approach may indicate to current and potential grantees whether and how to pursue interorganizational relationships that enhance their mission and sustainability. Some funders have begun to take a greater role in the promotion of strategic restructuring, giving rise to interest in the challenges and prospects of this approach (Eschenfelder, 2011).

Funders can play multiple roles in the pursuit of restructuring by nonprofits, including facilitator, organizational matchmaker, and financial supporter of the process. Not all funders see this as a role they should play, as it may be seen as them impinging on the leadership role reserved to nonprofit boards of directors. There is evidence, however, that direct funder involvement in mergers is associated with positive outcomes such as continuation of services following a merger and improved financial stability (Owen, Pittman, Kelly, & Reed, 2012). However, there are examples of funder involvement leading to negative consequences when nonprofits are compelled to pursue a merger (Gammal, 2007). The literature offers few concrete examples of funders actively pursuing a specific initiative to promote nonprofit consolidation, and that is the void that this study seeks to address. Eschenfelder (2011) illustrated the value of this type of work by reporting on a case study of a single funder's efforts to encourage a single nonprofit grantee to pursue a merger. The present study expands on this prior work by examining an initiative undertaken by multiple funders working with nonprofit organizations in a specific geographic region.

Figure 1. Nonprofit Restructuring Pilot Phases

Phase I Educational Workshop	**Phase II Readiness Assessment**	**Phase III Negotiation**
Month 1	Months 2-6	Months 7-12
Attend educational workshop (4 hr)	Complete nonprofit readiness assessment with consultant	Develop restructuring plan through facilitated negotiation
N= 75 agencies	N=17 agencies	N=8 agencies

Description of the Restructuring Pilot

As part of a pilot initiative, a group of 18 philanthropic funders created a program to invite health and human services nonprofits in an urban county to systematically examine options in regard to inter-organizational restructuring. These funders pooled resources to develop a pilot project focused singularly on nonprofit human services organizations in Cuyahoga County, Ohio. Motivated in part by the effects of the 2008 economic crisis, funders sought to leverage what they saw as an "unprecedented opportunity for the nonprofit community and its leaders to demonstrate extraordinary vision and ingenuity" (Zeman & Vesy, 2009, p. 1). The funders' aims for the initiative were described as seeking to

> ...achieve significant reductions or eliminations of duplication of services; increased sustainability of critical community services via programmatic and/or operational realignments; and integration of services that have the potential to increase effectiveness and produce substantial cost savings (Zeman & Vesy, 2009, p. 1).

The pilot was a three-phase initiative designed to assist nonprofits in considering and exploring restructuring options. The phases included (i) an educational workshop on restructuring, (ii) completion of an organizational readiness assessment working with an external consultant, and (iii) facilitation of a cross-organization negotiating team to discuss a specific restructuring opportunity. Of approximately 100 nonprofits invited to participate in the initiative, 76 participated in the educational workshop, 17 advanced to the readiness assessment phase, and eight advanced to the joint negotiation phase (Coquillette, Eagan, Willen, & Yankey, 2011).

The invited nonprofits were dominantly operating in the arena of youth and family services, targeting outcomes such as school readiness, effective parenting, child welfare, mental health, stable housing, employment, and positive well-being. Nonprofits included school and community-based agencies as well as residential programs. Though the pilot was framed as a three-phase enterprise, nonprofits were required to formally apply to advance to the second and third phases. The three phases of the programming were framed to progressively help organizations advance on a specific restructuring opportunity (see figure 1). Phase 1 involved nonprofits' key leaders attending an educational workshop that presented the potential benefits of restructuring to the nonprofit, shared case examples of local nonprofits that had successfully restructured, and explained the various strategic restructuring models (e.g., joint venture, merger). The invitation stipulated that each attending nonprofit be represented by its CEO and board chair at the educational workshop. In Phase 2 agencies worked with a consultant to complete an organizational readiness assessment in which they evaluated the agency's status in regard to pursuing restructuring. For the purposes of the readiness assessment, each organization had to identify one or more potential partner nonprofits, which need not have attended the educational workshop. Phase 3 of the pilot involved organizations creating a joint negotiating team that was empowered by each nonprofit's board to pursue a restructuring opportunity and make recommendations back to the boards.

