PALETTE OF PARTNERS IN YOUR COMMUNITY

1. Arts Organizations

Theaters
Orchestras and other musical ensembles
Chamber Music Organizations
Performing arts centers
Concerts/recitals Series presenters
Dance companies
Film societies
Literary and Poetry societies
Museums and galleries
Arts Centers
Arts Education Programs (e.g., Young Audiences)
Arts Schools (University, community, etc.)
Choruses and glee clubs
Opera and light opera companies
Jazz organizations and/or clubs

2. Non arts organizations

Churches
YMCA/YWCA
Chamber of Commerce
Convention and Visitors Bureau
Schools (Universities, high schools, middle schools, elementary, pre-schools)
Urban League, Civic League, etc.
Ethnic Associations (e.g., Mexican-American Association, Italian-American Club)
Social service organizations
Hospitals
Health related associations (e.g., Red Cross, American Cancer Society, Heart Association, Breast Cancer Awareness, etc.)
Civic Clubs (Kiwanis, Lions, Elks, etc.)
Community Booster Clubs (e.g., neighborhood or towns)
Libraries
Senior Centers
Singles associations and clubs
PTAs
Government agencies (state, county, local)
Commercial associations (e.g, Realtors, Automobile Dealers, Dental, Physicians, Bar Association, etc.)
Labor unions
Financial institutions (banks, credit unions, brokerages, etc.)
Retail stores
Fast food
Beverage bottlers and distributors
Hotels and restaurants
Travel agencies
Hobby groups (e.g., Horseman's Association, Chess clubs, etc.)
Country clubs and resorts (golf)
55+ Senior Living Communities

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ASSESSMENT CHECKLIST PRIOR TO AN ALLIANCE

Self-Assessment

1. What do you wish to achieve by or from this alliance?
2. Can you maintain your focus on your mission with this alliance?
3. Do our staff and trustees have a common purpose and vision?
4. Do our leaders speak with one voice?
5. Are we in crisis? Are we doing this only because we are in crisis?
6. Are we risk takers?
7. Do we want to grow? Is this a characteristic of our "culture?"
8. Will our CEO lock horns over this alliance or welcome it?
9. Do we know others who have successfully formed alliances or merged? Can we call upon them to counsel and assist us?

Assessment of Prospective Partner(s)

1. Do we trust them? Personally and corporately?
2. Do we have some history of working together?
3. What do they bring to the alliance?

ARTISTIC
a) Exciting, compelling artistic vision
b) Proven, capable artistic team
c) Extraordinary relationships with artists and managers
FINANCIAL
d) Financially healthy
e) Endowment depth
f) Excellent physical assets (building, equipment)
ORGANIZATIONAL
g) Excellent management
h) Excellent fund raising team
i) Superb public profile; great reputation
j) Badly needed skills among their staff
k) Extreme dedication to mission and quality
PATRON BASE
l) Large client base (mailing list)
m) Solid core of donors (very little fickleness)
n) Solid subscription list
o) A clean list
PSYCHOLOGICAL
p) The collaboration will boost morale of both
q) The community will see both organizations in a better light
r) The boards will be re-energized

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Some Typical Alliance/Partnership Options

1. Collaboration

2. Strategic Alliance

   a. Informal (An agreement to work together)
   b. Formal (Partnership is formalized on paper; no corporate legal work required)

3. Asset Transfer

4. Consortia

   a. Consortium
   b. Federation

5. Joint-Venture

6. Parent-Subsidiary

7. Merger

   a. Consolidation
   b. Dissolution of one into the other
   c. Dissolution of both with the creation of a new entity

Typical Issues in Merger Negotiations

(Pages 88-89, Nonprofit mergers Workbook Part I by David la Piana)

Governance

What is the mission of the new organization?
What is our vision for the future? (How will things be better together?)
Who will be on the merged board of directors?
How many board members will there be?
Who will be the officers in the first year?
What committees will we have?
How will we legally structure the merger?
What will be the name and logo of the merged organization?
What will be the role of our advisory board?
What will be the effective date of the merger?

