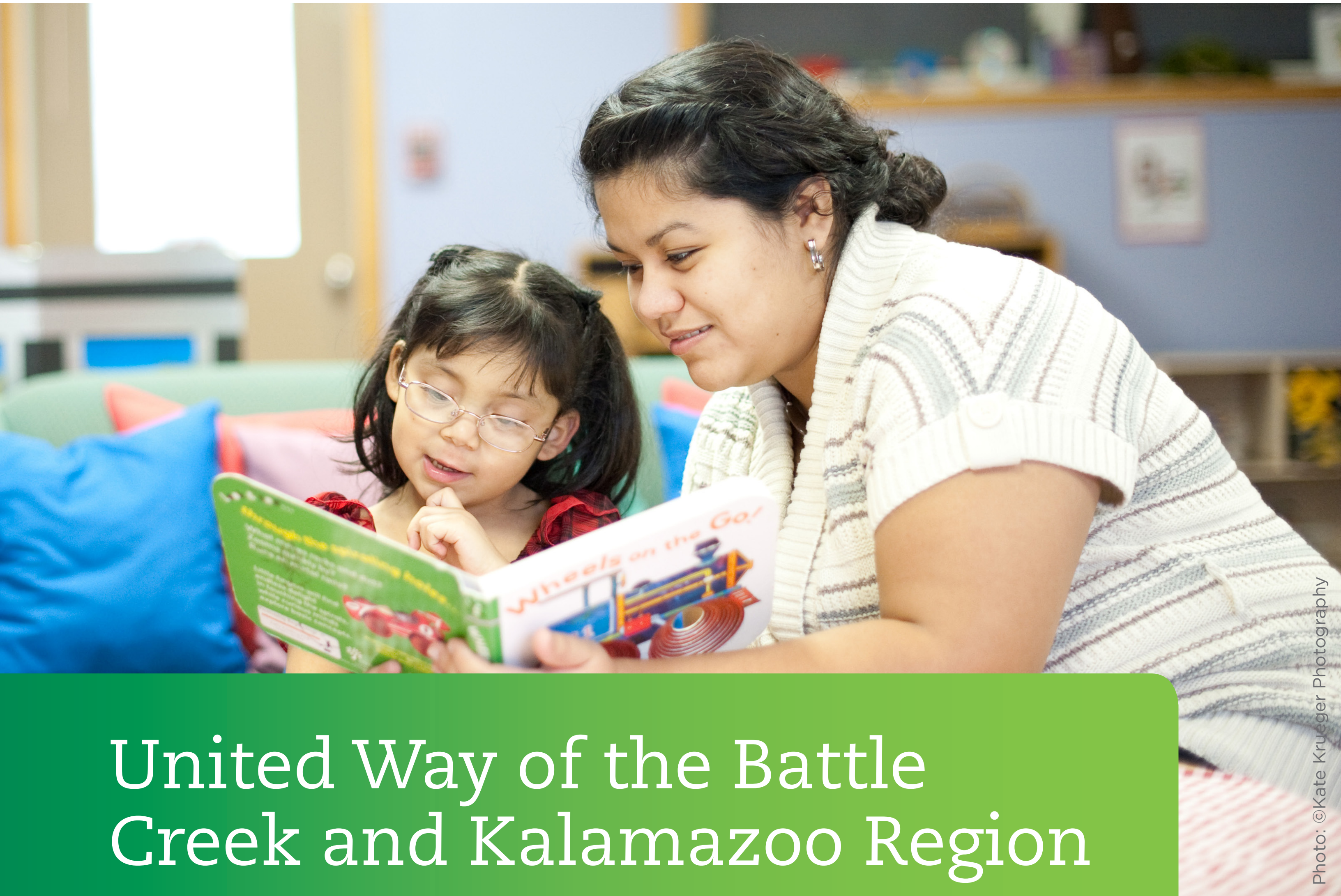

Photo: ©Kate Krueger Photography

United Way of the Battle Creek and Kalamazoo Region

Merging to Advance the Common Good in Southern Michigan

By Lois Savage, The Lodestar Foundation

Nonprofit Mergers That Made a Difference Case Collection

Collaborating to accelerate social impact

April 2014

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 the United Ways of Battle Creek and Kalamazoo shows how streamlining operations, if well planned and communicated, can lead to a stronger, more effective organization.

LIVE UNITED

United Way

United Way of the Battle Creek and Kalamazoo Region

changethestory.org

The Rationale: Savings ➔ Investments ➔ Regional Impact

In 2008, two pillars of southern Michigan, the Greater Kalamazoo United Way (KUW) and the United Way of Battle Creek (BC), were facing long-term challenges. Despite deep roots in their communities and ties to some of southern Michigan's largest companies, both organizations had experienced long-term fundraising declines, with large drops in individual donors and workplace campaigns, historically the largest source of funding. Meanwhile, demographic changes and commuting patterns rendered the geographic division between Kalamazoo and Battle Creek, only 27 miles apart, increasingly arbitrary. Although agencies across the United Way Worldwide (UWW) network had faced similar pressures in recent years—and there was even a UWW team available to assist with collaborations and mergers—few UWW mergers could serve as models for the network. The SeaChange-Lodestar Fund had been involved in two other United Way collaboration discussions but, after a considerable waste of time and money, both had failed. KUW and BC, however, saw opportunity in adversity. By merging to become the United Way of the Battle Creek and Kalamazoo Region (UWBCKR), they anticipated cost savings that could be invested in their programs and new fundraising personnel who could further boost revenues. These investments would provide the means for stronger outcomes and rigorous reporting, enabling the changes that donors and communities were clamoring for: greater accountability, transparency, efficiency, and regional impact.