In total, the funders committed $400,000 to the pilot project primarily to support the use of consultants across the three phases. A trio of independent consultants with experience in restructuring were used to deliver the educational workshop and work with nonprofits in latter phases. The funding dictated the potential scope of the pilot in the second and third phases, which required more intensive consultation. As such, the number of organizations that could be accommodated in these phases was restricted, resulting in the funders using an application and selection process for nonprofits to advance in the pilot.

Study Methods

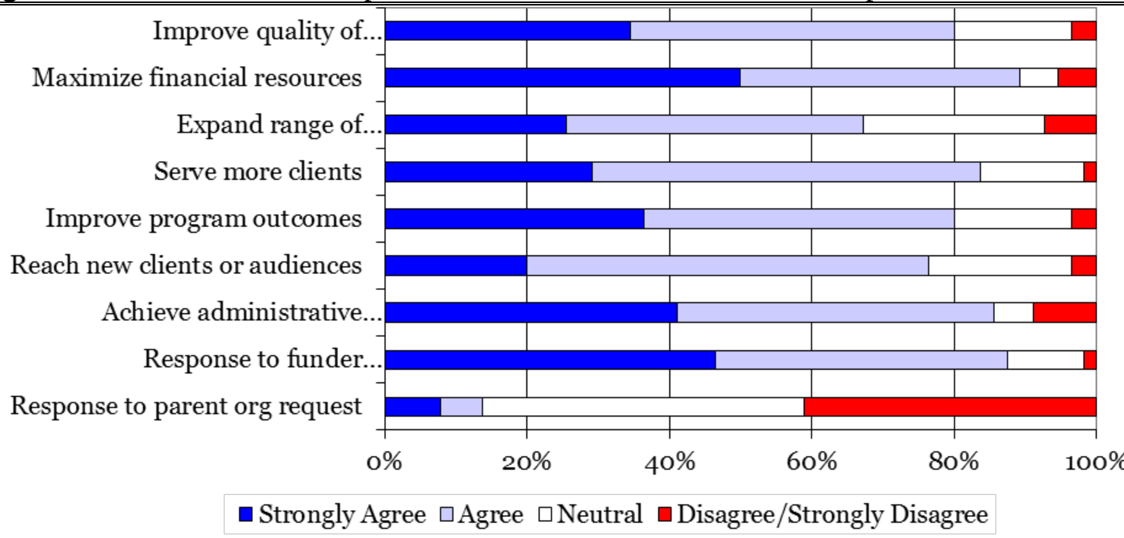
The study of the pilot program involved collecting information during the three phases of the initiative drawing on data from nonprofit participants and the products of the program phases (i.e., assessments, plans). A program logic model for the pilot was developed to identify the core outcomes of the approach and this guided data collection. A case study method was adopted as a way to integrate data from this mixed-method approach (Yin, 2009).

Participant feedback was collected via web-based and written surveys and in-person group interviews. In addition, summaries of the assessments and plans developed as part of the initiative also were reviewed. Study instruments (i.e., survey forms, structured interview outlines) were developed in consultation with the funders and consultants, and the study was approved by the university Institutional Review Board as exempt research. Nonprofit representatives were informed that their response to the data-collection requests was voluntary and would not have an impact on their continuation in the pilot or their relationship with the funders. Responses were confidential, and only aggregate results or unidentifiable quotations were presented in reports.

Anonymous web-based surveys were conducted with participants following the educational workshop and the readiness assessment phase. Anonymity was deemed crucial by the funders due to the delicate nature of the discussion of consolidation and the funders' desire to encourage candid responses. In the first phase, 57 of 151 (38%) workshop attendees responded via the on-line survey. In the second phase, a total of 93 readiness assessment team members from the 17 participating nonprofits were asked to complete a survey about their experience. Of these participants, 54 (58%) responded to the survey. Due to the anonymity of responses in the web-based survey, a calculation of response rates by nonprofit is not possible. In the third phase, focus groups involving the members of the joint negotiating teams (involving 23 individuals) were held, and participants also completed a written survey (60.9% response rate).

The core research questions that guided the case study were: (1) to what extent did a structured educational opportunity and consultation process lead to increases in understanding of restructuring approaches among nonprofit leaders; (2) what are the primary challenges that

Figure 2. Motivations of Nonprofits to Attend Educational Workshop



emerge for nonprofits in engaging in discussions of restructuring; and, (3) what role can and should funders play in actively promoting restructuring discussions among nonprofit organizations?