Financial

What accounting system will we use?
Is the other group in debt?
Will we need as many finance office staff?
Will we need new software or hardware?
How will our information system needs be met?
What do the audits tell us about the organization's financial health?
Is anyone suing the other group?
Do both groups have adequate insurance, especially directors and officers coverage?
What do our donors and funders think of the merger?
Is there overlap in our donors or funders?
What are the terms of our endowments relative to a merger or dissolution?

Human Resources

Who will be the executive director?
What will happen to the other senior staff?
How do our pay and benefits stack up against the other group's?
What personnel policies will we use?
How will we maintain staff morale throughout the process?
How will the presence of a union in one organization impact the other?
What roles will each manager play in the new structure?
Will anyone lose a job as a result of the merger; how will we handle severance?
Will the two staffs work together well?
For purposes of retirement vesting, will time worked in the other organization count?
Will our carefully protected "at will" employment status be weakened?
Will our staff still get a pay differential for being bilingual?

Capital

What will happen to our current office space when the lease is up?
Do we need additional space? Where will we put all those people?
What is the status of all properties occupied or controlled by each group?
Do we have too many copiers? If we merge, can we get out of some leases?
Which office will be headquarters?
How will we address the other organization's deferred maintenance needs?

Program

Will all of our programs still be offered?
Will we consolidate or close any program service sites?
Do we tend to agree in our approach to programming?
Can we do staff training jointly?
Will programs be improved or expanded as a result of the merger?

Communication

What should we tell our employees during the process?
Should we issue a press release to inform the public?
What opportunities for marketing will the merger create?
If we don't merge, how will we end the discussions without a public relations disaster?
If we don't merge, how do we know you won't use information against us?

Recommended Reading

Nonprofit Mergers Workbook Part I: The Leaders Guide to Considering, Negotiating, and Executing a Merger. David La Piana, updated edition 2008, Fieldstone Alliance

The Nonprofit Mergers Workbook Part II: Unifying the Organization after a Merger. David La Piana, 2004, Fieldstone Alliance.

Nonprofit Mergers: The Power of Successful Partnerships. Dan H. McCormick, 2003, Jones and Bartlett Publishers, Inc.

Strategic Restructuring for Nonprofit Organizations: Mergers, Integrations, and Alliances. Amelia Kohm and David La Piana, 2003, Praeger Publishers

The Complete Guide to Mergers and Acquisitions: Process Tools to Support M&A Integration at Every Level. Timothy J. Galpin and Mark Herndon, 2007, Jossey-Bass Business & Management Series, San Francisco, CA

The Power of Partnership: Seven Relationships that Will Change Your Life. Riane Eisler, 2002, New World Library, Novato, CA.

Collaboration: How Leaders Avoid the Traps, Create Unity, and Reap Big Results. Morten T. Hansen, 2009, Harvard Business School Publishing, Boston, MA.

The Culture of Collaboration. Evan Rosen, 2007, Red Ape Publishing

	Producing Theatre	Performing Arts Center	Dance Company
Operating Budget	$3,500,000	$10,000,000	$3,000,000
Earned Income	$1,700,000 (48.5%)	$ 7,000,000 (70.0%)	$2,300,000 (77%)
Contributed Income	$1,750,000 (50.0%)	$ 2,500,000 (25.0%)	$ 500,000 (16%)
Endowment Interest	$ 50,000 (1.5%)	$ 250,000 (2.5%)	$ 200,000 (7%)
Endowment	$1,000,000	$ 5,000,000	$4,000,000
Accumulated Deficit	$1,000,000	$ 2,500,000	$ 300,000
Debt	$ 500,000	$ 1,000,000	---
Audience	Slowly shrinking	Holding steady; mostly interested in mainstream	Poor due to bad dates offered by venue in which they perform
Donor Base	Loyal core, but unable to attract new donors	Slow but steady growth (donors come and go); however, they are $1.0m less than where they should be at annually.	Very small since their dance school revenues fund the company; as a result, there is only a 2-person development staff.
Artistic Quality	Average	Excellent	Excellent
Management	Average	Superior	Good, but not people friendly
Staff	Underpaid but very loyal	Understaffed, but excellent	DOD position is a revolving door
Community Profile	Positive, but not “a must see” venue in the community	Excellent performances with a strong education program	Good, primarily because of the dance school (parents)
Major Strength	Their brand is strong in the community	Strong variety of programming; good line of credit results in no cash flow problems	Excellent quality of performance
Major Problems	They have NO cash and spend all advance income as fast as they get it; this has affected their play choices (1-3 character plays)	They are undercapitalized which prevents real growth; Debt service is costly; Insufficient donor base	Lack of audience; Over-reliance on dance school to sustain the company; Insufficient donor base

