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Good Shepherd Services

Acquiring Sites and Programs

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Nonprofit Mergers That Made a Difference Case Collection

Three mission-driven rationales can guide successful nonprofit mergers: an aim to grow scale (e.g. broaden reach), to increase scope (e.g. broaden services), or to streamline operations (e.g. increase efficiencies). Each comes with its own set of challenges and lines can blur between them. The merger of Groundwork and the Edwin Gould Academy, two youth service organizations in New York City, into Good Shepherd Services shows how broadening the reach and scope of services can increase impact and develop senior staff.



The Rationale: Broadening the Reach and Scope of Services

New York-based nonprofit [Good Shepherd Services](#) (GSS) has long lived by its mission to help vulnerable young people in high-need communities to chart successful futures. Over its 66-year history, GSS has grown to an \$80 million organization with 80 programs by successfully obtaining new government and private support to help more than 26,000 at-risk youth in Brooklyn, Manhattan, and the Bronx. It also has used mergers and acquisitions as a strategy to remain relevant to its target population: expanding its scope to reach disadvantaged communities around New York City, when its original base in Brooklyn gentrified. In addition, GSS's executive director, Sister Paulette LoMonaco, has found that mergers offer prime opportunities for talented staffers to learn and grow themselves as leaders.

In 2012, with the aim of broadening its reach and scope of services, GSS acquired two smaller nonprofits. The first, Groundwork, a \$5 million network of after-school, college preparation, case management, and other support programs, propelled GSS into the high-need neighborhoods of East New York and Bedford-Stuyvesant. The second, the Edwin Gould Academy in East Harlem with \$2.5 million in assets,

Cover image: Two transfer school students during their graduation. Good Shepherd Services has 12 multiple pathway programs in the Bronx and Brooklyn that help students, who previously dropped out or were off track for graduation, finish their studies and receive their diplomas.

brought GSS a supportive housing residence for homeless youth aging out of foster care and juvenile justice programs. Successfully folding Groundwork and the Edwin Gould Academy into GSS provided not only a strategy for the organization to extend its reach and deepen its impact, but also an opportunity for key staff to tackle assignments that could stretch them to even higher levels of skill, responsibility, and confidence.

The Catalyst: Economic Downturn, Senior Staff Development

With the severe downturn in the economy beginning in 2007, many small nonprofits in New York City faced the painful realization that they would not survive and turned to larger, better-resourced agencies to merge. In the summer of 2011, six such agencies appealed to GSS. This was familiar territory for the organization, which previously undertook two mergers and acquisitions to extend its geographic reach and to expand its services to new areas of youth and family services. The first step was for GSS to begin a process of due diligence, which culminated in the decision to move forward with the two agencies—Groundwork, which brought another high-need neighborhood, and Edwin Gould, which filled a gap in GSS’s continuum of supportive housing programs post foster care. Both nonprofits were struggling financially, but their programs and geographic locations fit with GSS’s larger mission.

In earlier mergers and acquisitions, GSS’s executive director and board of directors had led the efforts. For some time, however, GSS had sought to grow senior leaders’ capacity and skills. These latest mergers provided an opportunity to mentor two senior staff members, as they tackled the many merger challenges and learned the process of agency integration. Kathy Gordon, who holds a doctorate in social welfare and is assistant executive director of GSS’s Brooklyn Community-Based Division, spearheaded the integration of Groundwork; Denise Hinds, then assistant executive director of residential programs, integrated the Edwin Gould Academy.

Due Diligence Challenges: Eroded Morale, Funding Streams Gone Dry

Groundwork

After the founding director’s departure, a loss of core resources, and a number of other setbacks, Groundwork was in a precarious situation when it turned to GSS for help. Staff members had been terminated and morale was low. The immediate need was to rebuild the culture of success and optimism that once characterized Groundwork, while introducing and infusing GSS’s signature strength-based practices. “Our challenge was to quickly assess and respond to the infrastructure and program needs while being sensitive to the staff’s morale,” said Gordon. “One

challenge entailed allowing the Groundwork staff members to mourn the loss of their agency, while simultaneously fostering a new and positive connection to Good Shepherd Services.”