Findings

The findings from the study are organized according to each of the three phases of the initiative. Participants in each phase were asked for feedback about the pilot experience and its impact on them and their nonprofit. Findings relevant to each phase are now discussed.

Phase I – Educational Workshop

The initial phase of the pilot was launched with two iterations of an educational workshop. The characteristics of the attendees (151 individuals representing 75 nonprofits) reflected a fairly diverse set of nonprofit entities. The organizations varied in budget size and length of operation. One-third of respondents represented nonprofits with an annual budget under $1 million, one-third had a budget between $1 and $3 million, and one-third had a budget over $3 million. In regard to nonprofits' length of operational life, only 7% had been incorporated for under 10 years, 60% had been in operation for 10–50 years, and 30% for over 50 years. Fully 26% of the nonprofits represented were themselves the product of a prior restructuring, and only 5% were not partnering with other organizations in some way (Kantor Consulting Group, 2009). The most prevalent motivations to participate in the educational workshop related to maximizing financial resources, being responsive to the funders' interest, and achieving administrative efficiencies (see figure 2). It is evident that many nonprofits considered the funders' aims important in their decision to participate and to a lesser extent the potential benefits in regard to improving their programmatic offerings.

Based on the educational workshop, respondents reported increased knowledge about the topic of restructuring. Most attendees (75%) reported at least a moderate increase in knowledge about strategic restructuring overall, while 50% reported more knowledge about specific restructuring models. Respondents also reported a better understanding of the range of strategic restructuring options (80%) and more understanding of the issues leadership needs to consider (74%). When

Table 1. Nonprofit Organization Clusters in Readiness Assessment Phase

	Agency 1		Agency 2		Agency 3		Agency 4	
Cluster	Year	Budget	Year	Budget	Year	Budget	Year	Budget
Senior Services	1908	$14m	1954	$3.3m	1971	$0.6m	1981	$1.1m
Child & Family Services	1970	$19m	1966	$7.2m	-	-	-	-
Domestic Violence	1977	$1.1m	2001	$2.1m	-	-	-	-
Mentoring	1956	$1m	1996	$0.3m	-	-	-	-
Youth Behavioral Health	1970	$6.2m	1980	$4.5m	-	-	-	-
Youth Workforce	1982	$1.1m	2002	$0.5m	-	-	-	-
Jewish Services	1880	$22m	1880	$30m	-	-	-	-

Note: Year of founding; annual budget in 2010.

asked about the most important things learned in the workshop, respondents most frequently identified the range of restructuring options available, an awareness that funders see restructuring as a priority, and the dialogue initiated between nonprofit's CEO and board chair.