	Art Museum	Symphony Orchestra	Chamber Music Association
Operating Budget	$4,000,000	$ 5,000,000	$ 400,000
Earned Income	$ 300,000 (7.5%)	$ 1,500,000 (30%)	$ 130,000 (32.5%)
Contributed Income	$1,200,000 (30%)	$ 3,000,000 (60%)	$ 270,000 (67.5%)
Endowment Interest	$2,400,000 (60%)	$ 200,000 (4%)	---
Endowment	$48,000,000	$ 4,000,000	$ 700,000
Accumulated Deficit	---	$ 800,000	$ ---
Debt	---	---	---
Audience	Very poor (120 average per day)	Good (80% capacity/20 concerts)	They have maxed out their community's potential audience
Donor Base	Loyal base, but their poor attendance is jeopardizing future grants	Struggling but losing ground as they cannot develop donors fast enough to keep up with growth	Loyal, but small donor base
Artistic Quality	Average	Good	Excellent
Management	Average	Good	Excellent
Staff	Average; very small education program	Excellent marketing team but not synergy with the fund raising staff	Insufficient staff to take on any education or community programs
Community Profile	Positive, but not compelling	Excellent; good press	Excellent
Major Strength	Sizeable endowment fund	Great audience base	Superb programming quality and solid finances for their size
Major Problems	They lack an audience and community involvement	They are unable to grow donors and are finding themselves tapping their endowment fund each year for $200-$400,000 (The fund has fallen from a high of $8.0 m to $4.0m)	They have dabbled in educational programming but cannot staff it sufficiently to maintain their high standards; They cannot grow because the audience is maxed out

	Arts Education Center	Arts Festival	YMCA
Operating Budget	$1,200,000	$ 1,600,000	$15,000,000
Earned Income	$ 400,000 (33%)	$ 300,000 (19%)	$ 7,500,000 (50%)
Contributed Income	$ 800,000 (67%)	$ 1,175,000 (73%)	$ 6,500,000 (43%)
Endowment Interest		$ 125,000 (8%)	$ 1,000,000 (7%)
Endowment	---	$ 2,500,000	$20,000,000
Accumulated Deficit	$ 100,000	---	$ ---
Debt	$ 50,000	---	---
Audience	Classes are filled to capacity	Declining each year	Huge sports/exercise audience
Donor Base	Unable to grow their programs due to their inability to raise money	Well funded by wide variety of sources	Well funded, large base of donors
Artistic Quality	Superior; wide appeal	Declining as artists are shying away from involvement	N/A
Management	Excellent administration but poor at fund raising	Excellent administration with NO artistic vision. This is an org. with no artistic input	Excellent, well managed in every department
Staff	Excellent teachers and staff	They can manage but not lead	Excellent but without arts experience
Community Profile	Excellent in immediate area but no effective PR in metro area	Held in high regard due to its good finances but losing its cachet	Very positive
Major Strength	Superb artist-teachers and Enrollment	Solid funding; high profile board	Large youth program; solid funding base; high profile board
Major Problems	No fund raising program. The Center is located in a poor neighborhood perceived to be dangerous and frightening donors. The City is funding it but cannot maintain its support due to dwindling resources.	Lack of artistic vision and direction resulting in shrinking audiences. The board is concerned over the hit and miss programming and is pushing for more programs to serve youth.	No operating problems. They are looking to move into arts education programming to add a new creative dimension to their work and better use their facilities. The board has a group seeking more creative outlets for youth.