Cover image: Determined to help her daughter Aracely realize her full potential, Fanny is taking an active role in her education through United Way-funded education programs.

The Catalyst: Leaders

Michael J. Larson, CEO of KUW, and Chris Sargent, president of BC, first met in 2008 to consider opportunities for collaboration. By 2011, they were tackling the subject in earnest. Their agencies held almost identical missions and priorities, and their communities increasingly connected on programs. Successful joint programs included a shared United Live billboard campaign and joint website. After several years of collaboration, both affiliates felt ready to explore a more formal partnership, led by men well acquainted with each other. Larson had served as president of BC for nine years, where he had worked closely with Sargent, who was then vice president of BC's resource development. Larson also knew well both the Battle Creek community and many of the BC board members. Sargent became BC's president when Larson transitioned to KUW. After the boards of both affiliates unanimously approved the merger in March 2012, they reconstituted the Larson-Sargent leadership team, naming Larson as CEO of UWBCKR and Sargent as COO.

The Challenges: Community-led Process, Transparency, Balanced Leadership

Both Larson and Sargent knew that a thoughtful process was critical to avoiding the pitfalls of other mergers. To this end, they created a task force, comprised of representatives from both boards and community leaders, to explore the proposed union's potential benefits and challenges with respect to financial, political, and partner/client service impact. First, the task force engaged La Piana Consulting to assist with the process of exploring how BC and KUW might collaborate more deeply. Once the boards decided to formally explore a merger, they also engaged Ken Euwama, vice president of membership accountability at UWW, who brought deep experience from his team's involvement in more than 10 other United Way consolidations. Euwama's database of UWW-wide performance provided benchmarks to estimate potential cost savings and revenue growth for the BC/KUW merger. From Euwama's perspective, the BC/KUW merger exploration process exhibited a number of best practices: proactive planning; early outreach and engagement with the community during the exploration phase; and excellent communication, including a temporary microsite. The merger established the second largest United Way in Michigan.

Integration Tactics: Board Combination, Program Triage and Investment, Regional Campaigns

Although KUW was considerably larger than BC, the new entity drew equally from each organization's leadership. Through careful planning, including drawing up organizational charts—both for day one of the merger and for three to five years out—Larson and Sargent expanded the organization's capacity by redeploying existing staff. They also minimized layoffs, letting go only one person whose job became redundant. The affected employee received advance warning and a severance package to give him time to redeploy. (Since the merger, a small number of other employees have naturally transitioned as well.) With similar care, the merger task force integrated UWBCKR's board. In the spirit of fairness and transparency, the task force laid out a set of criteria for board members—including functional or programmatic expertise, existing board engagement, participation in the merger task force, diversity, and representation from top corporate stakeholders—and drew equal numbers of board members from each of the merging organizations. Going forward, the number of board members will decline, keeping parity of representation a priority. With this structure, the merged organization could continue to represent the unique needs both of Battle Creek and Kalamazoo, while also addressing regional issues. Finally, UWBCKR took a measured approach to migrating fundraising. In the first two years of the merger, both Battle Creek and Kalamazoo maintained their separate campaign leadership, volunteers, and goals. But this year, UWBCKR will focus on one regional fundraising campaign integrating all communication and marketing activities.

Results: Fundraising Growth, Program Investment, Increased Volunteerism, and Knowledge

KUW and BC's careful planning and stakeholder support has paid off. UWBCKR's 2012 campaign exceeded its initial goal for contributions and increased over the previous year's combined gifts—bucking a United Way post-merger trend of declining support. In addition, UWBCKR has begun to redeploy cost savings from the merger ($100,000 annually, so far) toward investment in local and regional programs. The combined agency's brand is thriving. It's attracting more volunteers and more deeply engaging them. UWBCKR's merger may also pave the way for others. The team led by Euwama considers the transaction exemplary and plans to codify and share its lessons with other United Ways. In 2013, UWBCKR's fundraising declined slightly, largely due to layoffs and a restructuring by two leading corporate partners. "Had these campaign declines happened to the unmerged United Way organizations individually, they would have faced significant challenges," Larson observes. With the bulk of the transition process now complete, UWBCKR has begun to shift its attention to an initiative called United 4 Change, or U4C. It is a regional, business-led partnership connecting students to real people and real careers through mentorships, externships, and career fairs, inspiring young people to envision their futures. With increased capacity from the merger, Larson notes, "We're convinced that this initiative will pay even greater dividends across the region in the months and years to come."

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.

BOSTON
2 Copley Place, 7th Floor
Suite 3700B
Boston, MA 02116
Tel: 617 572-2833

NEW YORK
112 West 34th St., Ste. 1510
New York, NY 10120
Tel: 646 562-8900

SAN FRANCISCO
465 California St., 11th Fl.
San Francisco, CA 94104
Tel: 415 627-1100

www.bridgespan.org