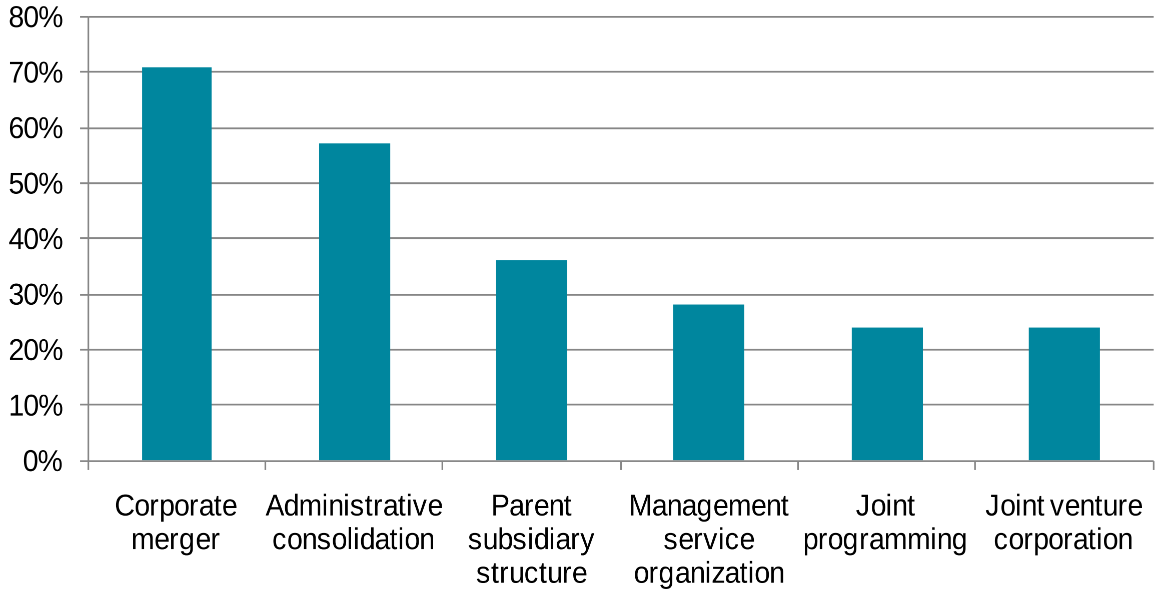
Phase II – Readiness Assessment

Following the educational workshop, leaders of 43 of the 75 nonprofits expressed interest in proceeding to the readiness assessment phase. Due to the pilot nature of the project and resource limitations, a screening procedure was conducted by the funders and the consultants to select entities that would be invited to advance to the second phase. The decision favored organizations, which had already identified a potential partner and appeared poised to undertake a meaningful restructuring outcome. In the second phase 17 organizations, configured in seven clusters of organizations, participated. Five clusters involved two nonprofits, one involved three nonprofits (one of these dropped out during this phase), and one involved four nonprofits. See table 1 for a description of these clusters in regard to the age and size of the nonprofits.

The focus of the work was on each agency completing a self-assessment and a financial position assessment; provision of a set of financial, corporate, program, board, and staffing information for review by the consultant; completion of an in-person assessment interview; and review of the assessment compiled by the consultants.

In this phase each nonprofit established a readiness assessment work team of key leaders (range: three to 13 members). Across agency teams, 55% of participants were board members, 34% were agency staff (including CEOs), and 11% were other stakeholders (e.g., volunteers, consultants). In regard to the types of learning reported during the assessment process, organizational learning was frequently noted—"We learned more about our strengths and weaknesses than we would have been able to do on our own," while others emphasized learning about options— "There is not one single 'process' to achieve restructuring and it requires a lot of time to sort out the best approach for the organizations involved. It requires flexibility from all parties." Nonprofits considered six different models for restructuring that were outlined in the educational workshop. The models most often considered as leading options in the assessment phase were merger or administrative consolidation (see figure 3).

Figure 3. Restructuring Models Considered by Nonprofits



As to the respondents' motivations and desires related to the readiness assessment process, they often focused on the core belief that the goals of restructuring were inherently important. One participant emphasized, "I wanted us to explore steps that would lead to improved efficiencies because I do believe there are functions that could be shared among organizations like ours." Another participant noted, "In this economy and competitive process, it makes sense to join forces and maximize resources the best we can to strengthen the agencies, expand our reach, and increase PR, which helps with increasing funding."

More than 80% of the respondents reported that they personally agreed with the conclusions of the readiness assessment, and three-quarters agreed that the report accurately reflected desired outcomes, the organization's strengths and weaknesses, and the current reality facing the organization. Comments on the readiness assessment report highlight the ways in which the process and report distilled key aspects of the discussion. Some saw it as an objective view of the potential partners, "Provided a clearer understanding of the relative positions of the merging organizations and how this would affect the structure and operations of the new entity."

The majority of respondents (70%) indicated that their organization's thinking about the best restructuring model did not change during the readiness assessment. Those that did report a change noted that the process supported consideration of a range of options:

> The more the leadership talked about the synergies of combining organizations, [the more it] seemed quite feasible to move toward a combined organization, as opposed to a collaboration or joint venture. The financial, programmatic and board strength demonstrated more reason for the organizations to combine.

Phase III – Restructuring Plan Negotiation

At the conclusion of the readiness assessment phase, all participating nonprofits expressed interest in proceeding to the negotiation phase. Here again, the funders exerted some control of

Table 2. Nonprofit Organization Clusters in Successful Restructuring Efforts

Cluster	Area of Service	Agency 1	Agency 2	Type of restructuring
A	Child & Family Services	$19m	$7.2m	Parent Subsidiary
B	Domestic Violence	$2.1m	$1.1m	Parent Subsidiary
C	Youth Behavioral Health	$6.2m	$4.5m	Consolidation/Affiliation
D	Youth Workforce Development	$1.1m	$0.5m	Merger

which organizations advanced, based primarily on which opportunities held the most possibility of producing a significant restructuring outcome. Of the 17 organizations involved in the readiness assessment phase, four clusters involving eight paired nonprofits continued to the negotiation phase (see table 2).