Edwin Gould Academy

Although Edwin Gould Academy opened in 2006, its East Harlem building did not have a permanent certificate of occupancy, which was needed before GSS could take ownership. To complicate matters more, the two sources of rent subsidy for academy residents dried up, making it increasingly difficult for the young adults to pay their rent. “Given this loss of revenue, I needed to find other means of funding to support the building’s operations,” said Hinds. “Consequently, this meant pursuing new and previously untapped sources of funding,” initially totaling approximately \$600,000 in government contracts and approximately \$270,000 in private dollars. “All in all, this was a big learning curve for me,” said Hinds, “and gave me exposure to another side of the housing world that I would never have had the opportunity to experience.”

Integration Tactics: Staff and Program Revitalization, Asset Transfers, Philosophical Training

Groundwork

Integrating Groundwork’s staff and programs into GSS required deep program development knowledge and experience. In addition, Gordon had to repair and revitalize a staff and network of programs that had become stressed and strained. And she had to rebrand Groundwork with GSS’s youth and family development philosophy. To do this, Gordon led a Groundwork/GSS transition team that met biweekly for a year, addressing all the small and large issues that emerged. In facing each of these challenges and patiently working them out, Gordon grew in her ability to reshape a culture, to solidify community relationships, and to create and find resources to develop new programs to meet the needs of the community. “I learned an enormous amount from this experience, which stretched me in so many ways,” she said. The bulk of the integration process took two years and costs of due diligence and integration came to approximately \$570,000, even with pro bono legal assistance. What cannot be estimated is the amount of staff time that Gordon and the support teams at GSS (HR, fiscal, program evaluation, and development) spent on the integration, which was enormous.

Edwin Gould Academy

The task of integrating the Edwin Gould Academy into GSS’s continuum of residential programs and services fell to Hinds. The Academy residence provides 36 studio and 15 one-bedroom units of affordable, transitional housing for homeless young men and women. For Hinds, the integration demanded new and deep knowledge of bricks-and-mortar financing, subsidiary board structures, and government regulations affecting supportive housing. Hinds, who has a master’s

in social work, also worked with the Academy's attorneys to tackle all the legal issues involved in transferring housing ownership to GSS. Most important, there was a need, similar to the case of Groundwork, to introduce GSS's youth and family development practices as well as the trauma-informed services that are a hallmark of the agency's residential programs. In all, the integration of the Edwin Gould Academy Academy will be completed once the certificate of ownership for the Academy building is transferred to GSS. Out of pocket, merger costs in due diligence and integration have totaled \$230,000, including pro bono legal assistance. Again, what cannot be estimated is the considerable amount of staff time that Hinds and the support departments of GSS spent to integrate the two agencies.

The Results: Strengthened Reputation, Funding, and Reach; Knowledge Sharing; Staff Development

While it's still early, it seems clear that both acquisitions strengthened GSS's reputation and reach, resulting at the outset in an additional \$1.5 million in government contracts and \$1.4 million in private support to sustain both mergers. Subsequently GSS has won an additional \$8 million in government and private support in new opportunities to expand services in the Groundwork catchment areas and in increased programmatic support for the young adult residents at the Edwin Gould Academy. Both mergers have provided excellent opportunities to further refine and enhance GSS's models for after-school and supportive housing, sharing know-how from acquired organizations across GSS's broader services. For example, GSS has incorporated Groundwork's emphasis on socio-emotional, academic, and health-related outcomes in its after-school programs, and the Edwin Gould Academy's supportive housing model, which includes activities and outcomes specific to parents and children. "As with all of our previous mergers," said Sister Paulette, "each acquisition brought new learnings that benefited the entire agency."

GSS's leadership development efforts did not stop once the mergers were completed. The agency decided to make leadership development a day-in, day-out part of the organization, and brought in The Bridgespan Group to link everyday work to leadership development opportunities with an eye toward the future. (See [Nonprofit Leadership Development: What's Your "Plan A" for Growing Future Leaders?](#)) "We are now focused on connecting all of these dots, using a tool called a [Performance—Potential Matrix](#), which helps us to leverage the science behind leadership development," said GSS Associate Executive Director Laurie Williams. "The matrix allows us to map the skills we need as an organization against the individuals with the potential to develop those skills—then we plot out the experiences it will take to get there."

Case Collection: Nonprofit Mergers That Made a Difference

A series curated by The Bridgespan Group, La Piana Consulting, the Catalyst Fund for Nonprofits, and The Lodestar Foundation

A number of nonprofit organizations are strengthening their fights against poverty, disease, and other social ills by turning to mergers and collaborations that increase their scope and scale of impact as well as streamline operations. This case is part of a series of studies and blogs that explore effective nonprofit mergers, looking specifically at their rationales, catalysts, and results as well as the challenges of due diligence and integration.

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