Each organization's board voted to empower a joint negotiating team (JNT) to represent the organization in the negotiations. Over the course of two to three months, a series of meetings facilitated by a consultant were held to review issues and challenges. These negotiations were tailored to the particular issues of concern for each pair of organizations.

Discussion

Though the study collected data on all phases of the pilot project, some of the most important information emerged in the work associated with the third phase. The eight organizations that have participated in all aspects of the pilot were able to provide insights about the entire process, in regard to challenges and opportunities.

Challenges to Nonprofit Restructuring

Several key themes emerged across the four pairs of organizations in regard to the negotiation process and potential barriers to success. These three themes are now highlighted.

Time kills all deals. Participants emphasized the critical nature of the time that elapses in the restructuring discussion process. The participants expressed respect for how systematic the pilot was in ensuring that the team addressed matters in a structured manner but also noted a sense of urgency in maintaining momentum in the process. Each team had to negotiate a balance based on board perceptions of the process and decision issues that the team had to work through in order to produce a plan supported by consensus. Participants agreed that teams need to be held to key process deadlines but also expressed a desire for more flexibility in the overall approach.

Leaders' egos can be a barrier. Though the structure and process of the pilot was praised, team members also highlighted the key role of executive directors and board leadership in bringing about progress in the pursuit of restructuring. The agencies involved in the negotiation phase are somewhat biased in this regard because their leadership had been successful in bringing the agency to that point. Participants noted that, to the extent that leaders have a mission focus rather than a career focus, the restructuring work will be much more productive. For example, one respondent noted, "I think the thing that made this go so well for us was these two individuals (EDs) and their seeing the vision and sharing it." In addition, a significant differential in the size of the negotiating organizations can have an impact on the dynamics of the process and should be discussed explicitly. If one of the organizations is substantially larger than the other, negotiations can have an air of "takeover" rather than a mutual balance of power.

Facilitation is key. The content and structure of the pilot was well regarded by the participants, but the role of the consultants was seen as pivotal in bringing about success. Overall, the consultants involved in the pilot were highly rated, based largely on their ability to effectively facilitate the joint negotiating teams during the negotiation phase. Consultants had to strike a balance between maintaining progress in the negotiations while also taking time necessary to address concerns raised by the nonprofit partners. One participant noted, "It would not have been successful without the skilled and involved consultants we had."

Opportunities for Funders to Support Restructuring

The pilot project surfaced a number of key learnings that can inform the actions of funders and intermediaries seeking to promote nonprofit restructuring.

Support the due diligence process. Nonprofit representatives voiced a strong view that specific support should be provided in the due diligence process, specifically in the areas of legal, financial, human resources, and communications. Both organizations in the negotiation need to be able to demonstrate to their board and other stakeholders that the opportunity has been thoroughly evaluated. Issues of significance that emerged in these instances involved transferability of organizational accreditations, maintaining receipt of governmental contracting/funding, and dealing with employee unions and employee compensation/benefits. The ability of organizations to identify appropriate resources for due diligence was frequently cited as a concern. A strongly expressed need related to having available consultation with a legal expert early in negotiation phase to review each organization's legal structure and issues relating to a restructuring. The due diligence process could be aided by providing a listing of screened firms/consultants with expertise in nonprofit mergers and advice on how to efficiently complete the process. Some team members simply did not anticipate the work that would be required. For example, one commented,

> I will be the first one to say that when someone, at one of our meetings said how much it was going to cost to do the legal and financial due diligence and I went 'Whoa!' I mean it really took me by surprise that this was so expensive and I thought, you know, really, how hard could this be? You know, get some new stationery and we'll be done.

Beyond financial, legal, and structural issues, the importance of negotiating differences between organizational cultures has been raised in the literature, including the notion of conducting "cultural due diligence" as part of this process (Benton & Austin, 2010).

Raise awareness and profile of restructuring. The teams consistently voiced a belief that the idea of restructuring should be championed as not a result of a nonprofit's weaknesses, but about collectively serving its mission more effectively. One respondent described it as "Communicating to the public and supporters of each entity the advantages of '1 +1 = more than 2.'" The negotiating teams expressed the view that there is a need for such a strategy in the nonprofit sector, and that funders could provide key leadership in such an effort. One respondent suggested,

> So maybe the funders ought to do a little PR campaign about how mergers are really good and that good organizations go through them. There's so much that funders could do to help things for nonprofits, if they wanted to.

Respondents felt that examples of successful mergers in the region should be showcased to dispel notions that restructuring is rare. Negotiation team members expressed a willingness to serve as advocates for this type of campaign. The opportunity to serve as an example of restructuring in this new era is seen as a distinguishing factor for these nonprofits. One participant described how nonprofit CEOs not involved in the pilot have interacted with them,

> ...what I'm getting from them is that they're kind of afraid, afraid that we are going to be bigger and better and they're going to be left behind, or afraid that we're doing something that is creative, innovative, saves money, strength, all these great things that funders like and they didn't.

Promote restructuring in specific programming domains. Members of the negotiating teams voiced the feeling that funders should be activists in compelling nonprofits to explore mergers and in helping them identify viable partners in their programming area. They described the barriers to progress as being so many, that funders should take special efforts to move current and potential grantees down the path to restructuring. Some comments were quite blunt about the need for funder involvement: "It's like that's how you actually force merger to happen in this community, but don't kid yourself. Until you force it, it ain't gonna happen." Others saw the role as more nuanced: "It's a combination of carrots and sticks saying, 'You can make the choice, but here's what happens if you do and here's what happens if you don't.'" The funder role in convening the pilot project was acknowledged directly:

> I think the funders understand that they have that kind of power, but what was fascinating about this process is that on the one hand they used the power, and on the other hand they said 'Oh well this is entirely up to you. You can do it or not do it,' you know, so it was a very interesting reel us in and then let go kind of thing.

Overall, team members encouraged funders to seize upon this opportunity, "I don't think they should be squeamish ... If they came to me and said 'Hey, here's a partner you ought to consider,' ... I'd want to take a second look. So I don't think that it's something they should be shy about."

One mechanism that was identified to facilitate nonprofits moving in this direction was to incentivize nonprofits, especially CEOs and boards to pursue mergers. Teams felt that many organizations will not come to the table willingly unless there are financial pressures or opportunities. Comments included:

> It's very compelling and it's really about that to be sustainable you need strong operational performance day-to-day, but you also need growth. And I think for us it really resonated because we are a very strong operational performer and you know quality, finance, all those kinds of things ... but this agency has not grown in the last ten years.

That need for a shift in thinking is unlikely to be arrived at solely from an internal process as evidenced in the following comment: "Personally I think that psychologically probably most boards would never be ready. They're never going to go through a process where at the end they go, 'Okay, we're ready to merge.'"

Establish flexible mechanisms for nonprofits to access support for restructuring. Team members had many observations about how best to expand the content of the pilot so that more nonprofits could explore and pursue restructuring. A leading notion was the creation of a merger fund that nonprofits could apply to for support and commit to a specific timeline for completing the work as was done in the pilot. Teams felt that a 12-month timeline for the process should be maintained but allot more time for the negotiation phase and avoid gaps in activity, in order to maintain momentum. A sustained presence in support of mergers is seen as a way to invite more organizations into the process:

> And I guess what I'd like to see is almost a permanent thing where you say "We want to encourage mergers. Here's what we're going to do to encourage you to seriously think about it, and when you get to that point, there is money for you, but it's only if you merge."

Increase communication about restructuring while maintaining confidentiality. The nature of the restructuring pilot resulted in high levels of confidentiality about what nonprofits were involved, especially in the later phases. The team members understood the importance of a degree of confidentially but also see the value of greater communication about the process as a participant and about what is happening overall (e.g., numbers of nonprofits involved, etc). Such increased transparency would elevate the awareness of the importance of restructuring and that it is a normal, ongoing process. One comment embodied this concern: "The funders should be much more open in sharing information about what is going on throughout the collaborative. Our group felt we were operating in a vacuum. We did not desire confidential information, only some context." Without some level of information sharing, potential synergies from having a cohort of organizations working on mergers could be lost: "They were so secretive about who's doing what, where and who's involved, there was no benefit to us in doing it at the same time because it's not like we were learning anything from what the others were doing."

Teams also felt that funders should be clear with current grantees about the potential funding implications of pursuing a merger, preferably holding harmless the nonprofits for some period following merger (i.e., if two nonprofits each received an amount from a funder, these funds should not be immediately reduced during and following a merger of the organizations). An illustrative comment follows: "If the motivation is 'Now we don't have to give you as much money,' why would you merge? ... if we understand the motivation is 'We think it will be most effective with the dollars we give you by doing x,' we're willing to do it ..."

Support "Phase IV" work. Members of the negotiating teams frequently noted the remaining work to be done following the conclusion of the negotiations. These activities related to implementing the new administrative structures that emerged from the restructuring plans and were dubbed "Phase IV" by one of the teams. Team members believed that funders should assist organizations with completing the work required, such as addressing supervisory issues, integrating human resource policies, and the consolidation of staff. Comments included the following: "Our infrastructure and integration costs ... if you really are invested in this and really want to see these organizations really be positioned to thrive in the future, then assist in going to the next phase." A core role was seen as facilitating the integration of organizational cultures, including integration of programs, staff, and boards, especially in instances where multiple work sites are involved.

Respondents offered a consistent plea to funders to expand their role in supporting nonprofits in the exploration of restructuring. The ongoing value of such support to agencies was uniformly highlighted among respondents. One stated, "The leadership of the foundation community was vital to make this a success. You are the only group that can provide the momentum for this effort." Whatever the form, the sense was that more of this type of initiative is needed, "Do it again. Others will jump on. Keep up the momentum. Once is not enough."

Conclusion

The imperative for nonprofit organizations is greater than ever in which to examine methods for best pursuing their missions and ensuring the sustainability of their efforts. Periods of reduced availability of funding from philanthropy and government sources can serve to force nonprofits to consider of a full range of organizational options. Strategic restructuring is but one set of approaches for nonprofits to consider in achieving these aims and one that frequently is ignored until no other options exist. The present study examined an effort by philanthropic funders to initiate discussions of restructuring among nonprofits in a specific region.

Though initiated with goals of promoting the efficient and effective pursuit of mission, most nonprofits initially perceived the primary benefit of restructuring as having mostly to do with securing funding. However, many nonprofit executives and board members have an authentic desire to use restructuring as a means to better serve their target audiences. These key leaders must not only first accept the potential implications of a restructured organization but also convey this message to the other organizational leadership, staff, and volunteers. Molding the internal culture of the nonprofit to accept restructuring also must be coupled with the simultaneous identification and pursuit of potential partner organizations.

What has been described as "courtship" between nonprofits, the negotiation of inter-organizational restructuring is a process fraught with potential pitfalls, delays, and politics. From the perspective of nonprofit leaders, the risks of undertaking restructuring are clear and substantial, while the potential benefits are more often diffuse and unknown. Given this awareness, it is not surprising that nonprofit representatives in the pilot expressed a distinct desire for funders to take an activist role in the pursuit of restructuring. This includes advocating for restructuring, motivating and incentivizing nonprofits to pursue these discussions, and also aiding in the "matchmaking" process by helping potential partner organizations come together.

Clearly, the involvement of funders in nonprofits' exploration of these options is anxiety-producing for both the nonprofits and the funder. However, nonprofit leaders express the concerted view that this anxiety is preferable to the alternative: a lack of financial and mission sustainability and the prospect of funders decreasing funding to these organizations. As such, the leadership at funder and nonprofit organizations have essential roles to play in advancing the consideration of strategic restructuring. The potential benefits to the nonprofit sector are substantial, if organizations better achieve their missions through the use of restructuring.

Disclosure Statement

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Author Biographies

Robert L. Fischer is a research professor at the Jack, Joseph and Morton Mandel School of Applied Social Sciences at Case Western Reserve University, and co-director of the Center on Urban Poverty and Community Development.

Diwakar Vadapalli is an assistant professor of public policy in the Institute of Social and Economic Research and the Department of Public Administration at the University of Alaska Anchorage.

Claudia Coulton is the Lillian F. Harris professor of urban research and social change at the Jack, Joseph and Morton Mandel School of Applied Social Sciences at Case Western Reserve University, and co-director of the Center on Urban Poverty and Community Development.